NOTICE OF MEETING

There will be a meeting of the Finance and General Purposes Committee on Tuesday 16 September 2014, 0900-1000 hours in Room G10, Aberdeen City Campus.

MEMBERS OF THE BOARD OF MANAGEMENT
Mr. I Gossip (Chair)
Prof. J Harper
Ms. D Michie
Mr. K Milroy
Mr. D Rennie
Mr. A Smith
Mr. R Wallen

IN ATTENDANCE
Mr. R Scott, Vice Principal Finance
Ms. P May, Secretary to the Board of Management
Ms. P Kesson, Minute Secretary
Meeting of 16 September 2014

AGENDA

1. Apologies for Absence

2. Minute of Previous Meeting
   2.1. Meeting of 15 July 2014 (paper enclosed)

3. Matters arising from Minute of Previous Meeting
   3.1. To be raised at meeting

4. Report by the Principal (paper enclosed)

5. Matters for Discussion
   5.1. Reclassification (paper enclosed)
   5.2. Financial Systems (paper enclosed)
   5.3. Procurement (paper enclosed)
   5.4. Insurances (paper enclosed)
   5.5. Payment of Taxes (paper enclosed)

6. Summation of Business and Date and Time of Next Meeting

Reserved Item of Business

7. Matters for Discussion
   7.1. Financial Monitoring

8. Summation of Reserved Item of Business
Draft Minute of Meeting of 15 July 2014

The meeting commenced at 0900 hours.

PRESENT – I Gossip (Chair), D Michie, K Milroy, D Rennie, A Smith, R Wallen
IN ATTENDANCE – R Scott, P May, P Kesson

Mr Gossip welcomed Mr Rennie to his first meeting of the Committee.

Mr Cobban, Board Member and Vice Chair of the Finance and General Purposes Committee, had recently submitted his resignation from the Board and Mr Gossip paid tribute to Mr Cobban’s hard work and sage guidance during his time on the Board.

Ms Michie was unanimously appointed to the role of Vice Chair of the Committee.

1. Apologies for Absence
   Apologies were received from J Harper.

2. Minute of previous Meeting
   The Minute of Meeting held on 20 May 2014 was approved.

3. Matters arising from previous Meeting
   3.1 Estates Masterplan, Fraserburgh Campus
   Mr Scott confirmed that there had been no update from the Scottish Funding Council in relating to funding, but advised the Committee that the NES FE Foundation had agreed to support the project.

4. Report by the Principal
   The Committee noted a report providing information on audited financial statements for 2013-14; Scottish Funding Council Letter of Guidance; over-clad and re-roofing at Aberdeen City Campus; marketing of the site of the former Balgownie Centre; and catering and cleaning services at the various campuses.

   Mr Wallen informed the Committee that, following completion of works at the City Campus in October 2014, arrangements will be made for the building to be ‘re-dedicated’ in early 2015.

5. Matters for Discussion
   5.1 Reclassification
   The Committee considered a report providing information on matters related to the reclassification of colleges as central government bodies.

   Information was provided on the submission of cash flow forecast returns to the SFC; and insurance cover for the year to 31 July 2015.

   Mr Wallen said that he was still awaiting a response to a letter sent to the Scottish Government seeking clarification on commercial insurance. Mr Smith, on behalf of ASET, reiterated his concerns on this matter.

   The Committee noted the report.
5.2 Financial Systems
The Committee considered and noted a report providing information on work to implement unified financial systems for North East Scotland College.

Members expressed their thanks for the work undertaken by finance staff in ensuring the smooth transition across all campuses.

5.3 Procurement
The Committee noted a report providing information on recent procurement activities and changes to the regulatory framework for procurement.

Information was provided on recent contracts awarded; the Procurement Reform (Scotland) Act 2014; and impact of the Act on colleges.

Mr Scott commented that the introduction of the Act will increase bureaucracy and expose the College to greater risk. He likened the changes as being almost as significant as the effects of reclassification, and informed Members that additional staff would be required, together with the need for additional record-keeping.

Mr Milroy suggested that the Community Empowerment Bill may contain legislation that might mitigate some of the effects.

Mr Wallen provided further information on the refurbishment works at Fraserburgh Campus.

5.4 Financial Memorandum with the SFC
The Committee considered and noted the information provided on the new Financial Memorandum which the SFC intends to introduce from 01 August 2014.

Information was provided on the additional control and reporting requirements required; compliance with the Scottish Public Finance Manual; and the revision of the College’s Financial Regulations.

5.5 Leased Properties
The Committee noted a paper providing information on College accommodation rented to/from third parties.

Mr Milroy declared his interest in relation to the Apex Centre, Peterhead, by virtue of his role as Chief Executive of Aberdeen Foyer.

Mr Gossip, Mr Smith and Ms Michie declared their interest in relation to the Aberdeen City and Altens Campuses, by virtue of their role as Directors of ASET.

Mr Scott informed Members that the information provided on accommodation was the inherited position for the Board of North East Scotland College and had been taken into account in the development of an Estates Strategy for the merged College. He informed the Committee that no lease extensions or new leases would be entered into without Board approval.

Mr Wallen said that some remedial work would require to be undertaken at Macduff Learning Centre if the College was to continue to offer courses at the Centre.

5.6 Programme of Business – Academic Year 2014-15
The Committee noted and approved the outline programme of business for academic year 2014-15.

Mr Milroy submitted his apologies for the meeting of the Committee scheduled for 16 September 2014.
6. Matters for Decision

6.1 Project Governance, Estates Development, Fraserburgh Campus
The Committee considered matters related to the project to implement the masterplan for the development of the Fraserburgh Campus.

Information was provided on the appointment of professional advisers; guidance from central authorities; project governance; and proposed project timetable.

Members noted the information provided in the report and that the proposed governance arrangements had been effective for past projects.

The Committee adopted the proposed project governance arrangements and timetable for the project at the Fraserburgh Campus.

6.2 Review of Policies
The Committee undertook a review of a number of College policies.

After some discussion it was decided to:

- re-adopt the Delinquent Debt Policy.
- withdraw the Investment Policy as it is no longer required due to the new requirements of the FM and SPFM.

Mr Milroy commented that the Committee does have an interest in the arms-length Foundation and its Investment Policy and asked if there was a need for an arms-length Investment Policy. Mr Scott responded that he understood that the Foundation had adopted the Committee’s Investment Policy.

- re-adopt the Procurement Policy subject to the inclusion of the suggested minor amendments.

It was noted that the Policy will remain in place until new legislation comes into effect in 2015.

- re-adopt the Reserves Policy subject to the inclusion of the suggested amendments.
- re-adopt the Value for Money Policy.

It was agreed that the Policies would be reviewed in six months time.

6.3 Letting Charges
The Committee considered the level of charges for AY2014-15 for ad hoc let of College premises to third parties.

After some discussion it was decided that the charges should be increased by 4%.

7. Summation of Business and date and time of next Meeting
The Secretary gave a summation of the business conducted. The next meeting of the Finance and General Purposes Committee is scheduled to take place on Tuesday 16 September 2014 at 0900 hours.

Mr Rennie left the meeting at this time.
Additional Item
Reserved Item of Business

External Audit Report – Banff & Buchan College – 3 months to 31 October 2013

The meeting concluded at 0947 hours.
Report by the Principal

1. **Introduction**
   1.1. The purpose of this report is to provide information to the Committee.

2. **Former Banff and Buchan College, Audited Financial Statements, 2013-14**
   2.1. The external audit of the financial statements of Banff & Buchan College for the 3 months to 31 October 2013 has been completed and the results reported to the Audit Committee.

   2.2. The financial statements were adopted by the Board at its meeting on 23 June 2014. The external auditor’s report to those charged with governance was noted at that meeting.

   2.3. Since the last meetings of the Board and the Finance and General Purposes Committee, additional audit work has been undertaken by external and internal auditors to provide assurance on matters related to voluntary severance arrangements. Audit Scotland has issued an amended version of the external auditor’s report to those charged with governance, which takes into account the findings of that additional audit work. The report will be presented to the Audit Committee and the Board of Management at meetings on 16 September 2014.

   2.4. The auditor continues to express an ‘unqualified’ opinion on the financial statements.

3. **North East Scotland College, Audited Financial Statements, 2013-14**
   3.1. The external audit of the financial statements of North East Scotland College for the 8 months to 31 March 2014 has been completed and the results reported to the Audit Committee at its meeting on 15 July 2014.

   3.2. The financial statements will be presented for adoption by the Board at its meeting on 16 September 2014 together with the external auditor’s report to those charged with governance.

   3.3. The auditor has expressed an ‘unqualified’ opinion on the financial statements.

4. **College Budget**
   4.1. The College budget for 2014-15 is in the course of being revised. The outcome of that revision and a forward projection to 2015-16 will be presented to the meeting of the Committee scheduled to take place in November 2014.

5. **Financial reporting date**
   5.1. Central authorities are giving consideration to changing the financial reporting date for colleges from 31 March to 31 July. If this change were to take place, it would mean that the next set of audited financial statements for the College would be for the 16-month period 01 April 2014 to 31 July 2015.

   5.2. The reclassification of colleges means that colleges will continue to be required to prepare and report annual accounting statements, in the format required by the Scottish Government, at 31 March.

   5.3. In summary, colleges would be required to complete 2 different ‘financial year-ends’ were such an approach adopted.
6. Banking
6.1. The number of bank accounts operated by the College is being reduced. The consolidation of financial systems and the changes consequent upon reclassification of colleges have led to a reduced requirement for banking facilities. Some accounts have been closed; others will be closed in the next 3 months (to allow time for debtor payment arrangements to be transferred). By December 2014, the only College bank accounts will be the operating accounts with the Clydesdale Bank plc and an account with TSB plc, which is being held as part of contingency planning arrangements.

6.2. Mr. Frank Hughes, who left the College in July 2014, has been removed as a signatory on College bank accounts.

7. Over-clad and re-roof, Aberdeen City Campus
7.1. The project to over-clad and re-roof the Tower and East Blocks is now proceeding well. Some difficulties in the contractor’s performance were experienced over the summer student vacation period, however these were resolved and the planned programme of summer works was fulfilled by the time that students returned at the end of August 2014.

7.2. The contract is on schedule to achieve programme completion in October 2014, as planned originally. The project is forecast to remain within budget.

8. Recommendation
8.1. It is recommended that the Committee note the content of this report.

Rob Wallen
Principal
Reclassification

1. Introduction
   1.1. The purpose of this paper is to provide information to the Committee on matters related to the reclassification of colleges as central government bodies.

2. Financial Memorandum with the Scottish Funding Council
   2.1. In May 2014, the Scottish Funding Council (SFC) issued an addendum to its Financial Memorandum for colleges as a transitional arrangement pending the introduction of a revised Financial Memorandum on 1 August 2014. The purpose of the revised Financial Memorandum is to set out agreed delegated limits of authority for colleges and gives effect to the requirements of the Scottish Public Finance Manual (SPFM).

   2.2. The SFC has delayed the introduction of the revised Financial Memorandum. It is understood that discussions are taking place within central authorities on the possibility of relaxing some of the compliance requirements of the Financial Memorandum.

   2.3. In the meantime, the College is operating with Financial Regulations that are compliant with the extant version of the Financial Memorandum (as of 25 August 2014).

3. Scottish Funding Council Returns
   3.1. At the time of writing, monthly cash flow forecast returns have been submitted for the first 6 months of the year. It is indicative of the challenges facing the SFC that there have been 5 versions of cash flow forecast template in that period.

   3.2. It is understood that the Scottish Government official that has been seconded to the SFC to support transitional arrangements will finish his secondment in September 2014.

4. Insurance
   4.1. The SFC has confirmed that colleges are allowed to renew insurances on the expiry of current insurance cover and action is being taken to put the necessary insurance covers in place for the year to 31 July 2015. Information on the insurance arrangements for the College is presented for consideration elsewhere in the agenda for this meeting.

   4.2. It is expected that Colleges Scotland shall shortly complete the preparation of a business case in support of colleges carrying insurance as they do currently and that by the time of this meeting of the Finance and General Purposes Committee the Business Case will be with central authorities for consideration.

5. Proceeds of Property Sale
   5.1. The SFC and Scottish Government have provided the College with written assurances that the permissions given previously to the Board of Management regarding retention of sale proceeds continue to apply. (In May 2013, subsequent to the announcement of ‘reclassification’, senior officials of both bodies confirmed in writing that the Board of Management may sell the site – of the former Balgownie Centre and retain the proceeds of sale to fund estates development.)

   5.2. Officials of central authorities have been provided with information on the preferred offer received from prospective purchasers of the site and are working to find a mechanism within public accounting rules that allows senior officials’ assurances to be fulfilled.

6. Recommendation
   6.1. It is recommended that the Board note the information provided in this paper.
Financial Systems

1. Introduction
   1.1. The purpose of this report is to provide information to the Committee on work to implement unified financial systems for North East Scotland College.

2. Background
   2.1. At the meetings of the Board, Audit Committee and Finance and General Purposes Committee held since November 2013, reports have been presented on the progression of the project to create unified financial systems to meet the needs of the College.

   2.2. Information has been provided on project management structures established to achieve the successful delivery of project milestones that had been established to support the achievement of planned outcomes. Over time, more detail has been added to project timelines and the overall programme has matured generally.

3. Current Situation and Progress
   3.1. The unified financial system operated by the College, introduced on 01 April 2014, migrated successfully to the latest version of Sun Accounts on 01 June 2014. The financial system used by ASET migrated successfully to the latest version of Sun Accounts on 14 June 2014.

   3.2. Service standards for core finance functions are being met, for example those relating to: the ‘purchase to pay’ process; fee invoicing/collection; and treasury management. It has taken longer than planned to produce the ‘standard’ reports that are a necessary part of processes to produce management accounting information. These problems have been overcome and the required reports are now in place.

   3.3. The PECOS automated procurement system that was introduced across all College campuses continues to operate successfully and has integrated successfully with Sun Accounts.

   3.4. The unified student records system [Unit-e] has been introduced successfully and is operational at the start of the new academic year. Linkages have been established between the new version of Unit-e and Sun Accounts. As planned, further work is in hand to refine and bring more automation to those linkages.

   3.5. A unified payroll system – based upon Team Spirit software – has been introduced. Payrolls for the College and ASET are being processed successfully. The next phase of system development has begun. Work is being undertaken to consolidate the single payroll function and further drive down costs of operation.

4. Recommendation
   4.1. It is recommended that the Committee note the information provided in this report.

Rob Wallen    Roddy Scott
Principal    Vice Principal - Finance
Procurement

1. Introduction
   1.1. The purpose of this report is to provide information to the Committee on recent procurement activities.

2. Background
   2.1. At its meeting on 10 February 2014, the Board of Management considered matters relating to procurement and in particular the role of the (former) Contracts Committee.

   2.2. The Board decided that the Contracts Committee be dissolved and that, as part of the Board’s arrangements for effective governance and oversight, the results of procurement processes for the award of contracts over £50,000 in value shall be reported to the Finance and General Purposes Committee.

3. Contracts Awarded
   3.1. A number of contracts have been awarded since the last meeting of the Finance and General Purposes Committee. These are set out in the table below:

<table>
<thead>
<tr>
<th>Procurement</th>
<th>Contractor</th>
<th>Contract Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Motor Vehicle Lifts, Block D Workshop, Altens Campus</td>
<td>Tecalemit</td>
<td>£48,888</td>
</tr>
<tr>
<td>Buses for Student Transport</td>
<td>Watermill</td>
<td>£65,200</td>
</tr>
</tbody>
</table>

4. Current Procurements
   4.1. Competitive tender processes are underway to select professional advisors for the project to develop engineering technologies training facilities at the Fraserburgh Campus (the ‘Fraserburgh Masterplan’). These procurement processes are expected to be complete in early October 2014.

   4.2. A competitive tender process is underway to appoint a provider of internal audit services to the College for a period of up to 5 years. The procurement process, which is being undertaken using an established framework agreement, will be completed by the end of September 2014.

5. Recommendation
   5.1. It is recommended that the Committee note the content of this report.

Rob Wallen          Roddy Scott
Principal           Vice Principal - Finance
Insurances

1. Introduction
   1.1. The purpose of this report is to provide information to the Committee on the insurance arrangements established by North East Scotland College for the year to 31 July 2015.

2. Background
   2.1. The Board’s Financial Regulations provide for the establishment of appropriate insurance arrangements for all aspects of the College’s activities.

   2.2. Upon incorporation in 1993, Aberdeen and Banff & Buchan Colleges secured their insurance arrangements by using brokers to provide access to the insurance market. From 1999 to 2009 (in the case of Aberdeen College) and from 1999 to 2013 (in the case of Banff & Buchan College) insurance covers were placed directly with Zurich Municipal (ZM) without engaging the services of brokers.

   2.3. Aberdeen College became a member of Universities Mutual Assurance Limited (UMAL) in 2009 and Banff & Buchan College joined UMAL in 2013.

   2.4. UMAL is a ‘mutual’ organisation that was founded some years ago by a number of universities from across the United Kingdom. In 2008, UMAL decided to extend its activities to encourage membership applications from further education institutions across the UK.

   2.5. As a member of UMAL, the College pays what is known as a ‘member contribution’ for covers relating to non-statutory insurances. Statutory insurances such as motor vehicle and engineering inspection must be placed with recognised insurers and these are arranged by UMAL.

3. Covers
   3.1. The College’s insurance covers are subject to annual review, which is undertaken as part of the insurance renewal process.

   3.2. In summary, covers for 2014-15 are:

<table>
<thead>
<tr>
<th>Coverage</th>
<th>Limit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employers’ liability</td>
<td>£25,000,000</td>
</tr>
<tr>
<td>Public and product liability</td>
<td>£20,000,000</td>
</tr>
<tr>
<td>Property</td>
<td>All risks (building and contents declared value £164,167,000)</td>
</tr>
<tr>
<td>Professional indemnity</td>
<td>£5,000,000</td>
</tr>
<tr>
<td>Business interruption</td>
<td>£30,000,000 (limit of loss)</td>
</tr>
<tr>
<td>Governors’, Directors’ and Officers</td>
<td>Claims basis</td>
</tr>
<tr>
<td>Kidnap and ransom (ASET only)</td>
<td>£100,000</td>
</tr>
<tr>
<td>Travel and personal accident</td>
<td>£10,000,000 (medical)</td>
</tr>
<tr>
<td></td>
<td>£5,000,000 (personal liability)</td>
</tr>
<tr>
<td></td>
<td>other ‘standard’ travel covers</td>
</tr>
<tr>
<td>Hirers’ liability</td>
<td>£2,000,000</td>
</tr>
<tr>
<td>Engineering inspection</td>
<td>All declared equipment</td>
</tr>
<tr>
<td>Motor vehicle</td>
<td>Comprehensive (all declared vehicles)</td>
</tr>
<tr>
<td>Overall limit of loss</td>
<td>£400,000,000</td>
</tr>
</tbody>
</table>
4. Services and Costs
   4.1. The total cost to the College of insurance covers in 2014-15 is £121,260, which is inclusive of access to services such as: claims handling; risk management and advisory; loss adjuster; specialist contractors to support recovery; and general insurance advisory. The cost of these additional services is included in the ‘member contribution’ to UMAL. They are estimated to be £20,000.

   4.2. The costs of motor vehicle and engineering inspection insurances are £29,700.

   4.3. Therefore the estimated cost of all other insurance covers for 2014-15 is £71,560.

5. Recommendation
   5.1. It is recommended that the Committee note the information provided in this report.
Payment of Taxes

1. Introduction
   1.1. The purpose of this report is to provide information to the Committee on the payment of taxes and national insurance to Her Majesty’s Revenue and Customs (HMRC).

2. Background
   2.1. HMRC is responsible for the collection of a range of taxes. The Board of Management of North East Scotland College and the Board of Directors of Aberdeen Skills and Enterprise Training Ltd (ASET), the Board’s wholly owned subsidiary company, are responsible for ensuring that all taxes – such as Corporation Tax, PAYE, National Insurance and VAT – are paid at the correct time and in the correct amounts.

3. PAYE and National Insurance
   3.1. All year-end PAYE and National Insurance returns for the year to 05 April 2014 (tax year 2013-14) for North East Scotland College and ASET were submitted to HMRC by the due dates. The information is submitted electronically. HMRC systems have been developed in recent years and past difficulties, such as the loss of submitted data by HMRC, are not expected to recur. The total amount of deductions that North East Scotland, Aberdeen and Banff & Buchan Colleges paid over to HMRC for the tax year 2013-14 was £4,874,467. PAYE and National Insurance are paid over to HMRC monthly in accordance and within statutory deadlines. Payroll systems for the production and calculation of employee payments and deductions are subject to annual audit review.

4. Value Added Tax (VAT)
   4.1. European Union tax legislation defines the provision of education and vocational training by bodies such as North East Scotland College as an activity ‘exempt’ from VAT. Put simply, colleges must not charge VAT on ‘core’ activities nor can they recover VAT on these activities. The activities of ASET are not defined as ‘exempt’ and are subject to VAT.

   4.2. In 1994, the former HM Customs and Excise (now HMRC) established a ‘partial exemption agreement’ with Aberdeen College. The agreement set out the ‘method’ by which the College could recover some of the value added tax charged on its supplies – also known as ‘input VAT’.

   4.3. Aberdeen College and ASET were established as a ‘group’ for VAT purposes. The VAT group arrangement allows the College and ASET to transact business with each other without the need to charge VAT.

   4.4. The arrangements established for Aberdeen College continued following merger on 01 November 2013 and apply to North East Scotland College as they did to Aberdeen College. (This has been confirmed in writing by HMRC.)

   4.5. VAT is charged on non-fundable services that are obviously commercial, such as those sold by ASET, and on other services that are deemed to be ‘business’ such as sales in the College training restaurants or hair and beauty salons. VAT charged on goods and services purchased by the College in providing these services can be reclaimed.

   4.6. This arrangement allows the College to recover a proportion of the VAT that it pays on goods and services supplied to it.
4.7. Between 2000 and 2008, the former HM Customs and Excise acted to recover additional amounts of VAT from Aberdeen College by working within the ‘method’ agreed in 1994 to reduce the amount of VAT recovered. The rate of recovery has varied in recent years in the range of 21% to 26%. It is understood that HM Revenue and Customs consider 5% to be the ‘normal’ rate of recovery.

4.8. VAT returns are submitted quarterly. As a result of recategorisation, the timing of these returns has been changed to match calendar quarters. As with PAYE and National Insurance returns, these are submitted electronically. At the end of the academic year (31 July), the annual output position is calculated and the resultant year-end adjustment to VAT payments is processed by HMRC by the end of September. The year-end adjustment is then taken into account in preparing the financial statements at the subsequent financial year end.

4.9. The change in financial reporting date from 31 July to 31 March has given rise to a timing difference that means that the annual VAT adjustment is no longer taken into account in the year that it arises; it is now recognised in the audited financial statements prepared subsequent to the academic year end. By way of illustration, the annual adjustment for the year to 31 July 2014 is recognised in the financial statements for the year to 31 March 2015.

4.10. In the last academic year (2013-14) North East Scotland College and ASET collected output VAT of £820,000 (primarily on the sales made by ASET), which was offset by the recovery of £1,209,000 input VAT (a recovery rate of 38%). The College was unable to recover input tax of £1,960,000; this is a cost to be met from the College budget.

5. Corporation Tax

5.1. The Board of Management of North East Scotland College is recognised as a charity for tax purposes. The activities of ASET are subject to Corporation Tax. The Memorandum of Understanding between the College and ASET requires ASET to pass its profits to the College by the tax efficient means of Gift Aid. This approach reduces the amount of Corporation Tax payable by ASET to zero. The Company’s external auditor undertakes ASET’s corporation tax computations.

6. Recommendation

6.1. It is recommended that the Committee note the information provided in this report.

Rob Wallen    Roddy Scott
Principal    Vice Principal - Finance