

## Finance & Resources Committee

### Minutes

**Meeting reference:** F&R2023-24/02

**Date:** Thursday 07 December 2023 at 5.00pm

**Location:** Boardroom (Braham Room 019)

**Members present:** Michael Buchanan, Chair, Finance & Resources Committee  
Andrew Comrie, Board Member  
Graham Watson, Chair, Board of Management  
Margaret Cook, Principal  
John Dare, Staff Board Member  
Rebecca Bond, Student Board Member

**In attendance:** Debbie McIlwraith Cameron, Member of Audit Committee (from Item 11)  
Derek Waugh, Member of Audit Committee (from Item 11)  
Alistair Wylie, Member of Audit Committee (from Item 11)  
Patrick O'Donnell, Member of Audit Committee (from Item 11)  
Fiona Smith, Member of Audit Committee (from Item 11)  
Lorenz Cairns, Depute Principal  
Veronica Lynch, Vice Principal (External)  
Iain Wishart, Vice Principal (Operations)  
Henry Nicholson, Head of Accounts  
Ian McCartney, Clerk to the Board  
Thomas Rotherham, Deloitte, External Auditor (from Item 11)  
David Archibald, Henderson Loggie, Internal Auditor (from Item 11)

**Apologies:** Jenni Harrison, Board Member

**Chair:** **Michael Buchanan**

**Minute Taker:** Ian McCartney

**Quorum:** 4

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**We will act with integrity in everything we do**

**Student Centred + Innovative + Ambitious + Respectful + Inclusive + Collaborative**

## MINUTES

Item		Action
1.	<p><b>Welcome and Apologies</b></p> <p>Chair welcomed everyone to the meeting and noted apologies.</p>	
2.	<p><b>Additions to the Agenda</b></p> <p>None</p>	
3.	<p><b>Declaration of Conflict of Interest in any Agenda Item</b></p> <p>John Dare declared interest due to undertakings around his Unison role.</p>	
4.	<p><b>Minutes of Meeting of Finance &amp; Resources Committee, 28 September 2023</b></p> <p>The minutes were approved as a true and accurate record of the meeting.</p>	
5.	<p><b>Matters Arising from previous minutes</b></p> <p><b><u>5: Matters Arising – Risk Appetite</u></b></p> <p><b>Action:</b> Item will be raised at next Board Meeting</p> <p><b>Action Update:</b> Item had been deferred, however is noted within Paper 2</p> <p><b><u>9.1 – Estates Update</u></b></p> <p><b>Action:</b> Paper on Estates &amp; Sustainability to be tabled at next meeting</p> <p><b>Action Update:</b> Deferred to Cycle 3</p>	
6.1	<p><b>Perth College Financial Update: Year to 31 October 2023 &amp; Financial Outlook</b></p> <p>Vice Principal (Operations) summarised Paper 2, noting that the paper was comprised of the Quarter 1 Management Accounts 2023/24, plus the Financial Outlook through 2024/25. Vice Principal (Operations) noted that there was no 2023/24 budget presented due to the ongoing reorganisation process.</p> <p>Vice Principal (Operations) advised that the Year to Date figures were tracking against last year’s numbers and against the Mid-Case forecast, that full funding for FE and 1600 HE FTEs remained</p>	

the prediction for the year, and that there was no provision for clawback in 2023/24.

Chair (Board) queried how Vice Principal (Operations) was managing the business with no budget. Vice Principal (Operations) advised that income was being clearly tracked, and that all expenditure requires approval. Vice Principal (Operations) further advised that staff costs drive non-staff costs, with £380k being saved through leavers this year, however accrued pay increases and Voluntary Severance provisions make the position worse than may have been expected.

Board Member queried how part-time staff agreements work with regards to the expenditure approval processes in place. Vice Principal (Operations) reported this was being managed via SMT, linked to a full-year plan by area – this is how it is known that part-time staff costs are down, as would be expected given lower HE numbers.

Vice Principal (Operations) advised that non-staff costs were down £187k, however there had been no expected reduction in utility costs despite these being on government contracts, so this area needs further investigation.

Vice Principal (Operations) reported that cash levels are still in line with Mid-Case forecasts, and that the first model on the final page of Paper 2 shows projection point where cash runs out; based on the assumption that the National Bargaining settlement comes in at April 2024, this would effectively put the college into an overdrawn position if no other interventions were made. Vice Principal (Operations) advised that SFC only allow a certain amount of draw-down halfway through a financial year.

Vice Principal (Operations) then noted that the second model on the final page of Paper 2 shows the impact of a £2m loan taken in April 2024, with £1.5m paid back in Feb 2025 and the remainder in July 2025, which would allow the college to function without a negative cash position.

Chair (Board) queried when the college would start accruing the benefit of savings being made. Vice Principal (Operations) advised that savings of approx. £200k savings per month would kick in from August 2024.

Chair (Board) queried whether figures presented showed any income growth. Vice Principal (Operations) advised that only real income built into the model relates to a £500k projected uplift in International income, as Flat Cash would preside in other funding areas.

Chair queried the likelihood of receiving a £200k loan per the second model presented. Principal advised that a meeting of UHI

<p>and Academic Partners with SFC was due to take place next week to discuss key funding issues, however UHI had made it clear that they will not loan funds to colleges therefore it will be up to SFC to deliver.</p> <p>Chair asked whether there was any precedent for SFC loaning funds to individual colleges? Principal advised that some colleges had already received loans, but as the issue affects the entire sector it is clear that Perth will not be only college seeking to draw down cash, and public finances in Scotland currently look very limited in scope. Principal further advised that UHI have in the past allowed other academic partners to draw down cash mid-year.</p> <p>Chair (Board) advised that SFC seem confident that early provision of funds for UHI would be achievable, and indications are that UHI are expecting them to reach a decision on this by the end of January 2024, however it seems hard to see where this money is coming from given the current state of public purses.</p> <p>Chair queried whether there was any likelihood of SFC giving the decision around UHI colleges back to UHI? Chair (Board) suggested that giving UHI funds to fix problems among academic partners is one thing, but money is also required for other parts of the organisation.</p> <p>Chair queried whether Perth was able to approach SFC directly for funds. Principal noted that funding for the college has to be routed via the Regional Strategic Body. Principal will report on outcomes of meeting with SFC and other Academic Partners next week at the Board meeting on 14<sup>th</sup> December.</p> <p>Board Member wondered whether it was worth reviewing the profiling of other incomes, eg International? Vice Principal (Operations) responded that he had spoken to the International, Business Development and Academic teams re invoicing timetables, and also uses historic data as guidance. Vice Principal (External) added that Apprenticeships is a real focus on one of the Project Workstreams, and income processing will be looked at as part of this work.</p> <p>Chair (Board) queried whether there were any signs of agreement with the Unions. Principal advised that the employers had provided a full and final settlement offer, however Unison had been mandated to pursue industrial action, and EIS have balloted for industrial action and Action Short Of Strike, with the proposed period of action including end of year marking. Principal further advised that the regulations allow for deferment of any salary increases if these are not affordable.</p> <p>Chair asked whether it would be necessary to revisit staff costs if offer continues to be rejected. Vice Principal (Operations) advised that any delay beyond that modelled would mean the pay</p>	<p>Principal</p>
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	<p>settlement coming in later and higher. For context, Vice Principal (Operations) advised that modelling showed that every 1% increase in pay award resulted in a £150k increase in costs. Principal noted that the current issue had never fully crystallised in this manner within the sector before as the government has always stepped in to ensure funding was allocated in a timely manner. Principal assured Board that the College Employers were keen to reach a settlement that would allow staff to be paid their outstanding salary increases as a matter of urgency.</p> <p>Chair (Board) stressed need to examine every possible opportunity between now and April to ensure cashflow is managed.</p> <p>Committee <b>noted</b> Paper 2.</p>	
<b>7.1</b>	<p><b>Estates Update</b></p> <p>Committee <b>noted</b> Paper 3.</p>	
<b>8.1</b>	<p><b>HR Update</b></p> <p>Committee <b>noted</b> Paper 4.</p> <p>Chair (Board) queried progress around HR/Payroll Procurement. Principal noted that APUC were progressing with the framework for this work, and are looking to conclude by the end of January. Principal advised that the system would be shared by 4 colleges.</p>	
<b>9</b>	<p><b>Committee Meetings</b></p> <p>The following Committee Minutes were <b>noted</b>:</p> <ul style="list-style-type: none"> <li>• EDIT Committee, 14 September 2023</li> <li>• Joint JNC Consultation, 31 August 2023</li> <li>• Staff Engagement Group, 28 September 2023</li> </ul>	
<b>10.</b>	<p><b>Review of Meeting</b></p> <p>Committee confirmed that the meeting had been conducted in line with its Terms of Reference.</p>	

<p><b>11.</b></p>	<p><b>Joint Welcome and Apologies</b></p> <p>At this stage, Committee held a joint meeting with Audit Committee to review Annual Statements and Audit Reports relating to FY 2022/23.</p> <p>Chair (Finance &amp; Resources) welcomed members of Audit Committee to proceedings, and noted apologies.</p> <p>Members presented noted apologies were received from Jim Crooks, Chair (Audit), and Derek Waugh would be deputising as Chair for Audit Committee proceedings.</p>	
<p><b>12.</b></p>	<p><b>Declaration of Conflict of Interest in any Agenda Item</b></p> <p>John Dare declared interest due to undertakings around his Unison role.</p>	
<p><b>13. &amp;</b></p> <p><b>14.</b></p>	<p><b>Draft Perth College Group Report &amp; Financial Statements for the Year ended 31 July 2023 &amp;</b></p> <p><b>Draft External Audit Annual Report 2022-23</b></p> <p>Chair (Finance &amp; Resources) noted absence of Papers 7, 8 and 10, and invited External Auditors (Deloitte) to provide a verbal update in explanation.</p> <p>External Auditor advised that, while audit testing was a significantly advance, the audit was not yet at a stage to be approved. External Auditor reported that capacity restraints within the audit team had been central to the delays encountered, and that Audit Scotland had reinforced this position had been encountered by other auditors.</p> <p>External Auditor further advised that there were no concerns surrounding the 4 identified areas of Significant Risk.</p> <p>External Auditor noted that the statutory reporting deadline of 31<sup>st</sup> December would be missed, however the audit will be concluded and ready to be signed off by the end of January 2024.</p> <p>Chair (Board) queried whether Audit Scotland were comfortable with the proposed amended timeline. External Auditor confirmed this was the case. Vice Principal (Operations) noted that UHI, as Regional Strategic Body, had also been advised.</p> <p>Principal noted that all UHI Assigned Colleges were in the same position as UHI Perth, and expressed disappointment that the External Auditor had not been able to deliver on time. Principal highlighted that External Auditor had not fulfilled a contractual</p>	

obligation in not delivering the audit on time.

Deputy Principal queried whether the capacity issues were foreseen or unforeseen. External Auditor advised that there was a bit of both at play in that there is a national shortage of qualified auditors meaning Deloitte's had also struggled to get the right people in the right place, which was exacerbated by staff sickness.

Depute Principal asked why External Auditor bid for work with foreseen staff issues. External Auditor advised that it had taken longer than expected to address these issues.

Board Member asked whether all resources required to complete the audit were now in place to support External Auditor's confidence to deliver on revised timetable. External Auditor advised that there should be ample resources in place to deliver per the revised timescales.

Board Member queried whether there were any ramifications on the UHI Perth audit being submitted late. External Auditor advised that there would be no financial ramifications, however there is a need for all appropriate bodies to be informed.

Chair (Board) requested that External Auditor provide guarantee that there is no apportionable blame to UHI Perth for the lateness of the audit. External Auditor responded that there had been some identified data issues that were the responsibility of UHI Perth that had caused some delay. Head of Finance challenged this position, noting that the External Auditor had asked for breakdowns which had previously been provided 2 months prior, and had been asking questions that previous auditors would have known from data provided.

Chair (Board) stressed that there needs to be a clear statement provided to SFC which clarifies that the lateness of the audit was predominantly or completely outwith UHI Perth's control, and a form of words would need to be agreed for this. External Auditor advised that it is the Regional Strategic Body that reports to the SFC, not the External Auditor.

Vice Principal (Operations) advised that an email had been received from UHI Executive Office indicating that, as all assigned colleges were affected by a delay, reporting of each delay should be notified directly to SFC by affected academic partners, while recognising that a follow-up in writing may be required.

Chair (Board) asked the External Auditor's opinion regarding Going Concern, as this is felt by the Board to be the biggest risk. External Auditor advised that Going Concern had not been deemed a Significant Risk as defined by Practice Note 10 – Continuation of Service, the application of which goes beyond a college's cashflow.

	<p>Chair (Board) noted that there was no guarantee from SFC regarding funding for future years therefore how can the UHI Perth Board sign off on Going Concern. External Auditor responded that Continuation of Service extends to 12 months after the end of the audit period and is the accounting standard applied as required by Audit Scotland.</p> <p>Chair (Board) queried that if Board concluded there was material uncertainty around Going Concern, would External Auditor sign off on this? External Auditor was unable to comment on such a position at this stage.</p> <p>Chair (Board) noted that Directors, have a responsibility to only sign-off accounts that the Board is comfortable with. Chair (Board) further noted that historic sign-off is understandable, but it seems strange not to review this position given the current situation regarding the sector and wider public funding.</p> <p>Chair (Board) requested that the discussion around Going Concern be factored into discussion when audit is prepared for approval during January. External Auditor would reflect on ability to operate within the funding environment, however noted that accruals and prepayments were separate to any Going Concern assumptions.</p> <p>Board Member queried what next steps would be. Vice Principal (Operations) advised that an Extraordinary Meeting of Board would be required, and it is hoped that this could be tied in with another meeting around UHI Target Operating Model which may fall at around the same time. Clerk to co-ordinate dates to schedule these meetings asap.</p>	Clerk
15.	<p><b>Draft Internal Audit Annual Report 2022-23</b></p> <p>Internal Auditor presented Paper 9, noting that audit processes were independent and compliant with standards.</p> <p>Internal Auditor highlighted the summary table contained within the Audit Report, and noted that report 2023/08 was not graded as this was a business process.</p> <p>Internal Auditor advised that, while there were a number of outstanding recommendations and actions, most of these were inter-related and therefore had been treated as a single issue and as such had been deemed to have no caveat on the overall audit position.</p> <p>Internal Auditor provided an uncaveated opinion with regard to Risk Management, Controls and Governance, and noted no concerns with regard to outputs,</p> <p>Chair (Board) noted contrast in nature of the Audit Report</p>	



	<p>compared to three years ago, and recorded tremendous credit to the management team in the turnaround to achieve such a positive assessment.</p> <p>Chair noted that the Draft Plan for 2023/24 was tabled for Audit Committee to consider within its normal business.</p> <p>The Draft Internal Audit Annual Report 2022-23 was <b>ENDORSED</b>, and would be presented to Board for approval.</p>	
<b>16.</b>	<p><b>Draft Audit Committee Annual Report to the Board of Management</b> - Item deferred to Extraordinary Board meeting, 01 February 2024.</p>	
<b>17.</b>	<p><b>Code of Good Governance Compliance Checklist</b></p> <p>Clerk presented Paper 11, noting that the paper presents the approved checklist of items of assurance required to meet Code of Good Governance, together with summary of current compliance levels.</p> <p>Clerk advised that of the 83 items listed for compliance, 82 have been assessed as “Effective”, with one item (C27 – Staff Governance Standard) assessed as “Partial”. Clerk further advised that, since this paper had been issued, a meeting between management and trade unions had taken place which had signed off on progress against the Staff Governance Standard, and this could now be assessed as “Effective”.</p> <p>Student Board Member queried item B7 in relation to the 5-year review of the Students’ Association. Clerk advised that this was assessed as “Effective” as UHI were responsible for conducting a 5-year review with HISA at a regional level and assigned colleges within the partnership do not have a dedicated students’ association, however it had been identified that some local input into this process would be beneficial, and how this would be delivered was currently under review.</p> <p>Internal Auditor noted that not all colleges provide this level of self-evaluation of compliance against the Code of Good Governance, and support the level of scrutiny being given to this area.</p> <p>Committee <b>APPROVED</b> Paper 11, noting the revisions provided within the update.</p>	
<b>18.</b>	<p><b>Date &amp; Time of Next Meeting</b></p> <ul style="list-style-type: none"> <li>• <b>Tuesday 07 March 2024</b></li> </ul> <p>Clerk noted that this meeting would include a joint meeting with Strategic Development Committee.</p>	

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Notes taken to help record minutes are also subject to Freedom of Information requests, and should be destroyed as soon as minutes are approved.

**Status of Minutes – Open**

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes about living individuals, under the terms of the Data Protection Act 2018. It is important that fact, rather than opinion, is recorded.

Do the minutes contain items which may be contentious under the terms of the Data Protection Act 2018?      **Yes**       **No**