NOTICE OF MEETING

A meeting of the Board of Management will take place on Monday 10 February 2014 in Gate 63 (Training Restaurant) at Aberdeen City Campus.

The Board Meeting will follow the Annual General Meetings of Aberdeen Skills and Enterprise Training Limited (ASET) and Clienterly Estates Limited, the first of which will begin at 1300hours.

A buffet lunch will be available for attendees from 1215hours in Room EG11.

MEMBERS OF THE BOARD OF MANAGEMENT
Ms. A Bell
Mr. D Cobban
Ms. S Cormack
Mr. B Dunn
Mr. D Duthie
Mr. I Gossip
Prof. J Harper
Ms. C Inglis
Mr. J McKendrick
Ms. D Michie
Mr. K Milroy (Chair)
Prof. M Melvin
Ms. A Simpson
Mr. A Smith
Mr. R Wallen
Mr. R Woods

OTHER INVITED PARTICIPANTS
Mr. B Cruickshank
Ms. J Fowlie
Ms. K Hilton
Mr. K Sime

IN ATTENDANCE
Mr. R Scott, Vice Principal Finance
Mr. P Sherrington, Depute Principal
Ms. P May, Secretary to the Board of Management
Ms. P Kesson, Minute Secretary
Meeting of 10 February 2014

Agenda

1 Apologies for absence

2 Minutes of previous meeting
   2.1 Minute of the meeting of 09 December 2013 (paper enclosed)

3 Matter arising from previous meeting

4 Report to the Board by the Principal

5 Reports by Chair and Convenors
   5.1 Meetings of Standing and Ad Hoc Committees (paper enclosed)

6 Matters for decision
   6.1 Aberdeen Skills & Enterprise Training Limited - Memorandum of Understanding (paper enclosed)
   6.2 North East Scotland College Students’ Association Constitution (paper enclosed)
   6.3 The Role of the Contracts Committee (paper enclosed)

7 Matters for discussion
   7.1 Report by Investment and Project Committee (paper enclosed)
   7.2 Internal Audit Programme, 8 months to 31 March 2014 (paper enclosed)
   7.3 ONS Reclassification (paper enclosed)
   7.4 Post-merger Monitoring Arrangements (paper enclosed)
   7.5 New Arrangements for Simplification of Activity Measurement and Prices (paper enclosed)
   7.6 Update on Bids for European Funding (paper enclosed)
   7.7 Indicative Funding Decisions AY2014-15 (paper enclosed)
   7.8 Update on Implementing the Post-16 Education (Scotland) Act 2013 (paper enclosed)

8 Summation of Business and Date of Next Meeting

Reserved items of business

9 Matters for discussion
   9.1 Meetings of Standing and Ad Hoc Committees – Reserved Items of Business
   9.2 Aberdeen Skills & Enterprise Training Limited – Report by Nominated Officer
   9.3 Aberdeen Skills & Enterprise Training Limited – Report by Chair
   9.4 College Cost+ and Commercial Activity (other than ASET)

10 Summation of Reserved Items of Business
Draft Minute of Meeting of 09 December 2013

The meeting commenced at 1330 hours.

PRESENT – A Bell, D Cobban, S Cormack, D Duthie, I Gossip, J Harper, C Inglis, K Milroy (Chair), A Simpson, A Smith, R Wallen, R Woods

IN ATTENDANCE – B Cruickshank, K Hilton, K Sime, J Davidson (Education Scotland), R Scott, P Sherrington, P May, P Kesson

1. Apologies for Absence
Apologies were received from B Dunn, M Melvin, D Michie, J McKendrick.

2. Minute of previous Meeting
The Minute of Meeting held on 04 November 2013 was approved.

3. Matters arising from previous Meeting
There were no matters arising.

4. Matters for Decision
   4.1 Annual Report by the Audit Committee to the Board of Management FY2012-13 – Banff & Buchan College
Members considered and adopted the Annual Report for the financial year to 31 July 2013 presented by the Audit Committee in respect of the former Banff & Buchan College.

   4.2 Auditor's Report and Financial Statements for Banff & Buchan College – year to 31 July 2013
Members considered the draft financial statements of the Board of Management of the former Banff & Buchan College for the 12 months to 31 July 2013, together with the associated commentary and glossary of terms, the annual audit report presented by Audit Scotland, and the letter of representation sought by Audit Scotland.

   Mr Scott presented apologies from Ms MacDonald, Audit Scotland, who had been unable to attend the meeting. Ms MacDonald had indicated she would be willing to meet Board Members at a later date if they so wished.

   Members noted that the draft financial statements had been considered and approved by the Audit Committee at its meeting in November 2013, and recommended to the Board of Management for approval at its meeting in December 2013.

   The Board noted the report presented by Audit Scotland, and considered and approved the Financial Statements for the year to 31 July 2013.

   4.3 Auditor's Report and financial Statements for Aberdeen College – year to 31 July 2013
Members considered the draft Financial Statements of the Board of Management of the former Aberdeen College for the 12 months to 31 July 2013, together with the associated commentary and glossary of terms, the annual audit report presented by Audit Scotland, and the letter of representation sought by Audit Scotland.

   Members noted that the draft financial statements had been considered and reviewed by the Audit Committee at its meeting in November 2013, and recommended to the Board of Management for approval at its meeting in December 2013.

   The Board noted the report presented by Audit Scotland, and considered and approved the Financial Statements for the year to 31 July 2013.
4.4 Internal Audit Service for the 8 months to 31 March 2014
The Board considered the provision of an internal audit service in the current financial reporting period.

The Board agreed with the recommendation made by the Audit Committee at its meeting on 26 November 2013 that Wylie and Bisset be appointed as internal audit service provider to North East Scotland College for the financial reporting period of 8 months to 31 March 2014.

5. Matters for Discussion
5.1 Report of Annual Engagement Visit to Banff & Buchan College
The Board considered the report of the Education Scotland Annual Engagement visit to Banff & Buchan College held in October 2013. Members were informed that the visit had taken place at the request of the College following actions taken to address the key issues raised in the Review Report. Mr Milroy invited Janet Davidson, HMI, to speak to Members.

Dr Davidson gave a presentation on the key issues and actions taken to address them. She explained the difference between the terms ‘effectiveness’ and ‘confidence’. Dr Davidson said that the action plan had been fully implemented and showed a very positive picture.

She congratulated Mr Sherrington and his staff for completing the action plan in a shorter period of time than would normally have been expected. Ms Bell and Ms Simpson echoed Dr Davidson’s comments.

Mr Harper requested that the Board’s congratulations be passed to staff of the former Banff & Buchan College.

Principal Wallen commented that it was very pleasing to note the endorsement of the work that had been carried out at Banff & Buchan College to address the action points.

Mr Milroy thanked Dr Davidson for her presentation and she left the meeting at this time.

5.2 Banff & Buchan College Annual Quality and one Year On Post-Education Scotland Review Report
The Board considered the Banff & Buchan College Quality and One Year On Post Education Scotland Review Report.

Members were informed that the two reports had been combined in order to avoid unnecessary repetition. Members noted that the Scottish Funding Council (SFC) had subsequently indicated that the ‘One Year On’ report would no longer be required.

Mr Milroy commented that the report showed the detail that is embedded in the organisation.

The Board approved the Banff & Buchan College Annual Quality and One Year On Post Education Scotland Review Report and it was decided that the document would be sent to the SFC as originally proposed.
5.3 Governance Manual
The Board considered the Governance Manual for the College. Members noted that the Manual had been adopted at the Board meeting on 04 November 2013 subject to minor amendments. Following a meeting of the Audit Committee on 26 November a further minor change was proposed.

After some discussion the Board approved the Governance Manual subject to amendment of the terms of reference of the Audit Committee.

5.4 Draft Outcome Agreement 2014-17
The Board considered and noted work in progress in relation to the draft Outcome Agreement for 2014-17.

Mr Sherrington provided additional information in relation to the Outcome Progress Table.

Members noted that further discussion on the Outcome Agreement would take place at the Board’s Planning Event in January 2014.

Board Members were asked to forward any comments on the document to Mr Sherrington by 06 January 2014.

5.5 Board of Management Planning Event
The Board considered the proposed programme for its forthcoming Planning Event.

After some discussion the Board agreed the programme subject to the following amendments:

- Session 1, bullet point 4 to read ‘Skills and training linked to welfare reform post referendum’;
- Presentation on non-ASET commercial activity to be moved from Session 4 to Session 3;
- Removal of Session 4 – Commercial Activity.

5.6 North East Scotland College Students’ Association Draft Constitution
The Board considered the draft constitution for a single Students’ Association for the College.

Members discussed the draft constitution and appendices which had been prepared by the two currently separate Students’ Associations for the former Aberdeen and Banff & Buchan Colleges.

The Board decided that it was not appropriate for it to be involved in matters of interpretation and requested that section 21.4 be removed.

Mr Gossip indicated that he wished to raise several points in relation to the document. Due to constraints of time he was requested to forward his comments to Principal Wallen for consideration. The draft constitution would then be submitted to the College’s legal advisers to ensure it is compliant with legislation.
5.7 **Update on Potential Development related to European Funding**

The Board noted a paper providing details on recent opportunities relating to European Funding.

Information was provided on a bid being prepared by the Funding Council to recycle underspends on European Structural Funds which would entail the College delivering an addition 4,600 wSUMS; and the work of the West of Scotland Colleges’ Partnership (WoSCoP) in assisting member colleges in identifying, accessing and managing grant funding from the European Union and other sources.

Information was also provided on the risks and opportunities associated with the College accepting additional wSUMS.

Mr Sherrington provided additional information on the possible use of European funding and on a potential bid with support from WoSCoP.

5.8 **Report by the Investment and Project Committee**

Mr Milroy provided an oral report on the business conducted by the Investment and Project Committee at its meeting held on 26 November 2013.

Information was provided on the progression of the project to overclad and reroof the Tower and East Blocks at Aberdeen City Campus. Mr Milroy informed Members that the project was on time and on budget.

Mr Scott informed Members that the required certificate had now been obtained following work to remedy defects in relation to the building at Altens Campus.

5.9 **Scheduling of Board Standard Committee Meetings**

The Board considered and agreed to arrangements for the scheduling of future meetings of the Board’s Standing Committees.

With effect from 21 January 2014 Standing Committee meetings will be held at the following times:

- Finance and General Purposes 0900 hours
- Investment and Project 1000 hours
- Human Resources 1030 hours
- Audit 1130 hours
- (Lunch 1245 hours)
- Learning & Teaching and Student Services 1330 hours

6. **Summation of Business and date of next Meeting**

The Secretary gave a summation of the business conducted. The next meeting of the Board of Management is scheduled to take place on Monday 10 February 2014 at Aberdeen City Campus.

The meeting adjourned for a short break at 1500 hours and Mr Cobban and Mr Cruickshank left the meeting at this time.
Reserved Items of Business

7. Matters for Decision
   7.1 Reclassification of Colleges
   7.2 Feasibility Study for Student Accommodation in Fraserburgh
   7.3 Salary Conservation Policy
   7.4 Report on Commercial Activities
   7.5 Procurement of Contracted Services

Mr Milroy wished Board Members the Compliments of the Season and the meeting closed at 1600 hours.
Report to the Board by the Principal

1 Introduction
1.1 The purpose of this report is to provide information on some significant developments that are relevant to the role of the Board of NESC.

2 National Collective Bargaining
2.1 A structure through which national bargaining will be conducted was agreed by representatives of the EIS, UNISON, UNITE and GMB at a meeting on 12 December 2013 and they are now taking the agreement back to their respective organisations for approval. The proposal was approved by the Regional Leads at their meeting on 19 December 2013, and this has been reported to the Cabinet Secretary.

2.2 The sector now needs to proceed to create the membership of the management side of this negotiating structure.

2.3 It is proposed to have a “central table” at which all common employment terms are discussed, with side tables that will address unique occupational specific terms.

2.4 The “central table” would consist of 10 management-side members and 12 staff-side members. All trades unions recognised in the college sector will be guaranteed a seat at the negotiating table with membership allocated on a proportionate basis thereafter (EIS 7, UNISON 3, UNITE 1 GMB 1).

2.5 Where appropriate the central table would split into two “side tables” – one for lecturing staff that would have 5 staff-side (all EIS) members and 5 management-side members, and one for support staff that would have 5 management-side members and 5 staff-side members (3 UNISON, 1 UNITE, 1 GMB).

2.6 It is proposed that certain employment policies and principles are developed at national level. These will fall into three categories

- national policy decisions that are binding on all parties to the agreement;
- national policy guidance for implementation locally appropriate to the needs of each particular college;
- national policy advice and sharing of best practice for local collective bargaining arrangements.

3 Colleges Scotland
3.1 Colleges Scotland has recently undergone a number of changes.

3.2 The Board of Colleges Scotland has been replaced by a new Board that is composed of 5 Regional Leads and 4 Principals.

3.3 The future of the activities of the College Development Network part of the organisation is under further consideration.

3.4 The Principals’ Forum is to be replaced by a College Principals’ Executive Group which will consist of Principals/Chief Executives of all colleges in Scotland.
4 Board Planning Event
   4.1 The North East Scotland College Board of Management held a planning event on 31 January and 01 February 2014.

   4.2 Robert Gordon University kindly provided premises for the event.

   4.3 Professor Ferdinand von Prondzynski, Principal of Robert Gordon University, also agreed to make an input to the event.

   4.4 Mr Ken Rutherford, SFC Outcome Agreement Manager, also participated at the event.

5 Creating Regional Staffing Structures
   5.1 During December 2013 and January 2014 a new regional promoted teaching staff structure was created.

   5.2 New structures have also been implemented for Marketing and Health & Safety.

   5.2 Work is continuing on creating other regional structures, including those for a wide variety of student services and for the various support functions of the College.

6 Vice Principal Human Resources
   6.1 Elaine Hart, currently of Barnfield College, will take up the post of Vice Principal Human Resources for North East Scotland College on 01 March 2014. Alison Hay, formerly Vice Principal and Director of Human Resources for Aberdeen College, who has been undertaking the regional responsibilities for Human Resources and allied functions since the merger on 01 November, will be leaving the College on 31 March 2014.

7 Recognition and Procedure Agreements
   7.1 On Thursday 30 January 2014 a meeting was held in Ellon between the staff representatives from the former Banff & Buchan College and those from the former Aberdeen College to consider and discuss the establishment of Recognition and Procedure Agreements for North East Scotland College. A follow up meeting will take place in February.

8 Recommendation
   8.1 It is recommended that the Board consider the information in 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 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 of Management consider business conducted at meetings of the Board’s Committees.

Rob Wallen
Principal
Aberdeen Skills and Enterprise Training Limited – Memorandum of Understanding

1. Purpose of this Report

1.1. The purpose of this report is to enable the Board to review the operation of the Memorandum of Understanding established between the Board of Management and Aberdeen Skills and Enterprise Training Limited (ASET), its wholly owned subsidiary company.

2. Background to the Memorandum

2.1. The Board of Management of Aberdeen College, at its meeting on 17 August 1998, adopted a Memorandum of Understanding between the Board and its subsidiary company, which was also adopted by the Board of Directors of ASET. Both governing bodies review annually the operation of the Memorandum.

2.2. The purpose of the Memorandum is to define the relationship between the College and the Company. The document, given as an appendix to this paper, details:

- the obligations of both parties;
- the scope of the Company’s activity;
- financial arrangements;
- the adoption of the College’s financial and other relevant regulations by the Company;
- the management structure of the Company; and,
- actions of ASET requiring prior approval of the Board of Management.

3. Review

3.1. The Memorandum is due for review in February 2014.

3.2. At its meeting in January 2014 the Board of Directors of ASET shall consider the operation of the Memorandum of Understanding with the Board of Management. That meeting has yet to take place at the time of writing this report. An oral update on the decision taken by the Board of Directors shall be provided to this meeting of the Board.

3.3. The current Memorandum is attached as an appendix to this paper. Two proposed amendments are set out in the document:

3.3.1. the requirement to pass profits to the Board of Management has been amended to allow the Board to direct that profits be paid directly to another charity (this establishes the principle that profits might be paid to the North East Scotland Foundation for Further Education).

3.3.2. the limit at which capital expenditure approval/disposal is required is increased to £20,000, which reflects the increased scale of ASET’s operation.

4. Recommendation

4.1. It is recommended that the Board of Management:

4.1.1. review the operation of the Memorandum of Understanding;

4.1.2. consider whether changes are required to the document;

4.1.3. decide if the Board of Management wishes to adopt the Memorandum of Understanding for the coming year.

Rob Wallen
Principal

Roddy Scott
Vice Principal
Memorandum of Understanding

between the Board of Management of North East Scotland College and Aberdeen Skills and Enterprise Training Limited (ASET).

Document status: Revision draft version, for consideration by the Board of Management and Board of Directors of ASET
Date first established: August 1998
Date of version: February 2014
Responsibility for document: Board of Management and Board of Directors of ASET
Responsibility for implementation: Board of Management and Board of Directors of ASET
Responsibility for review: Board of Management and Board of Directors of ASET
Date for review: February 2014
1. **Purpose of the Memorandum**
   1.1. The purpose of this memorandum is to define the relationship between the Board of Management of North East Scotland College and Aberdeen Skills and Enterprise Training Limited.

2. **Definitions**
   2.1. ‘Board’ or ‘Board of Management’ or ‘College’ means the Board of Management of North East Scotland College.
   2.2. ‘ASET’ means Aberdeen Skills and Enterprise Training Limited.
   2.3. ‘Directors’ or ‘Board of Directors’ means the Board of Directors of Aberdeen Skills and Enterprise Training Limited.
   2.4. ‘Nominated Officer’ means a senior manager of North East Scotland College as designated by the Board from time to time.

3. **Governance**
   3.1. The Board of Directors shall consist of a majority of Directors who are Members of the Board of Management.
   3.2. A Member of the Board of Management shall hold the Office of Chair of the Board of Directors.
   3.3. A Director, who is a Member of the Board of Management, shall resign from the office of Director when he/she ceases to be a Member of the Board of Management.

4. **Obligations of ASET to the Board**
   4.1. To be accountable to the Board through the Chair of the Board of Directors.
   4.2. To provide management information to the Board to enable the Board to maintain a clear understanding of the Company’s financial and operational position.
   4.3. To adopt the Board’s operational policies and procedures such as those on quality assurance, finance, health and safety, human resources and procurement. The Directors shall consult with the Nominated Officer to ensure compliance with the Board’s operational policies and procedures.

5. **Obligations of North East Scotland College to ASET**
   5.1. To co-operate with College Academic Sectors in identifying commercial education and training opportunities for College and ASET programmes of Study.
   5.2. To promote efficient use of College academic, administrative and material resources to maximise efficiency.

6. **ASET Scope of activity**
   6.1. To maximise commercial income to North East Scotland College through marketing an agreed range of courses to commercial clients.
6.2. To develop and market a range of appropriate Business and Industry related knowledge and skill based programmes employing industry standard resources wherever possible.

6.3. To expand business opportunities through the development of qualifications, training materials and other educational and training activities utilising the skills available within the Company and the College for which there is a demonstrable demand but which are outwith the range of the College’s existing provision.

7. **Scope of activity**
   7.1. To make use of the academic resources of the College by identifying and exploiting commercial training opportunities.
   7.2. To develop business and generate income from activities outwith the range of College activities.

8. **Financial Arrangements**
   8.1. ASET shall establish and maintain a gift aid arrangement with the Board of Management. ASET is required to return all profits to the Board, or to any other charity as the Board might require, by means of gift aid. Any amendment to this requirement will require the prior approval of the Board.
   8.2. ASET will operate its own bank accounts without requiring the Board to act as guarantor.
   8.3. Loan arrangements, i.e. borrowings from or loans to third parties, may only be undertaken by ASET if the Company’s Directors have first obtained approval from the Board of Management. The Directors shall consult with the Nominated Officer in considering such arrangements.
   8.4. ASET shall comply with the framework provided by the Financial Regulations adopted by the Board.

9. **Human Resources Arrangements**
   9.1. ASET shall comply with the framework provided by the Human Resources Policies adopted by the Board.

10. **Actions of the Directors requiring the approval of the Board**
    10.1. Appointment of Directors may only be undertaken if the Company’s Directors have first obtained approval from the Board of Management.
    10.2. Acquisition or disposal of assets of more than £25,000 in value.
    10.3. The Company’s annual business plan (for the forthcoming three years) and the annual revenue and capital budgets.
    10.4. The Directors’ annual report and financial statements at the Company’s annual general meeting.
11. Review

11.1. This memorandum will be reviewed annually by the Directors of ASET and the Board of Management prior to the preparation of the Company’s business plan and budget.
North East Scotland College Students’ Association Constitution

1 Introduction
1.1 The purpose of this report is to allow the Board to consider the North East Scotland College Students’ Association Constitution.

2 Background
2.1 The merger of Aberdeen College and Banff & Buchan College to form North East Scotland College took place on 01 November 2013.

2.2 In the lead-up to and following the merger discussions have taken place as to the appropriate arrangements to put in place for a single Students’ Association for the merged College.

2.3 Discussions involved the Presidents of the two separate College Students’ Associations, relevant College staff, representatives of NUS Scotland and the merger Project Manager.

2.4 Arising from these discussions a draft constitution was prepared.

3 Students’ Association Constitution
3.1 The draft constitution that arose from the discussions was referred to the College’s legal advisers, Burness Paull.

3.2 The comments from Burness Paull were referred to the Presidents of the two separate Associations.

3.3 Mr Cruickshank and Mr McKendrick considered the comments and agreed a version of the text for consideration by the Board of Management.

3.4 Attached as an appendix to this paper is the version of the Constitution incorporating amendments as agreed by the Presidents of the two separate Associations.

3.5 The proposed constitution involves a sabbatical Regional President and two sabbatical local Area Presidents – one for Fraserburgh/Peterhead and one for Aberdeen. Although these two “areas” are very different in terms of student population the proposal to have two Area Presidents in this way was agreed as being reasonable in the aftermath of merger as a way of providing continuity of service in the northern campuses of the merged College.

3.6 The costs of the structure assumed in the Constitution can be funded in the immediate term from the additional ring-fenced transitional funding that was allocated for Students’ Association developments following merger; in the longer term when the dedicated funding is no longer available the affordability of the model will be subject to review.

4 Recommendation
4.1 It is recommended that the Board consider the information in this report.

Rob Wallen
Principal
Introduction

This following shall serve as an explanation to the terminology used throughout this document.

Trustee Board (1 thereof)

In order to satisfy OSCR the new student association will require a board of trustees. These would include the Sabbatical Presidents (3) and not more than 5 other trustees to include 3 persons who are not students at the College and up to 2 lay students.

Regional Executive Committee (1 thereof)

Membership will be consisted of the Sabbatical Presidents and the elected Executive Officers from each Area. The Regional Executive Committee shall ensure there is appropriate and adequate representation and engagement with College committees and will be responsible for compiling a strategic plan for the association.

Sabbatical Presidents (3 thereof)

These shall be a College wide elected Regional Student President and two Campus Elected Area Presidents (one from North Area and one from South Areas).

Area Executive Councils (2 thereof – one for North Area and one for South Area)

Membership of the Area Executive Councils (SEC) will consist of the elected Area President and a team of campus elected Student Executive Officers. The SEC will prepare a work plan for the session along with a budget request for discussion at Regional Executive Committee.

Student Representative Councils (2 thereof – one for North Area and one for South Area)

These will be the parliamentary decision making bodies of the Association. The membership of the Student Representative Councils (SRCs) will consist of elected class representatives, elected centre representatives and elected student officers. Two class representatives will be elected from each full time and substantial part time class and will attend meetings of the SRCs along with the Student President and elected Officers for the area. The SRCs will approve reports and hold the Presidents and Executive Officers to account.
Constitution
of
North East Scotland College Students’ Association

We (the Association) are a students’ association within the meaning of the Education Act 1994. We act as a voice for our members and are devoted to their educational interests and welfare. The College provides us with funds to help us meet our objects as set out below.

1. Objects (Aims)

To advance the education of its members and students of the College as a whole.

In furtherance thereof, but not otherwise, the association shall seek to

a. Represent the interests of its members and act as a channel of communication in dealing with the College and other bodies.

b. Promote the general welfare of the students, and improve their conditions of life by coordinating and promoting participation in intellectual, social and other activities.

c. Promote, encourage and co-ordinate societies and sports clubs.

Charity law gives a wide meaning to education and does not limit it to education by a teacher in a classroom, playground or sports field. This is what we mean by ‘advancing the education of students’ through (a), (b) and (c) (d) in the Objects (Aims).

2. Powers

So that we can carry out our objects, we have the power to:

(a) provide and promote activities, services and facilities for our members;

(b) raise funds and receive grants and donations;

(c) trade while we are carrying out any of our objects and carry on any other trade which is not expected to lead to taxable profits; and

(d) do anything which is lawful to achieve our objects.

3. Money and property

3.1 Our money and property must only be used to help us carry out our objects.

3.2 Trustees cannot receive any money or property from us except:

(a) their reasonable out-of-pocket expenses;

(b) payments made to any trustee under clause 18; and
reasonable payment to a sabbatical trustee for any services they have provided to us (including services provided under a contract of employment with us) as long as the trustee follows clause 9.12 (Conflicts of interest) in relation to any decisions regarding the payment, and less than half of the trustees receive such a payment in any financial year.

4. **Members**

4.1 Our members are:

(a) all students aged 16 and over who are registered at the College and have not opted out of membership of our Association; and

(b) our sabbatical officers.

4.2 A member cannot transfer their membership to someone else. Membership will automatically end if:

(a) in the instance of death;

(b) a member stops being a student, or in the case of a sabbatical officer, student status with the College is withdrawn in line with the College’s processes;

(c) Written notices received that a student does not want to be a member, in line with the schedules; or

(d) in the case of members who are not sabbatical trustees, a decision is made to remove the member from membership under the code of conduct.

4.3 The Trustee Board will set up and monitor a ‘code of conduct’ that all members must keep to, including when members are involved in activities or at events that are run or organised by the Association.

The code of conduct may include action if you break the code of conduct, including suspending or removing any or all of your rights and privileges of membership (including holding office).

4.4 Members can use the Association’s facilities and take part in the Association’s educational, social, sporting and cultural activities. Members can speak and vote at our meetings, nominate other members, stand and vote in our elections, and hold office in clubs and societies. Members are also entitled to the benefits set out in the college’s Code of Practice.

4.5 Registered students of the College under the age of 16 shall not be members of our Association, but may take part in certain activities, as agreed by the Regional Executive Committee or Area Executive Councils and any forum for students under the age of 16 and approved by the Student Representative Councils.

5. **Referendums**

5.1 A referendum, in which all members will be allowed to vote, may be called on any issue by:

(a) a majority vote of at least 66% of the Regional Executive Committee; or
(b) the Regional Student President if they receive a petition setting out the issue and the name, course, Student ID number and signature of at least 200 members.

5.2 Policy set by a referendum can overturn policy set by the members at the Annual General Meeting (AGM) or by the Student Representative Councils.

5.3 We will hold referendums in line with the schedules.

6. **Annual General Meeting (AGM) and Extraordinary General Meetings (EGM)**

6.1 The Association will hold an AGM once in each calendar year. EGMs may be called in accordance with clause 6.6. For the purpose of this Constitution, references to ‘general meeting’ shall include AGMs and EGMs.

6.2 The Association will give members and the trustees at least 14 days’ notice of the place, day and time of any general meeting and details of the agenda.

6.3 There must be at least 20 members present at an AGM.

6.4 The chairperson of an AGM will be elected by the Regional Executive Committee at the first meeting of the Regional Executive Committee in the Academic Year. Every member will have one vote and decisions will be made on a simple majority unless this constitution says otherwise.

6.5 Every member will have one vote and decisions will be made on a simple majority unless the constitution says otherwise.

6.6 EGM’s may be called:

(a) By trustees at any time;

(b) The trustee receiving a requisition to hold an EGM, signed by at least 100 members who have the right to attend and vote at general meetings; or

(c) The Trustees receiving a motion passed by one of the Area Representative Councils.

7. **Elections**

7.1 In line with the Education Act 1994, all office holders (as set out in the schedule) will be elected by a secret ballot of our members.

7.2 There will be two student members on the College’s Board of Management normally the Regional Student President and the Area President who studied at a different Area from the Regional Student President by virtue of their election to their sabbatical posts.

8. **The Executive Committee and Councils**

8.1 The Regional Executive Committee

8.1.1 Members of the Regional Executive Committee will consist of the Regional Student President, the two Area Student Presidents, and the members of both the South Area and North Area campuses who are elected in line with clause 7 and the schedules.
8.1.2 The Regional Executive Committee will be chaired by the Regional Student President.

8.1.3 The Regional Executive Committee will be responsible for the overall strategic direction of the Association.

8.2 The Area Executive Councils

8.2.1 Members of the Area Executive Council will be elected in line with clause 7 and the schedules.

8.2.2 The Area Executive Council will be responsible for the activities of the Association in their area.

8.2.3 The Area Executive Council will be chaired by their respective Area President.

8.3 The Regional Executive Committee and Area Executive Councils will meet in line with the schedules.

8.4 The sabbatical officers will enter into a contract of employment with the Association. The term of office, duties and how we will pay each sabbatical officer will be set out in the schedules.

8.5 Executive Officers will no longer be officers if:

(a) They resign by giving notice to the committee they sit on;

(b) They fail to go to two committee meetings in a row without sending apologies; or

(c) A motion of no confidence in the officer is passed by a 66% majority in a vote of their area’s Student Representative Council; and

(d) In the case of the Regional President: if a motion of no confidence is passed by a 66% majority of a general meeting.

Because holding office is a privilege of membership, executive officers can also have the office removed under the College code of conduct.

9. Trustees

9.1 The Trustees are responsible for overseeing the way the Association is managed, and the governance (having proper arrangements in place for overseeing what we do), budget and strategy and shall sit on the Trustee Board.

9.2 The Trustees can override any decision or policy made by the members at a general meeting or referendum, by the Student Representative Councils or by the Regional Executive Committee or Area Executive Councils which:

(a) has or may have serious financial effects for the Association;

(b) is or may be against the law or contravenes the constitution; or

(c) in the opinion of the Trustees is seriously damaging to the Association or its members.
9.3 The Trustees will be:

(a) The Regional Student President and the two full time Area Presidents from the Regional Executive Committee and

(b) not more than 5 other trustees who will be appointed by the Regional Executive Committee. This should include 3 persons who are not students at the College and up to 2 lay students.

9.4 A trustee will no longer be a trustee if:

(a) They are a Sabbatical trustee and they stop being an employee of the Association.

(b) they resign by giving us notice in writing

(c) they fail to attend two trustee meetings in a row without sending apologies and the trustees decide that they should be removed for this reason; or

(d) a motion of no confidence in the trustee is passed by a 66% majority at a general meeting

9.5 If a trustee resigns, is disqualified or is removed from office, a new trustee will be appointed in line with the schedules.

**Trustees’ meetings**

9.6 The trustees must hold at least four meetings each year.

9.7 A meeting of the Trustees must be called by the Regional Student President if requested to do so by two Trustees. At least seven days’ notice will normally be given for a trustees’ meeting. Shorter notice can be given if all the trustees agree or if a meeting needs to be held urgently and so it is not possible to give seven days’ notice.

9.8 At least four trustees must be present at trustees’ meetings to be able to make decisions.

9.9 The Regional Student President will be the chairperson of the trustees. If they are not available, the trustees at the meeting will appoint another trustee to act as chairperson.

9.10 The trustees will make decisions by a majority vote. If there are an equal number of votes on an issue, the chairperson will have a casting vote on top of any other vote they may have.

9.11 A trustees’ meeting may be held by phone or by any other electronic or virtual means agreed by the trustees.

**Conflicts of Interest**

9.12 Whenever a matter is to be discussed at a meeting or decided in line with clause 9.11 and a trustee has a personal interest, they must declare their interest. If there is a clear conflict of interest, they will have to leave the meeting while the matter is being discussed and will not be able to vote on the matter.

10. **The Student Representative Councils**
10.1 The Student Representative Councils are responsible for:

(a) helping the Regional Executive Committee and Area Executive Councils carry out their work and holding them accountable;

(b) setting the Association’s policy (which can be overturned at an AGM or referendum);

(c) making and amending the schedules jointly with the trustees in line with clause 15; and

(d) acting as a consultation forum for raising matters with the College.

10.2 The membership and procedures of the Student Representative Councils will be set out in the schedules.

11. Being affiliated to other organisations

11.1 Any proposal to affiliate to another organisation must be approved by the members at an AGM or by a referendum.

11.2 We will tell inform our members and the College about all new links to other organisations, including the name of the organisation and the fee to be paid.

11.3 We will include details of all links to other organisations, including the names of the organisations and each fee paid, in our annual report. Our annual report is available to all our members and to the College.

11.4 If our members want to object to a current link to any particular organisation, they must present a petition, signed by at least 200 members, to the Regional President. We will call a referendum on the issue and hold it in line with the schedules. We cannot hold another referendum about the same matter in the same academic year.

12. Clubs and societies

Clubs and societies may be recognised by the Area or Regional Executive Committees, as relevant, as long as they meet the requirements set out in the schedules and are in line with the Associations’ objects.

13. Complaints procedure

If we receive any complaints about an individual officer, the Executive Committee or any member of the Student Council, we will deal with these under the complaints procedure set out in the schedules.

14. Finance

14.1 In order to allow the Association to carry out its objects, appropriate and sustainable funding will be determined through negotiation with the Board of Management of the College.

14.2 The Association will prepare annual accounts to meet statutory requirements.

14.3 The Association’s money and property must only be used to help us carry out its objects.
15. **Schedules**

The Trustees and the Student Representative Councils will jointly make or amend schedules relating to how the Association is run, as long as these schedules are consistent with this constitution.

16. **Minutes**

The Trustees will keep minutes of every meeting and all resolutions of the members and the trustees. Minutes shall be kept of Regional Executive Committee and Area Executive Council Meetings, Student Representative Council Meetings, and Annual General Meetings.

17. **Accounts and reports**

The Trustees will keep financial records and accounts. Auditors shall be appointed to prepare audited accounts and financial statements.

18. **Protection against liability**

Every trustee will be, and all other officer or auditor of the association may be, covered against any liability they face in defending any proceedings, whether civil or criminal, in which judgment is given in their favour or in which they are acquitted, or in connection with any application in which the court finds they have not been negligent, not failed to carry out their duties or not broken trust in relation to our work, and against all costs, charges, losses, expenses or liabilities they face in carrying out their duties.

19. **Winding up**

If the Association is wound up, any money or property remaining after all our debts have been paid will belong to and be held by the College in trust for the purposes of a students’ Association that represents the students of the College.

20. **Amendments to the constitution**

20.1 The Trustees and Board of Management of the College will review this constitution, initially three years and then every five years from the date of this constitution.

20.2 No amendment will be made to this constitution which would mean that the Association is no longer a charity.

20.3 We must get written permission from the Office of the Scottish Charity Regulator (OSCR) before we make any amendment to clause 1 (Objects), change our name, or start winding up or amalgamating with another Association.

20.4 The constitution can only be amended by a resolution passed at Student Representative Council meetings by at least 66% of those present and entitled to vote, as long as the College approves the amendments in advance.

21. **Interpretation**

21.1 If anyone challenges any part of this constitution, we will ask our Regional President to make a decision.
21.2 If the Regional President’s decision is challenged, following legal advice, we will
ask the Student Representative Councils to make a decision.

21.3 If a member of our Association is not satisfied with this decision, or either of the
Student Representative Council’s rulings do not agree, they may appeal to the
Trustee Board, whose decision will be final. To avoid conflict of interest the
Regional President will not be present, and the Trustees will appoint a deputy
chair from among themselves.
Role of the Contracts Committee

1. **Purpose of this Report**
   1.1. The purpose of this report is to enable the Board to consider the role of the Contracts Committee.

2. **Background**
   2.1. The Board of Management has established the Contracts Committee as a sub-committee of the Finance and General Purposes Committee.
   
   2.2. The remit of the Committee is to have responsibility for the selection of preferred contractors to the College for the provision of supplies, services and equipment in line with the College’s Procurement Policy.
   
   2.3. The Committee considers the selection of contractors for large value procurements once College staff have completed tender evaluation processes.

3. **Requirement for the Committee to Continue**
   3.1. The process followed by the Committee now needs to be reviewed in light of recent legislative and procedural changes to public sector procurement whereby supply contracts are awarded based on the highest scoring evaluation against detailed criteria set out in tender documentation.
   
   3.2. In addition, the Public Sector procurement process is now subject to much greater transparency, which allows all bidders to query the results of the evaluation and seek detailed debriefing on the process and the scores that were applied. The debrief documentation sent to every bidder must list the evaluation score of that bidder and the highest evaluation score achieved in the bid process.
   
   3.3. Because of this, the award of a contract must now follow a prescribed path whereby it is made to the most economically advantageous tender (i.e. the tender obtaining the highest score in the evaluation process). Consequently the role of the Contracts Committee in selecting preferred bidders is, in effect, redundant. Indeed, if the Contracts Committee continued to operate and selected any bid other than that which had scored highest in a tender evaluation process, the Board might leave itself open to a legal challenge by the party that had submitted the highest ranked tender.
   
   3.4. It is, therefore, proposed that consideration is given to the dissolution of the Contracts Committee.

4. **Assurance and Oversight**
   4.1. Board oversight of expenditure is an important part of governance and financial stewardship. It is important that the Board is assured that robust and compliant procurement processes operate in the College.
   
   4.2. The programme of internal audit work established by the Audit Committee provides assurance that:
      
      4.2.1. the College’s Procurement Policy is applied correctly and consistently;
      
      4.2.2. effective internal controls operate; and
      
      4.2.3. procurement processes allow the College to achieve ‘value for money’.
   
   4.3. The satisfactory outcome of internal audit reviews provides sufficient assurance to the Board to allow it to demonstrate that it has met its obligations in terms of the requirements set by central authorities.
4.4. In order that the Board continues to be provided with information on procurement activities, it is proposed that the Finance and General Purposes Committee is provided with information on the award of contracts resulting from large value procurements (operating a suggested threshold of £50,000).

5. **Recommendation**

5.1. It is recommended that the Board:

5.1.1. consider the proposal to dissolve the Contracts Committee; and
5.1.2. request that information of the award of contracts over a value of £50,000 be reported to the Finance and General Purposes Committee.

---

Rob Wallen  
Principal

Roddy Scott  
Vice Principal - Finance
Report by the Investment and Project Committee

1. Introduction
   1.1 The purpose of this paper is to assist the Board 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 of the Finance and General Purposes Committee and 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 21 January 2014.
   3.2 The business conducted at this meeting was concerned with monitoring progress of works to over-clad and re-roof the Tower and East Blocks at Aberdeen City Campus, and noting the completion of the contract to construct the M Block at the Aberdeen Altens Campus.
   3.3 Mr Milroy will provide an oral report to this meeting on the business conducted at the meeting of the Committee.
   3.4 The next meeting of the Committee is scheduled to take place on 18 March 2014.

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
Internal Audit Programme, 8 months to 31 March 2014

1. Introduction
   1.1. The purpose of this report is to enable the Board to consider the internal audit programme for the financial reporting period of the 8 months to 31 March 2014 (2013-14) adopted earlier this year by the Audit Committee.

2. Background
   2.1. The Audit Committee, at its meeting on 21 January 2014, considered the establishment of a programme of internal audit work for the current financial reporting period.

   2.2. Wylie and Bisset, the internal audit service provider, proposed the programme, which is set out in a report on the Audit Needs Assessment carried out by the firm. The report is attached as an appendix to this paper.

   2.3. The Committee adopted the internal audit programme for the financial reporting period, which is now presented to the Board for its consideration.

3. Recommendation
   3.1. It is recommended that the Board consider the programme of internal audit work for the financial reporting period 2013-14 recommended to it by the Committee.

Rob Wallen
Principal

Roddy Scott
Vice Principal
Audits

North East Scotland College

Audit Need Assessment

2013 - 2014

December 2013
<table>
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<tr>
<th>Section</th>
<th>Page No.</th>
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<tbody>
<tr>
<td>1. Introduction</td>
<td>3</td>
</tr>
<tr>
<td>2. Approach</td>
<td>4–5</td>
</tr>
<tr>
<td>3. Operational Plan</td>
<td>6–10</td>
</tr>
<tr>
<td>4. Reporting</td>
<td>11</td>
</tr>
<tr>
<td>Appendices:</td>
<td></td>
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<tr>
<td>A. Summary of Internal Audit Input</td>
<td>12–13</td>
</tr>
<tr>
<td>B. Grading Structure</td>
<td>14</td>
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<td>C. Key Performance Indicators</td>
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1. Introduction

Background
Wylie & Bisset LLP were appointed as Internal Auditors by the Board of Management with effect from 1 November 2013 until 31 March 2014.

Internal Audit

In accordance with North East Scotland College ("the College") Financial Memorandum with the Scottish Funding Council("the Council") the Board of Management is required to secure the provision of an effective IAS. The prime responsibility of the IAS is to provide the Board of Management, the Principal and other senior management of the College, with an objective assessment of the adequacy and effectiveness of management’s internal control systems.

The IAS should objectively examine, evaluate and report on the adequacy of internal control thus contributing to the economic, efficient and effective use of resources and to the reduction of the potential risks faced by the College. Also, the operation and conduct of the IAS must comply with the Government Internal Audit Standards and be carried out in accordance with the standards and guidelines set down by the Chartered Institute of Internal Auditors.

Terms of Reference – Internal Audit
The provision of the IAS by Wylie & Bisset LLP is covered by the letter of engagement dated 16 December 2013.

Formal Approval

The ANA has been developed based on discussions with senior management of the College. The ANA was presented to the Audit Committee of the College on 21 January 2014.
2. Approach

The Process
The Audit Needs Assessment (“ANA”) has been produced based on the following:

- Discussions with the Chair of the Audit Committee;
- Discussions with the College’s Principal;
- Discussions with the College’s Vice Principal Finance;
- Discussions with the Financial Director (former Banff & Buchan College);
- The identification of all areas of work by system and sub-system;
- The grouping of systems for audit purposes;
- The identification of key controls and associated risks for each system and sub-system;
- The determination of the internal audit resource required to meet the identified audit needs;
- Discussions with the Audit Committee.

Summary of Systems
The summary of the systems operated by the College is included in Appendix A.
2. Approach

Revisiting the ANA
The ANA will be reviewed continuously throughout our appointment, and will take account of the results of audit work, the development of new systems and any other risk factors identified. Any proposed changes to the ANA will be presented to the Audit Committee for discussion and approval.

Number of Audit Days
The initial anticipated number of internal audit days for the 8 month period to 31 March 2014 was 60 days. On development of the audit needs assessment and identification of audit areas requiring review within this period, the number of internal audit days required will be 70 days.

Core Audit Team

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<th>Name</th>
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<tr>
<td>Ross McLauchlan</td>
<td>Partner</td>
<td><a href="mailto:ross.mclachlan@wyliebisset.com">ross.mclachlan@wyliebisset.com</a></td>
</tr>
<tr>
<td>Graham Gillespie</td>
<td>Manager</td>
<td><a href="mailto:graham.gillespie@wyliebisset.com">graham.gillespie@wyliebisset.com</a></td>
</tr>
<tr>
<td>Paul Urquhart</td>
<td>Senior</td>
<td><a href="mailto:paul.urquhart@wyliebisset.com">paul.urquhart@wyliebisset.com</a></td>
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### Operational Plan – 2013/14

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<td>Follow Up Review</td>
<td>A review will be undertaken to follow up on prior year audit recommendations to ensure these have been fully implemented by the College. We will follow up on all of the high priority recommendations (priority 4 and 5 at Banff &amp; Buchan College), 50% of the medium priority recommendations (priority 3 at Banff &amp; Buchan College) and 10% of low priority recommendations (priority 1 and 2 at Banff &amp; Buchan College).</td>
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<td>Transformation Funding</td>
<td>A review will be undertaken to ensure that the transformation funding received by the College has been spent in accordance with the purposes it has been awarded for. The review will also look to ensure that there is appropriate evidence to support all expenditure from the transformation funding.</td>
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<td>Corporate Governance</td>
<td>The purpose of the review is to ensure that the College has appropriate governance arrangements in place and that these have been embedded throughout the whole College. This will be a high level review to ensure the College’s Corporate Governance arrangements are appropriate and represent good practice.</td>
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<td>Payroll</td>
<td>Our review will concentrate on ensuring that the payments made are accurate and based on bona fide hours worked. It will also consider all deductions and additions to salaries to ensure that these are correctly calculated and properly authorised. The review will also ensure that there are appropriate controls in place and payroll procedures have been documented and are being adhered to by all staff involved.</td>
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### 3. Operational Plan (cont'd)

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### Operational Plan – 2013/14

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<th>Audit Area</th>
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<tbody>
<tr>
<td>Total Number of Days of Review</td>
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<table>
<thead>
<tr>
<th>Audit Area</th>
<th>Audit Area Summary Scope</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Number of Days of Review</td>
<td>Audit Area</td>
</tr>
</tbody>
</table>
### Operational Plan – 2013/14

<table>
<thead>
<tr>
<th>Audit Area</th>
<th>High level indicative summary scope</th>
<th>Total Number Of Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen Skills &amp; Enterprise Training Ltd</td>
<td>This annual review will look at compliance with the Company’s systems and procedures, the overall controls in place to ensure accurate recording of information within the company.</td>
<td>5</td>
</tr>
<tr>
<td>Purchasing, Payments &amp; Procurement</td>
<td>The review will involve detailed checks on all areas of purchasing and payments to ensure that these are correctly recorded in the financial systems of the College and that there is compliance with the College’s financial procedures and controls as well as testing completeness of purchases. We will also undertake sample testing on the controls in place in respect of procurement.</td>
<td>4</td>
</tr>
<tr>
<td>Income Collection &amp; Credit Control</td>
<td>The review will look at all material areas of income to ensure it is correctly and accurately recorded in the financial systems of the College. It will also look at compliance with the College’s financial procedures and controls with testing on completeness of income and specific testing on credit control and bad debt provisions.</td>
<td>4</td>
</tr>
<tr>
<td>Budgetary &amp; Financial Controls</td>
<td>Detailed work will be undertaken to review the College’s budgeting, monitoring and reporting. We will ensure compliance with the College’s systems and procedures and review the overall controls in place in respect of financial reporting. We will consider the adequacy of information provided to senior management for decision making.</td>
<td>4</td>
</tr>
</tbody>
</table>
## Operational Plan – 2013/14

<table>
<thead>
<tr>
<th>Audit Area</th>
<th>High level indicative summary scope</th>
<th>Total Number Of Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>IT Systems</td>
<td>A review will be undertaken on the IT Systems of the College to ensure the appropriate controls are in place and working as expected. In particular, the review will focus on the security of the network and the storage of backup information.</td>
<td>5</td>
</tr>
<tr>
<td>Due Diligence/Merger Follow Up</td>
<td>The review will look at the legal and financial due diligence reports to ensure any areas identified as requiring action have been actioned by the College. The review will also consider Wylie &amp; Bisset’s Merger/Due Diligence Checklist to ensure the relevant actions have been taken by the College where appropriate.</td>
<td>3</td>
</tr>
<tr>
<td>Complaints Handling</td>
<td>The review will consider the College’s arrangements for handling complaints and focus in on compliance with the Scottish Public Services Ombudsman (SPSO) guidance.</td>
<td>3</td>
</tr>
<tr>
<td>New Systems – Finance, Payroll and Tequios</td>
<td>The College will be implementing new systems in these areas from 1 April 2014. This review will look at the systems in detail prior to them going live to ensure all controls are operating as expected.</td>
<td>7</td>
</tr>
</tbody>
</table>
Assignment Plans

A detailed assignment plan will be prepared for each audit undertaken, setting out the scope and objectives of the work, allocating resources and establishing target dates for the completion of the work. Each assignment plan will be agreed and signed off by an appropriate sponsor from the College.

Key Dates

<table>
<thead>
<tr>
<th>Visit</th>
<th>Audit Areas</th>
<th>Key College Personnel</th>
<th>Provisional Date for Visit</th>
<th>Date of Issue of Draft Report</th>
<th>Provisional Date for Reporting to Audit Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>Visit 1</td>
<td>Follow Up Review Aberdeen Skills &amp; Enterprise Training Corporate Governance Payroll Income Collection &amp; Credit Control Due Diligence/Merger Follow Up Management of Contract Managed Services</td>
<td>Roddy Scott Sharon Scott Pauline May Roddy Scott Roddy Scott Roddy Scott Roddy Scott</td>
<td>27 Jan 2014</td>
<td>21 Feb 2014</td>
<td>18 Mar 2014</td>
</tr>
</tbody>
</table>
4. Reporting

The reporting arrangements for internal audit have been discussed and agreed with the Audit Committee. The following reports will be produced by internal audit.

- An Audit Needs Assessment;
- A report on each audit assignment;
- An in-year progress report;
- An annual report on IAS's activities.

For each recommendation a target date for remedial action will be set taking into the account the degree of priority associated with the recommendation.

The draft report for each assignment will be discussed with the auditees and the factual accuracy agreed prior to issue of the report in its final form.

The auditees will be required to respond to the recommendations stating their proposed action and nominating the person responsible for each action point.
## Appendix A – Summary of Internal Audit Input

### 1 November 2013 to 31 March 2014

<table>
<thead>
<tr>
<th>System</th>
<th>Audit Area</th>
<th>Operating Plan (No. Of days)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial System</td>
<td>Budgetary &amp; Financial Controls</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Income Collection &amp; Credit Control</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Purchasing, Payments &amp; Procurement</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Cash &amp; Treasury Management</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Payroll</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Finance System Consolidation</td>
<td>4</td>
</tr>
<tr>
<td>Non Financial Systems</td>
<td>Management of Contract Managed Services</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>SDS Funding</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td><strong>Balance C/F</strong></td>
<td><strong>32</strong></td>
</tr>
</tbody>
</table>
## Appendix A – Summary of Internal Audit Input

1 November 2013 to 31 March 2014 cont’d

<table>
<thead>
<tr>
<th>System</th>
<th>Audit Area</th>
<th>Operating Plan (No. Of days)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Balance B/F</td>
<td>2013/14</td>
</tr>
<tr>
<td>IT</td>
<td>IT Systems</td>
<td>5</td>
</tr>
<tr>
<td>Governance</td>
<td>Corporate Governance</td>
<td>2</td>
</tr>
<tr>
<td>Other</td>
<td>Transformation Funding</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Aberdeen Skills &amp; Enterprise Training</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Due Diligence/Merger Follow Up</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Complaints Handling</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>Review of New Systems – Finance, Payroll and Tequios</td>
<td>7</td>
</tr>
<tr>
<td>Required</td>
<td>Follow Up review</td>
<td>4</td>
</tr>
<tr>
<td></td>
<td>Audit Management</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td><strong>Total Days</strong></td>
<td><strong>70</strong></td>
</tr>
</tbody>
</table>
## Appendix B – Grading Structure

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

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

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:

<table>
<thead>
<tr>
<th>Grading</th>
<th>Risk</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>High</td>
<td>High Risk</td>
<td>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</td>
</tr>
<tr>
<td>Medium</td>
<td>Medium Risk</td>
<td>Significant issue or weakness which should be addressed by the College as soon as possible</td>
</tr>
<tr>
<td>Low</td>
<td>Low Risk</td>
<td>Minor issue or weakness reported where management may wish to consider our recommendation</td>
</tr>
</tbody>
</table>
## Appendix C – Key Performance Indicators

### Analysis of Performance Indicators

<table>
<thead>
<tr>
<th>Performance Indicator</th>
<th>Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal audit days completed in line with agreed timetable and days allocation</td>
<td>100%</td>
</tr>
<tr>
<td>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</td>
<td>100%</td>
</tr>
<tr>
<td>Draft reports issued within 10 working days of exit meeting</td>
<td>100%</td>
</tr>
<tr>
<td>Management provide responses to draft reports within 15 days of receipt of draft reports</td>
<td>100%</td>
</tr>
<tr>
<td>Final reports issued within 5 days of receipt of management responses</td>
<td>100%</td>
</tr>
<tr>
<td>Recommendations accepted by management</td>
<td>100%</td>
</tr>
<tr>
<td>Quarterly progress reports to be provided for discussion at each audit committee meeting</td>
<td>100%</td>
</tr>
<tr>
<td>Draft annual internal audit report to be provided by 31 May each year</td>
<td>100%</td>
</tr>
<tr>
<td>Attendance at audit committee meetings by a senior member of staff</td>
<td>100%</td>
</tr>
<tr>
<td>Suitably experienced staff used on all assignments</td>
<td>100%</td>
</tr>
</tbody>
</table>
Reclassification of Colleges as Central Government Bodies

1. Introduction
   1.1. The purpose of this report is to provide information to the Committee on the implications of the reclassification of colleges as central government bodies and actions taken to mitigate those impacts.

2. Background
   2.1. In May 2013 the Scottish Government announced that colleges would be reclassified as ‘central government bodies’ for financial budgeting and reporting purposes. Reclassification relates to a decision taken in 2010 by the Office for National Statistics, part of HM Treasury, to reclassify incorporated colleges in the United Kingdom.

   2.2. Reclassification takes effect from 01 April 2014.

   2.3. The Board has decided that updates on this matter would be provided to meetings of the Board of Management, Audit Committee and Finance and General Purposes Committee.

   2.4. The reclassification of colleges as ‘central government bodies’ has far-reaching consequences that have the potential to impact negatively on Scotland’s colleges. College boards will be left with less power to exercise financial control over institutions’ annual expenditures because these will count as part of Government’s spending.

3. Current Situation and Progress
   3.1. The Scottish Funding Council (SFC) has continued its programme of briefings for finance staff in colleges, which are intended to prepare colleges to operate the Scottish Government’s financial reporting requirements in addition to established requirements. Two of the 4 events have been held; the remaining events will take place in February and March 2014.

   3.2. Since January 2014, the last occasion on which information was provided to the Audit and Finance and General Purposes Committees on the implications of reclassification, further implications have been identified. These are:

   • the timeline for the submission of financial forecasts for monthly cash flows in the financial year beginning 01 April 2014 has been published;
   • the proforma to be used in submitting those forecasts has been released to colleges;
   • indicative grant allocations for the financial year beginning on 01 August 2014 have been announced;
   • information has been issued on the draft delegated limits of financial authority that are likely to be applied by the Scottish Government;
   • boards of management shall be asked to provide budget estimates in July for the subsequent financial year, i.e. the period 9 to 20 months hence. However, these are indicative and the SFC has indicated that boards would not be ‘held’ to these figures; and
   • further information is required on the additional financial accounting requirements in relation to ‘resource accounting’ to meet the needs of the Scottish Government.

   3.3. The differential of financial and academic years and the requirements of the Scottish Government lead colleges to adopt an approach to financial management that is based upon ‘monthly’ rather than ‘annual’ budgeting. This is necessary to allow boards of management to meet their obligations to the Scottish Parliament in terms of operating within the resources allocated for a financial year (to 31 March) and the obligations to the Scottish Funding Council to fulfil the Outcome Agreement which relate to resources allocated for an academic year (to 31 July).
4. Appendices to this paper
   4.1. By way of assistance to Members and to provide supporting information regarding the above, a number of appendices are attached:

   - Appendix 1 – timeline for the submission of financial forecasts;
   - Appendix 2 – indicative grant allocation (AY2014-15);
   - Appendix 3 – draft delegated limits of authority;
   - Appendix 4 – draft definitions of terms used in delegated limits of authority;
   - Appendix 5 – financial reporting definitions.

5. NES Foundation
   5.1. The North East Scotland Foundation for Further Education (NES Foundation) is in the process of being established. The Office of the Scottish Charities Regulator (OSCR) is considering the application to establish the NES Foundation. At the time of writing, it is anticipated that OSCR shall shortly approve the application.

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

Rob Wallen
Principal

Roddy Scott
Vice Principal - Finance
### ONS college reclassification: Financial Year payment timetable

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 January 2014</td>
<td>SFC issue annual cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>28 February 2014</td>
<td>Return annual pro-forma to SFC</td>
</tr>
<tr>
<td>27 March 2014</td>
<td>SFC issue April cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>2 April 2014</td>
<td>Return April cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 April 2014</td>
<td>April payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>22 April 2014</td>
<td>SFC issue May cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 May 2014</td>
<td>Return May cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 May 2014</td>
<td>May payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>22 May 2014</td>
<td>SFC issue June cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>2 June 2014</td>
<td>Return June cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>16 June 2014</td>
<td>June payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>19 June 2014</td>
<td>SFC issue July cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 July 2014</td>
<td>Return July cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 July 2014</td>
<td>July payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>24 July 2014</td>
<td>SFC issue August cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 August 2014</td>
<td>Return August cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 August 2014</td>
<td>August payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>21 August 2014</td>
<td>SFC issue September cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 September 2014</td>
<td>Return September cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>15 September 2014</td>
<td>September payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>23 September 2014</td>
<td>SFC issue October cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 October 2014</td>
<td>Return October cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 October 2014</td>
<td>October payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>23 October 2014</td>
<td>SFC issue November cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>3 November 2014</td>
<td>Return November cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 November 2014</td>
<td>November payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>20 November 2014</td>
<td>SFC issue December cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 December 2014</td>
<td>Return December cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>15 December 2014</td>
<td>December payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>16 December 2014</td>
<td>SFC issue January cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>23 December 2014</td>
<td>Return January cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 January 2015</td>
<td>January payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>26 January 2015</td>
<td>SFC issue February cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>3 February 2015</td>
<td>Return February cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>16 February 2015</td>
<td>February payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>23 February 2015</td>
<td>SFC issue March cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>3 March 2015</td>
<td>Return March cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>16 March 2015</td>
<td>March payment deposited in colleges’ accounts</td>
</tr>
</tbody>
</table>
North East Scotland College

Annex A

Overall funding allocations, AY 2014-15

<table>
<thead>
<tr>
<th></th>
<th>Regional total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching and fee waiver</td>
<td>£29,673,502</td>
</tr>
<tr>
<td>Student support</td>
<td>£8,411,618</td>
</tr>
<tr>
<td>Capital</td>
<td>£2,119,457</td>
</tr>
</tbody>
</table>

Student number targets, AY 2014-15

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>WSUMs</td>
<td>177,057</td>
</tr>
</tbody>
</table>

Breakdown of student support funding allocations, AY 2014-15

<table>
<thead>
<tr>
<th></th>
<th>Regional total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student support</td>
<td>£8,411,618</td>
</tr>
<tr>
<td>- FE Bursary</td>
<td>£6,907,713</td>
</tr>
<tr>
<td>- FE Childcare</td>
<td>£805,247</td>
</tr>
<tr>
<td>- HE Childcare</td>
<td>£200,888</td>
</tr>
<tr>
<td>- FE Discretionary Fund</td>
<td>£497,769</td>
</tr>
<tr>
<td>Total</td>
<td>£8,411,618</td>
</tr>
</tbody>
</table>

Strategic funding commitments / estimates (excluding capital projects) AY 2014-15

<table>
<thead>
<tr>
<th></th>
<th>Regional total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aberdeen and Banff Colleges - Merger support</td>
<td>£1,258,000</td>
</tr>
<tr>
<td>Banff &amp; Buchan Transitional Funds</td>
<td>£447,380</td>
</tr>
<tr>
<td>Total</td>
<td>£1,705,380</td>
</tr>
</tbody>
</table>

Breakdown of Capital Allocations, AY 2014-15

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>SFC Capital</td>
<td>£1,394,710</td>
</tr>
<tr>
<td>SFC Maintenance</td>
<td>£724,747</td>
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</tbody>
</table>
## Draft Limits of Delegated Authority Funding Council to Colleges

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>External Business and management consultancies</td>
<td>100,000</td>
</tr>
<tr>
<td>Gifts</td>
<td>500</td>
</tr>
<tr>
<td>Extra contractual payments</td>
<td>5,000</td>
</tr>
<tr>
<td>Compensation payments</td>
<td>5,000</td>
</tr>
<tr>
<td>Special Severance payments</td>
<td>1,000</td>
</tr>
<tr>
<td>Ex-gratia payments</td>
<td>1,000</td>
</tr>
<tr>
<td>Claims Waived or abandoned</td>
<td>3,000</td>
</tr>
<tr>
<td>Write off of bad debt</td>
<td>3,000</td>
</tr>
<tr>
<td>Losses</td>
<td>3,000</td>
</tr>
<tr>
<td>Overseas student irrecoverable loss limit</td>
<td>6,000</td>
</tr>
<tr>
<td>Fraud Loss</td>
<td>5,000</td>
</tr>
<tr>
<td>Operating Leases -non property</td>
<td>50,000</td>
</tr>
<tr>
<td>Procurement non-competitive action</td>
<td>25,000</td>
</tr>
</tbody>
</table>
Delegated Limits Definition of terms

Novel or Contentious Expenditure

Whether or not a financial transaction might be regarded as novel or contentious inevitably involves a degree of judgement. "Novel" would include proposed expenditure or financial arrangements of a sort not previously undertaken or entered into by the body in question or that could not be considered, reasonably, to be standard practice. "Contentious" would include proposed expenditure or financial arrangements where there was doubt as to regularity (i.e. compliance with relevant legislation and guidance) or propriety (i.e. compliance with the standards expected of public bodies or officials). Proposed expenditure or financial arrangements that might be considered to be politically sensitive would also be regarded as contentious. If in doubt advice should be sought from the SFC.

While the prior approval of the SFC must be obtained for any novel or contentious (or repercussive) financial transactions undertaken by colleges, responsibility for such transactions remains with the relevant Chief Executive/Principal. The Chief Executive/Principal should therefore be made aware of all such transactions. (in lieu of accountable officer)

Repercussive: An unintended consequence of an action which is usually unwelcome.

Losses

Fruitless Payments and Constructive losses

A payment which cannot be avoided because the recipient is entitled to it even though nothing of use will be received in return should be classified either as a fruitless payment or as a constructive loss. The latter category should be used where the loss was "constructively incurred".

A fruitless payment is a payment for which liability ought not to have been incurred, or where the demand for the goods and services in question could have been cancelled in time to avoid liability, for example:

- forfeitures under contracts as a result of some error or negligence by the payee;
- payment for travel tickets or hotel accommodation wrongly booked; or for goods wrongly ordered or accepted;
- the cost of rectifying design faults caused by to lack of diligence or defective professional practices; and
- extra costs arising from failure to allow for foreseeable changes in circumstances.
There are many degrees of error which might be involved in making a fruitless payment; the criterion is not whether the error is considered serious enough to warrant disciplinary action but simply whether the payee was at fault in incurring or not avoiding the liability to make the payment. Because fruitless payments will be legally due to the recipient they are not regarded as special payments. As due benefit will not have been received in return, however, they should be regarded as losses.

A constructive loss is similar to a fruitless payment, but one where procurement action itself caused the loss. For example, stores or services might be correctly ordered, delivered or provided, then paid for as being in conformity with the order; but later, perhaps owing to a change of policy, they might prove not to be needed or to be less useful than when the order was placed. A constructive loss need not be noted in the losses statement in the resource accounts, but should be recorded under "other notes" if significant.

**Waiver and Abandonment of Claims**

Waiver or abandonment of a claim occurs if it is decided not to present or to pursue a claim which could be or has been properly made. Examples are:

- a decision to reduce the rate of interest on a loan, and therefore to waive the right to receive the amount of the reduction;
- claims actually made and then reduced in negotiations or for policy reasons;
- claims intended to be made, but which could not be enforced, or were never presented;
- failure to make claims or to pursue them to finality, e.g. owing to procedural delays allowing the Limitations Acts to become applicable;
- claims arising from actual or believed contractual or other legal obligations which are not met (whether or not pursued) e.g. under default or liquidated damages clauses of contracts;
- the amounts by which claims are reduced by compositions in insolvency cases, or in out-of-court settlements, other than reductions arising from corrections of facts; and
- claims dropped on legal advice, or because the amounts of liabilities could not be determined.

If a claim has been presented in error or otherwise proves be ill-founded, the claim should be withdrawn (whether or not it has actually been presented) and need not be noted. A
claim should not, however, be regarded as withdrawn where there is doubt as to whether it would succeed if pursued in a court of law, or if the liability of the debtor has not or cannot be accurately assessed. A claim for refund of an overpayment which fails or is waived should be regarded as a cash loss.

**Special Payments**

An **extra-contractual** payment is one which, although not legally due under the original contract or subsequent amendments, appears to place an obligation on a public sector organisation which the courts might uphold. Such obligations will usually arise from administrative action or inaction in relation to the contract. A payment is regarded as extra-contractual even where there is doubt whether or not the organisation is liable to make it, e.g. where the contract provided for arbitration but a settlement is reached without recourse to arbitration. A payment made as a result of an arbitration award is contractual.

A **compensation payment** is one made in respect of unfair dismissal or in respect of personal injuries, traffic accidents, damage to property etc, suffered by civil servants or by others.

**Special severance payments** are paid to employees beyond and above normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract.

**Ex gratia payments** are payments made where there is no legal obligation to pay. There must always, however, be good public policy grounds for making such payments. Into this category will fall some out of court settlements, such as cases where the pursuer has no legal case but the government wants to stop the litigation because it is costly in time and resources. It would not however include cases where the settlement is a negotiated price to settle a potentially higher legal liability. Other examples of ex gratia payments would be payments as compensation for distress or loss arising from a perceived failure of the government but where there was no legal obligation to pay or awarding a dismissed office holder a gratuity that went beyond any legal entitlement by virtue of his/her employment as a type of reward for going with good grace and minimum disruption of services.
### Financial Reporting Definitions

<table>
<thead>
<tr>
<th>Month</th>
<th>Reporting Period</th>
<th>Management Accounting 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aug-13</td>
<td>8 Months</td>
<td></td>
</tr>
<tr>
<td>Sep-13</td>
<td>5 months</td>
<td></td>
</tr>
<tr>
<td>Oct-13</td>
<td>8 Months</td>
<td></td>
</tr>
<tr>
<td>Nov-13</td>
<td>8 months</td>
<td></td>
</tr>
<tr>
<td>Dec-13</td>
<td>8 Months</td>
<td></td>
</tr>
<tr>
<td>Jan-14</td>
<td>4 months</td>
<td></td>
</tr>
<tr>
<td>to 31 March</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feb-14</td>
<td>8 months</td>
<td></td>
</tr>
<tr>
<td>Mar-14</td>
<td>8 months</td>
<td></td>
</tr>
<tr>
<td>Apr-14</td>
<td>8 months</td>
<td></td>
</tr>
<tr>
<td>May-14</td>
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</tr>
<tr>
<td>Jun-14</td>
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<tr>
<td>to 31 July</td>
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<tr>
<td>Jul-14</td>
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<td>Oct-14</td>
<td>to 31 March</td>
<td></td>
</tr>
<tr>
<td>Nov-14</td>
<td>to 31 March</td>
<td></td>
</tr>
<tr>
<td>Dec-14</td>
<td>to 31 March</td>
<td></td>
</tr>
<tr>
<td>Jan-15</td>
<td>12 months</td>
<td></td>
</tr>
<tr>
<td>Feb-15</td>
<td>to 31 July</td>
<td></td>
</tr>
<tr>
<td>Mar-15</td>
<td>8 months</td>
<td></td>
</tr>
<tr>
<td>Apr-15</td>
<td>8 months</td>
<td></td>
</tr>
</tbody>
</table>

### Management Accounting 2

This report provides the information necessary to prepare financial statements for audit.

### Financial Accounting 1

The purpose of this report is to provide financial monitoring information to show performance against the targets set for the Regional Outcome Agreement. Financial information is presented for a year-end reporting date of 31 July.

### Management Accounting 3

A separate set of financial statements are prepared to meet the reporting requirements of the SFC and ScoEsh Government. These comprise monthly and quarterly financial and cash flow forecasts.

In total a further 28 reports/financial returns will require to be produced each year to meet the needs of the SFC and ScoEsh Government.

### Financial Accounting 2

The purpose of this report is to provide financial monitoring information to show performance against the targets set for the Regional Outcome Agreement. Financial information is presented for a year-end reporting date of 31 March.
Post-merger Monitoring Arrangements

1 Introduction
1.1 The purpose of this report is to allow the Board to consider arrangements for post merger monitoring by the Scottish Funding Council (SFC).

2 Background
2.1 The merger of Aberdeen College and Banff & Buchan College to form North East Scotland College took place on 01 November 2013.

2.2 At the time of merger it was made clear by SFC that they would undertake a review of the outcomes of the merger to ensure that it had lived up to its aspirations as stated in the Merger Proposal Document.

3 Arrangements for post merger review
3.1 Attached as an appendix to this paper is a letter from John Kemp at the SFC indicating the process by which a review will be carried out into the effectiveness of the merger.

3.2 This issue was included for discussion at the Board’s Planning Event on 31 January – 01 February 2014 but has also been included on the agenda of this meeting to allow further discussion if required.

4 Recommendation
4.1 It is recommended that the Board consider the information in this report.

Rob Wallen
Principal
17 December 2013

Rob Wallen
Principal of North East Scotland College
Gallowgate
Aberdeen
AB25 1BN

College mergers – post-merger monitoring arrangements

1. This letter explains how the Funding Council intends to monitor the college mergers which took place from AY2012-13 onwards.

2. In the two years following vesting there will be two post-merger evaluations by SFC, consisting of an initial evaluation six months following vesting, and a full post-merger evaluation after two years. There will also be a formal external review of all merging colleges by Education Scotland around one year after vesting.

3. The progress of college mergers will also be monitored through other SFC engagements with colleges, in particular the Outcome Agreement process, as well as governance, financial health and quality monitoring. Education Scotland evidence from annual engagement visits and other College HMI work will also be a source of information. SFC and Education Scotland will ensure that the timings of post-merger evaluations align with Education Scotland annual engagement visits, thematic tasks and reviews.

4. The approach to post merger evaluation aims to be proportionate and risk based. If a merger is progressing well, no additional monitoring would normally be required. But if any of the evaluation evidence, or information from elsewhere, suggests that a college merger presents serious financial or governance risk, or a risk to provision for students, SFC will agree with the College Board and management the root cause of any issues, the level of risk and the actions required. It will then monitor the delivery and impact of the actions taken by the college.
5. SFC will provide reports to the Scottish Government on the progress of individual mergers following the six month and two year evaluations and will share these with the colleges. SFC will also publish summative reports on the progress and impact of all mergers at the six month and two year stages focusing on critical success factors. Education Scotland Reviews will be reported in the normal way. We will also ensure that innovative work that emerges from the evaluations, which might be of interest to other merged colleges, is shared and disseminated through the College Development Network.

**Merger “critical success factors”**

6. Evaluations will focus on critical success factors, and will include:

   o Effective leadership and governance;
   o Communications and engagement – with staff, students, unions, stakeholders;
   o Merger implementation - financial, operational and strategic aspects of merger implementation;
   o Organisational development, cultural, structural and operational aspects;
   o Systems development/integration- focused on improving services for learners.

**Six month post-merger evaluation process**

7. An SFC Board member will oversee the evaluation on behalf of the Council Board and will chair the meetings with the College Boards. The evaluation process will be managed by the relevant Outcome Agreement Manager. The process will comprise face to face meetings with students, staff, the college senior management and the Board. Rather than holding all meetings on one day as we have done in the past, we propose to adopt a phased approach in which meetings with students and staff will be held in advance of subsequent meetings with senior management teams and Boards.

8. The aim is to conclude the initial six month post-merger evaluation process by March/April 2014 for August 2013 mergers and May/June for November 2013 mergers.

9. Your Outcome Agreement Manager will contact you to discuss the process in more detail. In the meantime if you have any questions please contact your manager or get in touch with me.
John Kemp
Deputy Director of Strategic Development
0131 313 6637
jklemp@sfc.ac.uk
New Arrangements for Simplification of Activity Measurement and Prices

1 Introduction
1.1 The purpose of this report is to allow the Board to consider the “new arrangements for simplification of activity measurement and prices”.

2 Background
2.1 The Cabinet Secretary for Education and Lifelong Learning formed the view that the current arrangements for allocating funding to colleges (using the wSUM measure and a number of “premia” for specific circumstances was overly complex.

2.2 He requested that the Scottish Funding Council work to establish a simpler approach.

2.3 This issue was included within the business of the Board’s Planning Event on 31 January – 01 February 2014 but has also been included on the agenda of this meeting to allow further discussion if required.

3 New Arrangements for Simplification of Activity Measurement and Prices
3.1 It is understood that the new arrangements proposed will:

- replace the concept of a ‘SUM’ with that of a ‘credit’ (though each is in effect the same thing since each represents a standard 40 hours of learning);

- replace ‘weighting’ with ‘bands’ (but, although there will be less ‘bands’ than there were ‘weightings’, the concept is essentially the same – to give recognition to the different levels of resource demands arising from different types of provision);

- remove the allocation of a tariff of 20 SUMs for full-time non-advanced students who undertake at least 16 credits and allocate a number of SUMs/credits that correspond to the actual number of credits undertaken (however, the situation will continue that 15 credits will still be allocated to students undertaking 12-credit HN programmes);

- fix the levels of the “rural” premium at historical levels rather than recalculating it each year based on actual activity;

- fix the levels of the “Extended Learning Support” (ELS) premium at historical levels, rather than recalculating it each year based on actual levels of support offered;

- restrict the “Social Inclusion” premium to students from SIMD 10% data zones (i.e. the 10% most deprived areas of Scotland) rather than the SIMD 20% data zones as at present.

3.2 Attached as appendix 1 is a presentation prepared by Mr Tony Jakimciw, Regional Lead for the Boarders Region, and a member of a working party that has been looking in to this.

3.3 Attached as appendix 2 is a letter from Mr Laurence Howells, Interim Chief Executive of the Scottish Funding Council relating to the introduction of the new arrangements.
3.4 As the proposed changes have not been modelled – or if they have been modelled, the results of the modelling have not been announced – it is not possible to know what the impact of the changes would be for NESC. Some of the issues to be considered are:

3.4.1 The changes in relation to the premia:

- historically the region has received little by way of rural premium payment as, although Banff & Buchan College was eligible, Aberdeen College was excluded from claiming it, despite serving a wide rural area. The freezing of this at historical levels removes any possibility of changing this.

- historically the region has claimed less ELS premium payment than other regions – having adopted a very stringent approach to identifying what qualified for the payments. The freezing of this at historical levels without any examination of the discrepancy between levels claimed in the different regions in the past removes any possibility of changing this.

- the nature of the North East demographically is such that the College will receive little of the SIMD 10%-related payments.

3.4.2 The removal of the 20-SUM tariff for non-advanced full-time students: this may affect the College negatively as we have many non-advanced programmes on which fewer than 20 credits are delivered.

3.4.3 The introduction of a small number of new “bands”: the effect of this is unknown as there is no information as to what provision will be in each band, nor how many credits we will be allocated in each band, nor what “price” will be allocated for each band. It is possible that this element of the changes might benefit the College as we have quite a large amount of high cost provision, such as Engineering.

3.9 As such the review of the funding methodology has some uncertainty for the College.

3.10 Since this region is almost the least well-funded in Scotland already in terms of price per unit of activity, any further erosion of the funding we receive per unit of activity could create a situation in which the quality of provision and services could not be sustained at the levels that we have previously achieved.

4 Recommendation

4.1 It is recommended that the Board consider the information in this report.

Rob Wallen
Principal
Regional Lead Borders
Tony Jakimiciew

Funding Work Stream
Simplification of funding methodology

- European funding
- Funding allocation – needs led
- Simplification of funding methodology
Move from WSUMS – measure of volume and price.

FT student = 1.5 credits

1 credit = 40 hours of learning

(From 18 credits and price (simplified to 5 bands)

New methodology separates out volume

Volume and price.

Simplification of Methodology
• Receiving this current level and allocated to regions currently
  current level and ring fenced at
• Rural premium removed and ring fenced at
  ring premium
• Social inclusion reduced but targeted at top
  10% of most deprived postcodes at higher
• Current at current level
  to regions at current level
  to regions at current level and ring fenced
• ELS removed at current level and ring fenced

Premia
Colleges given overall credit allocation in five price bands: e.g., 5,000 band 1, 3000 band 2, etc. Funding then adjusted in light of 3 premia. 

Allocations

College Development Network
Previously agreed that simplification of methodology should not lead to changes in college funding. Proposal leads to potential swings between -3% and +3.8% – SFC accept this but believe that further refinement and consideration of fair price would reduce differentials. Concern that there would not be an overall credit target but instead 5 price band targets and colleges would no longer have flexibility of movement. Colleges can move provision between price bands subject to overall agreement. SFC will only monitor overall target. Colleges can move – SFC will only monitor overall target. Colleges can move.

Issues

- Previously agreed that simplification of methodology should not lead to changes in college funding. Proposal leads to potential swings between -3% and +3.8% – SFC accept this but believe that further refinement and consideration of fair price would reduce differentials.

- Concern that there would not be an overall credit target but instead 5 price band targets and colleges would no longer have flexibility of movement. Colleges can move provision between price bands subject to overall agreed funding allocation. No additional funding for moving to higher weights unless agreed in advance.
SFC propose divisor of 15 to convert to FTE for FE and HE.

Current FT student does 16 credits. Concern at the logic and implications of proposal.

- SFC consider divisor further. Confirmed that colleges currently delivering 16 credits would have to employ more staff.

   - This has been modelled at national/regional level. Concern that reduction of headcount – political implications.
   - Could encourage increase in delivery per FT student e.g. 20 credits and this would deliver more per FT student e.g. 1.33 FTE.

- SF to model at college level.

   - Implications of proposal.

   - Current FT student does 16 credits. Concern at the logic and
   - SF propose divisor of 15 to convert to FTE for FE and HE.

Issues
15/16

- Significant concern at timescales as still issues to be resolved.
- Colleges would be planning on the basis of a system of which they had no experience and could not foresee the implications.
- SFC will parallel run for 14/15 for implementation 15/16.
- 3 regions selected to work in detail with SFC to seek to simplify and learn to inform new guidelines for

Significant risk. Therefore no reduction in volume/pricing resulting from
14/15 funding allocated on current WSUMS basis.
Other regions informed of equivalent credits target so can monitor/learn internally.

Issues

Full Implementation in 15/16
Ensuring regions do not lose money on basis of methodology change

Transparency and consistency of negotiation of methodology change

Maintaining flexibility for internal allocation

Implications for MIS

Concerns
Needs-led funding

- Not all needs can be addressed formulaically
- Delivery plans of key partners
- Metropolitan pull/specialist provision
- Effect of key sector needs and priorities
- Significant population/labour market projections

- Further work to be carried out over next year to refine model for 15/16 taking account of:

- 1% cap in place for 14/15

Current demographic model to be used
3 streams

- Competitiveness, innovation and jobs
- Low carbon, resource efficiency and environment
- Local development and social inclusion

Colleges will be able to deliver under other strands in partnership e.g. with CPPs for social inclusion

SFCC lead partner on 1st strand

Each will have delivery partnership with lead partners.

European Funding 2014 - 2020
SFC produced high level proposal focussing on regional/national skills

Expecting to bid for £67m over 6 years

Have established sector Advisory group with reps from all regions to develop full project

Applications approval from Scot Gov expected in March 2014

Expecting to bid for £67m over 6 years on regional/national skills

SFC produced high level proposal focussing on regional/national skills

European Funding
Other European Funding

- Under spend on current programme - SFC can bid for up to £6m available to Lowlands and Uplands Regions
- Covers academic years 2013-15
- Criteria differs regionally
- Currently commitment/projections sought from Principals, WOSCOP and SFC discussing best way to access other European funding not involving SFC.
- Leads, WOSCOP and SFC discussing best way to

Other European Funding
Appendix 2 – Agenda Item 7.5

17 December 2013

By email

To  
Principals of Colleges  
Chairs of Colleges  
Regional Leads

Dear Principal/Chair/Regional Lead

Guidance on new arrangements for simplification of activity measurement and prices

I am writing to make you aware of proposed changes to the funding system for colleges, in relation to counting student activity and introducing a new pricing system. Our recent guidance letter from the Cabinet Secretary (21 October 2013) asked SFC to plan to introduce the new system from 2014-15.

“Subject to finalising aspects of the model – including in particular, a simpler measurement system to replace the WSUM – you should plan on the basis of introducing the new arrangements from 2014-15.”

We have set out below how we intend to implement the Cabinet Secretary’s guidance.

Parallel running

We intend to introduce the new system in part in AY 2014-15. However we are aware of concerns from the sector, and in particular:

- the need for colleges to take time to adapt how they manage and plan their operations
- the danger that there might be unforeseen problems that need ironing out
- the fact that many colleges are going through major change at the moment and do not need another management task to deal with.
We have therefore decided, after discussion with regional leads, that our new system for funding colleges and counting student activity should be introduced in a manageable way in 2014-15 by ‘parallel running’ the old and new systems. This will serve two purposes:

- to enable us to trial the new system, and make adjustments on the basis of the feedback from that, before “going live” in AY 2015-16
- to allow all colleges the space to work with the new system for counting student activity, and gain familiarity with it, before it is introduced into funding and outcome agreements in 2015-16.

There are various options for ‘parallel running’ and we propose the following:

- all colleges during AY 2014-15 will be funded on the basis of our existing system and WSUMs model
- a selected group of three regions will work with us to explore in depth how the system would run by parallel running in both WSUMs and credits
- these regions will also help us to write the draft Credits Guidance for AY 2015-16 which we will aim to issue in August 2014 to allow colleges to develop their outcome agreements and plan for implementation of the Credit Funding and Outcome Agreement system in 2015-16. We will work with these regions to finalise that guidance in the light of their experience during the early part of AY 2014-15 and to take account of feedback from other regions once the draft guidance has been issued. We will aim to issue that finalised guidance in February 2015, although we do not expect much change from the draft guidance as it is our intention to produce a much simpler document than currently issued for SUMs
- in the lead up to outcome agreement discussions for AY 2015-16, individual Outcome Agreement Managers will start discussing early with their colleges the transition to credits and agree what the region will need to do to respond
- for AY 2015-16, our funding and Outcome Agreements, and regions’ planning and reporting will be entirely based on the new system.

The three regions taking part in the parallel running are Dundee and Angus, Dumfries and Galloway and Lanarkshire. They were chosen to reflect the diversity of the sector. (One large single college region, one small rural single college region and one multi college region.) We will work with these regions, identifying the problems and issues that the rest of the sector may face in implementing the switch and possible solutions. The lessons learned from this trial will inform and be communicated in the Credits Guidance we produce for implementation across the sector. We will also liaise with all other colleges to help them, for internal purposes, to trial measuring activity in credits to allow them to learn how to manage in the new system.
This approach enables SFC and the sector to work together effectively to implement this key aspect of college reform, giving time for all of us to learn and fine tune the new system.

**National Performance measures**

To aid the transition towards colleges being funded to deliver a credit target in 2015-16 we hope that this will give colleges the opportunity internally to monitor their performance against the outcome agreement national measures using the credit measurement system from 2014-15.

The credit measure is already reported to SFC as part of the FES return. 1 credit = 1 SQA credit / 40 hours of learning. The only difference between the credit measure and the current funded SUMs measure is that we would no longer apply the full time tariff. Credits will therefore be reported the way part time activity is at the moment.

Colleges have recently been working to outline their contribution towards the outcome agreement national measures for 2014-15. SFC has provided historical delivery levels against these measures to help with setting realistic forecasts for future years. We have asked colleges in their 2014-15 Outcome Agreements to return forecasts of future activity using the SUMs measure. Working with colleges between March and August 2014, SFC will convert these forecasts into credits. We intend that this will enable colleges to work towards an Outcome Agreement for 2015-16 based on credits.

I have attached a summary project plan showing the main stages in the transition to the new system. As well as working with the regional leads and the group of principals they have chosen to work with us on funding issues, we will, of course, keep the sector informed of development as they happen.

Yours sincerely

[Signature]

Laurence Howells
Interim Chief Executive
Credits
Informed-based on
Activity update
5-10 OAS

Credits
Based on credits
Activity update
Effective from
April 1-16 Q4

Guidance for 5-16 Q4
SCF issues main
SCF and Colleges

Awareness of
Based on credits
5-10 Q4

Credits
Based on measures based in
Performance indicators
5-15 Q4

Guidance to SfMs
Performance measures from SfMs into credits
SCF models to convert colleges' forecasts (national
College begins...

Guidance
For 2015-16
Consider evidence

Guidance
For 2015-16
Discuss draft

Guidance
For 2015-16
Discuss draft

Guidance
For 2015-16
Discuss draft

Guidance
For 2015-16

Proposed timetable for simplification of activity measurement and places

Outcome Agreement
Performance measures
Transition to Credit-based system
Colleges Scotland
Funding Group

August 2013
March 2013
April 2013
May 2014
June 2014
July 2014
August 2014
March 2014
April 2014
May 2014
June 2014
July 2014
August 2014
Update on Bids for European Funding

1 Introduction
1.1 The purpose of this paper is to provide information to the Board on two European Union (EU) funded projects.

2 Background
2.1 The potential for these bids was discussed at the Board Meeting on 09 December 2013. In the interim there have been developments of which the Board should be aware.

3 Delivering on Skills for Growth and Jobs
3.1 Background
3.1.1 The background to this project was the encouragement of the First Minister for North East Scotland College to be involved in facilitating and supporting mobility into the region from other parts of Scotland (and elsewhere) to help address the skills shortage locally and to provide opportunities for those from less prosperous parts of the country. The feasibility study that was undertaken into providing some form of accommodation for learners from outwith the area was one aspect of this. This project bid is a related development.

3.1.2 The EU programme to which this bid has been submitted had a closing date of 14 January 2014. Failure to submit a bid by the deadline would have meant that the opportunity had been lost. As such the timescales for submission of the bid were very challenging, especially given the number of partners that were needed to be involved.

3.1.3 The submission of the bid does not create any binding commitment for the College. If the bid is successful, the College would then have an opportunity to consider whether it wished to proceed. There would be no penalty for not proceeding at that stage. The Board will be fully involved before any binding commitment is made.

3.1.4 Equally, the scale of the bid could be reduced in practice. The size of the bid as submitted would be the maximum support that could be expected. If in practice the scale of the activity is less, less funding could be claimed without any penalty.

3.2 The bid
3.2.1 A summary of this bid is as follows:

“This project will address persistent skills shortages within the employment growth sector of renewable energy through the creation of a National Model for Mobility that will provide a bridge linking individuals who are at risk of exclusion to new, sustainable employment in the green energy sector.

Over its 18 month lifetime, the project would bring together the relevant local, regional and national partners and policy makers, would build upon lessons learned from good practice social mobility models from Lithuania, France and Ireland and will develop the necessary components to create a sustainable and transferrable model that would provide a nurturing and supportive environment to sustain participants, and their families, through relocation, integration into a new community, vocational training, work experience and onwards into sustained employment.
In doing so, the project aims to achieve added value through:

- creating social change through generating and fostering positive attitudes to national and international occupational mobility;

- contributing to innovation in policy development by applying the lessons learned from the social changes, promoted with the assistance of the EU’s Progress funding, to inform national policy for education, skills and employment;

- developing a multi-agency partnership model of services for participants that will combine vocational skills, personal development, work placements and continuous individualised support to optimise engagement and participation and lead to a sustainable pipeline of trained, skilled workers for the growing renewable energy sector that will be transferable to college programmes serving other growth employment sectors;

- strengthening links among Scottish colleges and employers through the creation of sustainable learning and work experience opportunities that will be designed to lead into vacant employment opportunities; linking to and synergising with the National Union of Students (NUS) Scotland programme to improve Scottish participation in academic and vocational mobility programmes;

- and developing good transferable practise from the project’s approach to engaging and embedding the involvement of local communities.”

3.2.2 The partners in this bid are:

- North East Scotland College – Lead Partner
- West of Scotland Partnership (WoSCoP)
- Aberdeen Foyer
- Fraserburgh Development Trust
- Langstane Housing
- Aberdeenshire Council
- NUS
- KLAIPEDA - Lithuanian College
- Le Pari Soldaire - French Housing Association
- Letterkenny Institute of Technology- Irish HE institution.

3.2.3 The total value of bid is €840,570; much of this consists of staff time.

3.2.4 The bid has an overall intervention rate of 80% - meaning that 80% of all costs incurred would be covered by funding from the European Union. Certain elements, including the proposed Project Manager post, would be fully funded by the European Union.

3.2.5 The bid was drafted on behalf of the partners by staff of the West of Scotland Partnership (WoSCoP) and agency which exists to support college bids for European Union funding.

3.2.6 The bid is at the application stage and we will not hear the outcome of the assessment process for at least 3 months.

3.2.7 If the bid were approved a formal contract would need to be established. There is no commitment until the contract is signed.
3.2.8 If the bid is successful and if it is decided to proceed, it is the intention that prior to a start in July partners will plan and adjust for realistic and viable delivery within the overall funded limit, and if it transpires that in the view of partners the bid is too ambitious a scaled-back programme could be developed.

3.2.9 The Depute Principal is named in the bid as the person responsible for ensuring the delivery of the project overall.

3.2.10 The bid as submitted assumes that several current College staff would commit part of their time to the project. In order to ensure this is feasible, the Depute Principal will discuss with senior management colleagues.

3.2.11 If it is decided to proceed, a Project Manager would be identified and appointed to assume the responsibility.

3.2.12 If the project proceeds, detailed processes will be implemented for recording the time spent by College staff on the project so that accurate claims can be submitted. Equally, processes will be established for dealing with claims from partner organisations for the time committed by members of their staff. The clarity and robustness of these processes will be essential to ensure that there are no problems such have arisen in some EU funded projects in other colleges.

4 ESF Underspend Project - Jan 2014 to July 2015

4.1 The College has been informed that its bid for additional funding from the “EU underspend” budget has been approved.

4.2 This will provide up to an additional £917,000 of grant from the Scottish Funding Council to deliver 4,666 additional wSUMs of student activity in AY2013-14 and AY2014-15.

4.3 The College has estimated that it may deliver 800 wSUMs in this current academic year.

4.4 Responsibility for this additional activity rests with the Depute Principal.

4.5 The funding and the related costs of the activity will be accounted for separately.

4.6 It is a condition of grant that we develop a delivery plan with local community planning partners, and the Depute Principal will undertake this.

4.7 An oral update will be provided at the Board Meeting.

5 Recommendation

5.1 It is recommended that the Board consider the information in this report.

Rob Wallen
Principal

Paul Sherrington
Depute Principal
Indicative Funding Decisions AY2014-15

1 Introduction
   1.1 The purpose of this paper is to allow the Board to consider the indicative funding allocation for the College for Academic Year (AY) 2014-15.

2 Background
   2.1 The main element of the College’s funding is provided by the Scottish Funding Council (SFC).

   2.2 On 24 January 2014 the SFC provided an indication of the level of grant for Colleges for AY2014-15. A copy of this publication and relevant annexes is attached as an appendix to this paper.

   2.3 Funding allocations for other regions can be accessed on the SFC website at http://www.sfc.ac.uk/communications/Announcements/2014/IndicativeCollegeFundingDecisions2014-15.aspx

3 Commentary
   3.1 North East Scotland College is one of the five that will receive less revenue funding and have a reduction of their activity targets. In the case of this College the reduction in both cases is 0.5%.

4 Recommendation
   4.1 It is recommended that the Board consider the indicative funding allocation for AY2014-15.

Rob Wallen
Principal

Paul Sherrington
Depute Principal
Outcome agreements for Colleges indicative funding decisions for AY 2014-15

Issue date: 24 January 2014

Reference: SFC/AN/01/2014

Summary: To provide colleges with the Scottish Funding Council’s initial decisions on funding outcome agreements for academic year 2014-15.

FAO: Regional Leads, Principals and Directors of Scotland’s colleges

Further information:

Contact: Martin Smith
Job title: Deputy Director
Department: Funding Policy
Tel: 0131 313 6528
Email: msmith@sfc.ac.uk
Outcome agreements for Colleges indicative funding decisions for AY 2014-15

Purpose

1. I am writing to provide you with the Scottish Funding Council’s initial decisions on funding outcome agreements for academic year (AY) 2014-15. The figures are indicative only and cannot be finalised until the budget bill has been agreed by the Scottish Parliament and we have finalised and agreed your outcome agreement, which we expect to be during March 2014. The purpose of providing these indicative figures is to help you plan your provision and for us to move towards your finalised outcome agreement for AY 2014-15.

Overall available funds for college sector

2. For AY 2014-15 we will allocate around £526.3 million. Our financial year budget for 2014-15 is £521.7 million, however we expect some additional ring-fenced funding for HE childcare funds £3.9 million and £0.7 million for English for Speakers of Other Languages (ESOL). Our planning assumption is that our funding for colleges will be level in the next financial year (FY); this means that there is no need to adjust our AY budget to take account of changing FY budgets.

3. The decisions on funding are in line with the Cabinet Secretary’s letter of guidance of 21 October 2013. SFC has been asked ‘to at least maintain the volume of WSUMs at 2013-14 levels (2,252,791 WSUMs) in AY 2014-15.’ To ensure the sector meets this target we want to be sure that we allocate funding where need and demand are highest.

4. We have rolled forward from last year our regional prices for teaching, as this is a flat cash settlement for 2014-15 teaching allocations.

College funding allocations by region

5. SFC is moving towards a needs-based simpler system of allocating funding according to negotiation based on an agreed evidence base rather than formula. We are still discussing elements of this approach with the sector (see paragraph 18). We were asked in the letter of guidance to introduce the new method from AY 2014-15 – though within limits whereby no college will lose more than 1% cash in any one year.

6. In making provisional allocations to regions we have taken into account demographic data on need in the region, travel to study, performance of the region/college in meeting delivering existing growth, discussion with the college/region on their own assessment of need and the capacity for growth. Not every college made a case for additional growth.
7. These discussions and negotiations with all regions have led to our proposals, which broadly fall into three categories:

- Regions/colleges where we have decided there should be level funding and WSUMs targets, that is the same as AY 2013-14 (Ayrshire, Borders, Forth Valley, Highlands & Islands, West, SRUC, Newbattle and SMO)
- Regions/colleges where we have decided there should be a small amount of additional growth in provision (Glasgow, Lanarkshire and West Lothian)
- Regions/colleges where there will be a small reduction in provision and funding, this is being discussed with those regions (Dumfries & Galloway, Dundee & Angus, Edinburgh, Fife, and North East College).

Student support

8. We were asked in the guidance letter to “protect college bursaries for AY 2014-15, increasing them by inflation”. We have increased the bursary rates by 1.9% (this was the government Gross Domestic Product (GDP) deflator for 2014-15 in December 2013). We have also increased the overall funds for childcare by 1.9%.

9. For regions with no additional growth of provision we will maintain their student support allocation uprated by 1.9%. We have reallocated student support funds in line with the changes in provision. So for those regions with an increase in their WSUMs target we have provided some additional student support and there has been a corresponding decrease to regions with a reduced WSUMs target.

Strategic funds

10. Given the need to maintain student numbers and ensure colleges’ core allocations do not decrease by more than 1%, as set out in the Cabinet Secretary’s guidance we have a small budget available for strategic funds. This amounts to £14.7 million, and is fully committed to the continuation of existing projects and our support for sector wide agencies and services.

11. We are currently reviewing the arrangements we have in place for the sector agencies where we provide strategic funding, to agree an outcome based approach.

Employability Fund

12. The Cabinet Secretary’s guidance letter asked us to continue the current criteria and arrangements for the Employability Fund. This means that £6 million is being transferred to Skills Development Scotland who will allocate colleges this funding through their Employability Fund.
European Funds

13. The guidance letter from the Cabinet Secretary asked SFC to maximise funding available through the 2014-20 European Funding programme for colleges. We are working with the sector to develop proposals for an application to the new programme which covers delivery by colleges across the whole sector, but focused on pre-employment and employability programmes to meet national and regional skills requirements. The 2014-20 programme could potentially start in August 2014. We are also currently finalising the details of an extension of the current SFC European Social Fund (ESF) ‘Priority 5’ project to run from January 2014 to the end of July 2015.

14. We have therefore set aside £8 million match funding for AY 2014-15 (£6 million teaching funds and £2 million student support) to support these projects.

Capital Funding

15. Indicative capital formula allocations have been made for financial year 2014-15, apportioning the total £26.6 million in the same manner as in financial year 2013-14. The total budget has then been split between Capital and Maintenance on the assumption that the Scottish Government will adjust the SFC’s grant in aid at the Autumn Budget Revision. This is required following the reclassification of incorporated colleges by the UK Office of National Statistics. Existing capital project commitments are not covered here.

16. Each college region’s formula allocation has been split between Capital and Maintenance based on their projected capital expenditure as submitted in the Financial Forecasting Return. Capital allocations must only be used for items which can be capitalised, including IT. Maintenance allocations must only be used for building maintenance, which is not capitalised.

17. We will request an update from college regions to ensure that colleges expect to be able to spend their capital allocations. SFC agreement will be required to alter any of these budgets.

Simplification of funding measurement and prices

18. We are working with the sector to progress our proposals for simplification of the college measurement system, moving from WSUMs to credits and associated changes to unit prices. We intend to parallel run our new approach with three regions through the next academic year and plan to fully implement the new system from AY 2015-16.
Re-classification of colleges

19. The UK Office of National Statistics has reclassified all incorporated colleges as central government entities for the purposes of accounting and budgeting. This has a direct impact on the way in which the SFC is able to fund these colleges and in particular the system of paying grants on the basis of a profile announced in advance is no longer possible.

20. It is SFC’s responsibility to allocate both cash and resource budgets to colleges in order to support the delivery of their Outcome Agreements, to distribute cash on the basis of need, monitor cash paid out by SFC against the overall FY budget, monitor spend against FY resource budget, monitor college sustainability and to provide information to Scottish Government and to Her Majesty’s Treasury.

21. We will make payment to all incorporated colleges on the basis of need. Where Regional Strategic Bodies have been established by the Post-16 Education (Scotland) Act 2013, we expect to make payments to them for incorporated colleges assigned to them on the basis of need. In order to ascertain this need, colleges will be required to complete a monthly pro-forma stating their cash requirement for that month and their projected future cash requirement. In addition colleges will be asked to complete an annual pro-forma following the publication of SFC’s indicative grant allocations.

22. The annual pro-forma will restate the academic year budgets announced in this letter as financial year budgets. It is these financial year budgets which colleges should use as the basis of their budgeting for financial year 2014-15.

23. A timetable of payment dates and dates for the issuing and return of cash-flow pro-forma is attached to this letter at Annex B.

Further information

24. Please contact Martin Smith, Deputy Director Funding Policy for further information, tel: 0131 313 6528, email: msmith@sfc.ac.uk

Laurence Howells
Interim Chief Executive
### College sector - Overall budget for academic year 2014-15

<table>
<thead>
<tr>
<th></th>
<th>Updated 2014-15 budget £000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Teaching Grants</strong></td>
<td></td>
</tr>
<tr>
<td>Core Teaching and fee waiver</td>
<td>393,549</td>
</tr>
<tr>
<td>Match funded ESF</td>
<td>6,000</td>
</tr>
<tr>
<td>Total Teaching Funding</td>
<td>399,549</td>
</tr>
<tr>
<td><strong>Student Support</strong></td>
<td></td>
</tr>
<tr>
<td>ESF student support</td>
<td>2,000</td>
</tr>
<tr>
<td>Total student support</td>
<td>106,018</td>
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<tr>
<td><strong>Strategic funds</strong> *</td>
<td>14,736</td>
</tr>
<tr>
<td><strong>College Employability Fund (transfer to SDS)</strong></td>
<td>6,000</td>
</tr>
<tr>
<td><strong>Overall Total</strong></td>
<td>526,303</td>
</tr>
<tr>
<td><strong>College capital and maintenance</strong></td>
<td>26,600</td>
</tr>
</tbody>
</table>

* Includes funds to support sector wide organisations.
Scotland

Annex A

Overall funding allocations, AY 2014-15

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching and fee waiver</td>
<td>£393,548,870</td>
</tr>
<tr>
<td>Student support</td>
<td>£104,017,763</td>
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<tr>
<td>Capital</td>
<td>£26,600,000</td>
</tr>
</tbody>
</table>

Student number targets, AY 2014-15

<table>
<thead>
<tr>
<th>WSUMs</th>
<th>2,253,593</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additional WSUMs (strategic)</td>
<td>9,550</td>
</tr>
</tbody>
</table>

Breakdown of student support funding allocations, AY 2014-15

<table>
<thead>
<tr>
<th>Sector</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Student support</td>
<td></td>
</tr>
<tr>
<td>- FE Bursary</td>
<td>£82,251,572</td>
</tr>
<tr>
<td>- FE Childcare</td>
<td>£10,570,235</td>
</tr>
<tr>
<td>- HE Childcare</td>
<td>£3,932,588</td>
</tr>
<tr>
<td>- FE Discretionary Fund</td>
<td>£7,263,367</td>
</tr>
<tr>
<td>Total</td>
<td>£104,017,763</td>
</tr>
</tbody>
</table>

Strategic funding commitments / estimates (excluding capital projects) AY 2014-15

<table>
<thead>
<tr>
<th>Strategic Funds</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dundee &amp; Angus College</td>
<td>£1,950,081</td>
</tr>
<tr>
<td>Fife College</td>
<td>£1,310,904</td>
</tr>
<tr>
<td>Forth Valley College</td>
<td>£64,000</td>
</tr>
<tr>
<td>Glasgow Region</td>
<td>£184,000</td>
</tr>
<tr>
<td>Highlands &amp; Islands Region</td>
<td>£439,600</td>
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<tr>
<td>Lanarkshire Region</td>
<td>£1,244,202</td>
</tr>
<tr>
<td>North East Scotland College</td>
<td>£1,705,380</td>
</tr>
<tr>
<td>West Lothian College</td>
<td>£145,000</td>
</tr>
<tr>
<td>Total</td>
<td>£7,043,167</td>
</tr>
</tbody>
</table>

Breakdown of capital allocations, AY 2014-15

| SFC Capital                   | 11,000,000     |
| SFC Maintenance               | 15,600,000     |
North East Scotland College

Annex A

Overall funding allocations, AY 2014-15

<table>
<thead>
<tr>
<th>Region</th>
<th>Regional Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Teaching and fee waiver</td>
<td>£29,673,502</td>
</tr>
<tr>
<td>Student support</td>
<td>£8,411,618</td>
</tr>
<tr>
<td>Capital</td>
<td>£2,119,457</td>
</tr>
</tbody>
</table>

Student number targets, AY 2014-15

| WSUMs                          | 177,057        |

Breakdown of student support funding allocations, AY 2014-15

<table>
<thead>
<tr>
<th>Student support</th>
<th>Regional Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>- FE Bursary</td>
<td>£6,907,713</td>
</tr>
<tr>
<td>- FE Childcare</td>
<td>£805,247</td>
</tr>
<tr>
<td>- HE Childcare</td>
<td>£200,888</td>
</tr>
<tr>
<td>- FE Discretionary Fund</td>
<td>£497,769</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>£8,411,618</strong></td>
</tr>
</tbody>
</table>

Strategic funding commitments / estimates (excluding capital projects) AY 2014-15

<table>
<thead>
<tr>
<th>Region</th>
<th>Regional Total</th>
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</thead>
<tbody>
<tr>
<td>Aberdeen and Banff Colleges - Merger support</td>
<td>£1,258,000</td>
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<tr>
<td>Banff &amp; Buchan Transitional Funds</td>
<td>£447,380</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£1,705,380</strong></td>
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</tbody>
</table>

Breakdown of Capital Allocations, AY 2014-15

<table>
<thead>
<tr>
<th>Region</th>
<th>Regional Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>SFC Capital</td>
<td>£1,394,710</td>
</tr>
<tr>
<td>SFC Maintenance</td>
<td>£724,747</td>
</tr>
</tbody>
</table>
## ONS college reclassification: Financial Year payment timetable

<table>
<thead>
<tr>
<th>Date</th>
<th>Action</th>
</tr>
</thead>
<tbody>
<tr>
<td>31 January 2014</td>
<td>SFC issue annual cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>28 February 2014</td>
<td>Return annual pro-forma to SFC</td>
</tr>
<tr>
<td>27 March 2014</td>
<td>SFC issue April cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>2 April 2014</td>
<td>Return April cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 April 2014</td>
<td>April payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>22 April 2014</td>
<td>SFC issue May cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 May 2014</td>
<td>Return May cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 May 2014</td>
<td>May payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>22 May 2014</td>
<td>SFC issue June cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>2 June 2014</td>
<td>Return June cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>16 June 2014</td>
<td>June payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>19 June 2014</td>
<td>SFC issue July cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 July 2014</td>
<td>Return July cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 July 2014</td>
<td>July payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>24 July 2014</td>
<td>SFC issue August cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 August 2014</td>
<td>Return August cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 August 2014</td>
<td>August payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>21 August 2014</td>
<td>SFC issue September cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 September 2014</td>
<td>Return September cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>15 September 2014</td>
<td>September payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>23 September 2014</td>
<td>SFC issue October cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 October 2014</td>
<td>Return October cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 October 2014</td>
<td>October payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>23 October 2014</td>
<td>SFC issue November cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>3 November 2014</td>
<td>Return November cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 November 2014</td>
<td>November payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>20 November 2014</td>
<td>SFC issue December cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>1 December 2014</td>
<td>Return December cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>15 December 2014</td>
<td>December payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>16 December 2014</td>
<td>SFC issue January cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>23 December 2014</td>
<td>Return January cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>14 January 2015</td>
<td>January payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>26 January 2015</td>
<td>SFC issue February cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>3 February 2015</td>
<td>Return February cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>16 February 2015</td>
<td>February payment deposited in colleges’ accounts</td>
</tr>
<tr>
<td>23 February 2015</td>
<td>SFC issue March cash-flow pro-forma to colleges</td>
</tr>
<tr>
<td>3 March 2015</td>
<td>Return March cash-flow pro-forma to SFC</td>
</tr>
<tr>
<td>16 March 2015</td>
<td>March payment deposited in colleges’ accounts</td>
</tr>
</tbody>
</table>
Update on Implementing the Post-16 Education (Scotland) Act 2013

1 Introduction
1.1 The purpose of this report is to allow the Board to consider the implementation of the Post-16 Education (Scotland) Act 2013.

2 Background
2.1 The new arrangements for Scottish further-education colleges are detailed in the Post-16 Education (Scotland) Act 2013.

2.2 The implementation of the provision of the Act has been phased.

2.3 Attached as appendix 1 is a letter from Mr Michael Cross of the Scottish Government relating to the implementation process.

3 Implementing the Post-16 Education (Scotland) Act 2013
3.1 Mr Cross’ letter provides some detail of the implementation of the Act and in particular transitional arrangements.

3.2 Of particular interest to this Board may be the first part of Annex B, on page 5, relating to Regional Colleges.

3.3 The following are the key elements of what is to happen with effect from 03 March 2014:

3.3.1 Chair “will be removed from office” – to be replaced by whoever arises from the public appointments process.

3.3.2 There will be a second student member nominated by the Students’ Association.

3.3.3 The existing staff members continue; they will serve “until the expiry of their current term of office or one year, whichever comes first”.

3.3.4 “Ordinary members” will serve “until the expiry of their current term of office or one year, whichever comes first”.

3.4 It is not as yet definite how Board members will be appointed to serve after 03 March 2014; however, attached as appendix 2 is a section of a consultation paper which addresses this issue amongst others.

3.5 It states:

When a college is first designated as regional in 2014, existing ordinary board members will be ‘migrated’ to the regional college board. They will serve until the expiry of their current term of office or one year, whichever comes first. After this ‘migrated’ period ends, an ordinary board member appointment is not to be extended. The post is instead to be filled through an open recruitment process as outlined in paragraphs 3.24-3.25.

3.6 Paragraphs 3.24 and 3.25 give details of the “fair, open and merit-based recruitment process” which will be adopted.
4 Recommendation

4.1 It is recommended that the Board consider the information contained in the letter from Mr Cross.

Rob Wallen
Principal
UPDATE ON IMPLEMENTING THE POST-16 EDUCATION (SCOTLAND) ACT 2013

1. I am writing to update you on further progress in implementing the Post-16 Education (Scotland) Act 2013 (the Act), in particular on:

   - designating colleges as regional colleges;
   - bringing most of the provisions of the Act into force;
   - confirming transitional arrangements for incorporated college boards; and
   - consulting on draft Ministerial guidance on college sector board appointments.

Regional Colleges

2. As you know, in October 2013 we issued a consultation paper “Designating Colleges as Regional Colleges and Assigning Colleges to Regional Strategic Bodies”¹, paving the way for a central element of our implementation plans.

3. We have now published the responses we received to questions in the consultation paper about single college regions² and an analysis report³. Having considered them, the Cabinet Secretary is proceeding with the designation of colleges in single college regions as planned. Specifically, Ministers have made an order that designates colleges in single college regions as regional colleges with

¹ http://www.scotland.gov.uk/Publications/2013/10/7639
² http://www.scotland.gov.uk/Publications/2014/01/7728
³ http://www.scotland.gov.uk/Publications/2014/01/2911
effect from 3 March 2014. No decisions have been made, to date, on the issues discussed in the consultation paper in relation to multi-college regions.

4. The Designation of Regional Colleges (Scotland) Order 2014 will come into force on 3 March 2014. It designates the ten incorporated colleges in single college regions as regional colleges, giving them the board arrangements of such colleges and associated new functions. The Policy Note outlines what the Order does.

Commencement of Act

5. The Post-16 Education (Scotland) Act 2013 (Commencement No. 3 and Transitory and Savings Provisions) Order 2014 will come into force on 3 March 2014. It makes 3 March a significant day in terms of college and university reform, as it commences most of the remaining provisions in the Act, leaving only reforms in multi-college regions for a later point in the year. The Policy Note outlines what the Order brings into force.

6. I attach as Annex A the wider plans for the implementation of the Act. As you will note, plans for May and August are dependent on the outcome of the consultation I previously mentioned.

Transitional Arrangements for Incorporated College Boards

7. The Cabinet Secretary has sought to balance the need for business continuity on boards with the need to move with pace towards the new, more transparent appointments system. Mr Russell has concluded that a standard migration period of one year would best achieve this balance.

8. That said, circumstances in multi-college regions are of course different. Among other things, in these regions, responsibility for making appointments will transfer from incorporated college boards to regional strategic bodies. In our consultation on Ministerial guidance on board appointments which issues today (see paragraph 10) we will therefore propose giving regional strategic bodies some limited flexibility to extend the appointment of migrated college board members. This could mean that relevant board members in multi-college regions remain in post for two years.

9. Annex B outlines how the Scottish Ministers intend to use their powers to ‘migrate’ members to the boards of regional colleges and of assigned incorporated colleges.

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4 The Post-16 Education (Scotland) Act 2013 (Commencement No. 2) Order 2013, SSI 2013/348 brought the necessary order-making powers to designate colleges as regional into force on 13 January 2014.

5 The Order and Policy Note will be available shortly at http://www.legislation.gov.uk/ssi

6 The Order and Policy Note will be available shortly at http://www.legislation.gov.uk/ssi
Draft Ministerial Guidance on College Sector Board Appointments

10. Another important element of implementing the Act is the development of Ministerial guidance to support relevant board member appointments. To this end we should welcome your comments on our consultation paper\(^7\) by Friday 30 May. The draft Ministerial guidance covers:

- regional college boards concerning the appointment of ‘ordinary’ board members to those boards;
- Regional Boards concerning the appointment of ‘ordinary’ board members to those boards; and
- regional strategic bodies concerning the appointment of the chair and ‘ordinary’ board members of assigned incorporated college boards.

Next Steps

11. I will write again when:

- the Cabinet Secretary has made decisions about multi-college regions.
- the draft summary guide “College Reforms and the Post-16 Education (Scotland) Act 2013”\(^8\) is updated to take into account, among other things, the progress outlined in this letter.
- the Act’s Explanatory Notes are published.

Yours sincerely

Micheal Cross
Deputy Director

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\(^7\) [http://www.scotland.gov.uk/Publications/2014/01/3875](http://www.scotland.gov.uk/Publications/2014/01/3875)

\(^8\) [http://www.scotland.gov.uk/Topics/Education/post16reform/hefegovernance/CollegeReformsandPost16Act](http://www.scotland.gov.uk/Topics/Education/post16reform/hefegovernance/CollegeReformsandPost16Act)
ANNEX A

SUMMARY OF IMPLEMENTATION OF THE ACT

10 October 2013  (First commencement order in force)

- Some ‘stand-alone’ amendments, including students’ associations

13 January 2014  (Second commencement order in force)

- Power to make orders: Regional colleges
- Power to make orders: Data sharing
- National pay bargaining (and consultation provisions for regulations)

3 March 2014 (Third commencement order made on 22 January 2014)

- Enabling powers to make orders (e.g. to assign colleges to regional strategic bodies)
- College regionalisation/governance/mismanagement – regional colleges
- HE and FE governance principles
- Widening access
  o Terms and conditions
  o SFC to have regard
  o SFC to review progress
- Fee cap (though won’t be used for 14/15)
- Review of FE/HE
- Equal opportunities (except assigned incorporated colleges - applies to assigned incorporated colleges as below)

1 May 2014 (subject to outcome of consultation)

- Regional Boards (constitution and mismanagement)\(^9\)
- Regional strategic body provisions – UHI\(^10\)
- College regionalisation/governance/mismanagement/equal opportunities - assigned colleges in Highlands and Islands\(^11\)

1 August 2014 (subject to outcome of consultation)

- College regionalisation/governance/mismanagement/equal opportunities - assigned colleges in Glasgow and Lanarkshire\(^12\)
- Regional strategic body duties – Glasgow and Lanarkshire\(^13\)

\(^9\) Requires further commencement order
\(^10\) Requires further commencement order
\(^11\) Will come into force for relevant colleges when they are assigned to their regional strategic body
\(^12\) Will come into force for relevant colleges when they are assigned to their regional strategic body
\(^13\) Requires further commencement order
INCORPORATED COLLEGE BOARD TRANSITIONAL ARRANGEMENTS

Following the coming into force of the necessary orders that will designate incorporated colleges as regional or assign incorporated colleges to a regional strategic body, the Scottish Ministers plan to exercise their powers under section 6(2) of the Act to remove or continue incorporated college board members as follows.

Regional Colleges – 3 March 2014

- **Chair**\(^{14}\) – the existing chair will be removed from office. They were of course able to apply to be chair of the regional college through open competition. If an existing chair is not appointed as the chair of the regional college, they will be migrated to the regional college board as an ordinary member.

- **Principal** – the principal will remain on the regional college board; their position on the board is unaffected.

- **Student members** – the existing student member will migrate to the regional college board. As is the case under existing legislation, the student member’s period of office ends at the end of each August. When the regional college board is formed on 3 March 2014, the student association is to nominate a second person to be a student member (given that the number of student board members has been increased from one to two).

- **Staff members** – the existing staff members will migrate to the regional college board. They will serve until the expiry of their current term of office or one year, whichever comes first.

- **Existing ‘ordinary’ board members** will migrate to the regional college board. They will serve until the expiry of their current term of office or one year, whichever comes first.

Any ordinary board vacancies either during or after the migration would be appointed by the regional college board, with the approval of the chair and Ministers, having regard to any Ministerial guidance (on matters such as open recruitment). We are consulting on such guidance.

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\(^{14}\) The chair of each regional college will be appointed by Scottish Ministers. As provided for in the Act, such appointments will fall within the remit of the Public Appointments Commissioner for Scotland. Our aim is to have the chairs identified shortly.
Assigned (Incorporated) Colleges – when a college is first assigned to its regional strategic body

- **Chair** – the existing chair will migrate to the assigned college board. They will serve until the expiry of their current term of office or one year, whichever comes first. We are consulting on draft guidance that outlines that regional strategic bodies have some limited flexibility to extend the appointment of a migrated chair. Any chair vacancy either during or after the migration would be appointed by the regional strategic body, having regard to any Ministerial guidance (on matters such as open recruitment).

- **Principal** – the principal will remain on the assigned college board; their position on the board is unaffected.

- **Student members** – the existing student member will migrate to the assigned college board. Like existing legislation, the student member’s period of office ends at the end of each August. When the assigned college board is formed (or depending on when that is in the academic year, a reasonable time thereafter), the student association is to nominate a second person to be a student member (given that the number of student board members has been increased from one to two).

- **Staff members** – the existing staff members will migrate to the assigned college board. They will serve until the expiry of their current term of office or the end of one year, whichever comes first.

- **Existing ‘ordinary’ board members** will migrate to the assigned college board. They will serve until the expiry of their current term of office or one year, whichever comes first. We are consulting on draft guidance that outlines that regional strategic bodies have some limited flexibility to extend the appointment of migrated ‘ordinary’ members. Any ordinary board vacancies either during or after the migration would be appointed by the regional strategic body, having regard to any Ministerial guidance (on matters such as open recruitment).

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15 No decisions have been made on when colleges will be assigned.
3. REGIONAL COLLEGE BOARDS – APPOINTMENT OF ‘ORDINARY’ BOARD MEMBERS

What is a regional college board?

3.1 As previously outlined, a “regional college board” is the board of management of an incorporated college designated by order under section 7A(1) of the 2005 Act as a regional college.

Membership of a regional college board

3.2 Paragraph 3(1) of Schedule 2 to the 1992 Act outlines that a regional college board must comprise in total between 15 and 18 members. All paragraph references in this section are to that schedule.

3.3 Paragraph 3(2) details that the board must comprise:

- A chair appointed by Scottish Ministers
- The principal of the college
- Two elected staff members (one teaching and one non-teaching)
- Two nominated student members
- Ordinary board members appointed by the board.

3.4 A regional college board must therefore have between 9 and 12 ordinary board members.

3.5 Other key matters outlined in Schedule 2 to the 1992 Act include:

Appointment of ordinary members of a regional college board

- Ordinary board members are appointed by the regional college board, with the approval of its chair and Scottish Ministers. [Paragraph 3(3)]

Terms and conditions of appointment of ordinary board members

- An ordinary board member of a regional college board holds and vacates office on such terms and conditions as the board may determine. [Paragraph 5(1)]

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4 The regional college board also determines the terms and conditions of appointment of staff and student members.
Length of appointment, extension and re-appointment of ordinary board members

- An ordinary board member is to hold office for a period not exceeding four years. [Paragraph 5(2)(c)]

- A regional college board may extend the period of appointment of an ordinary board member for a single further period not exceeding four years; such an extension requires to be approved by the chair of the regional college board and Scottish Ministers. [Paragraph 5(2B)]

- After an appointment has ended, a person is eligible for re-appointment. [Paragraph 5(1)]

3.6 **Annex C** outlines the routes for ordinary members to continue on boards.

**Equal opportunities**

3.7 Regional college boards are bound by the Equality Act 2010. Section 26A of the 2005 Act provides that, among other things, when a regional college board makes appointments to its board, it must do so in a manner which encourages equal opportunities and in particular the observance of the equal opportunities requirements.

3.8 The terms “equal opportunities” and “equal opportunity requirements” are defined in section L2 of part II of Schedule 5 to the Scotland Act 1988. “Equal opportunities” means the prevention, elimination or regulation of discrimination between persons on grounds of sex or marital status, on racial grounds, or on grounds of disability, age, sexual orientation, language or social origin, or of other personal attributes, including beliefs or opinions, such as religious beliefs or political opinions. “Equal opportunity requirements” means the requirements of the law for the time being relating to equal opportunities.

**Not eligible for appointment**

3.9 Paragraph 5A of Schedule 2 to the 1992 Act makes provision for persons not eligible for appointment as a board member of an incorporated college. Paragraph 5A is reproduced at **Annex D** for ease of reference.

**Scottish Ministers' powers to require information**

3.10 Scottish Ministers have powers under section 12(6) of the 1992 Act to require incorporated college boards to give such information as Ministers require for the purposes of the exercise of their powers under the Act. This extends to information
Scottish Ministers may require in order to consider whether to approve the appointment or extension of a board member of a regional college board.

Guidance

3.11 Paragraph 3C(1) details that in making appointments and in extending the period of appointment a regional college board must have regard to any guidance issued by Scottish Ministers in relation to the making of such appointments (including any guidance on the desirability of appointing members with particular skills and experience).

3.12 Before issuing guidance to regional college boards under paragraph 3C(1), paragraph 3C(2) requires Scottish Ministers to consult a list of bodies.

3.13 Paragraph 3C(3) enables Scottish Ministers to issue different guidance for different purposes. It is for this reason that the Ministers can, for example, issue different guidance to regional strategic bodies in respect of assigned colleges and to regional college boards.

Relevant committee with responsibility for board appointments and extensions

3.14 A regional college board is to establish a relevant committee to nominate board member appointments and extensions. The chair of the regional college board should normally chair this committee.

3.15 The principal of the college must not to be a member of this committee, as there is a conflict of interest. The principal could, however, be asked by this committee to provide information to it (if required), whether in person to the committee or in writing.

Assessing the skills and experience required

3.16 Before beginning an appointments process, the relevant committee of the board is to identify the skills, knowledge, attributes and experience of existing board members.

3.17 This should be compared against the future needs of the board to enable it to perform effectively, taking into account the anticipated challenges and opportunities facing the college. In doing so, boards should demonstrate that they have drawn on a variety of regional and national sources of intelligence and information to evidence the gaps that are to be filled through the appointments process.
Skills, knowledge, attributes and experience of board members

3.18 Board members will be expected to adhere to the Principles of Public Life in Scotland and act at all times in good faith and in the best interests of the learners (see Annex F).

3.19 In appointing a person as an ordinary member of a regional college board, the board must have regard to the desirability of appointing someone who has proven:

a) an ability to work successfully at a senior level, maintaining and developing excellent corporate governance
b) an ability to contribute to the development of a vision and strategic direction for the college, and to help guide the delivery of planned outcomes in challenging circumstances
c) an ability to engage and communicate effectively with a wide range of individuals and organisations
d) senior level experience in building networks that help achieve shared objectives
e) an understanding of the context in which the college operates, namely in terms of education and improving public services
f) such other skills, knowledge, attributes or experience as the regional college board considers relevant.

3.20 The following is also considered desirable:

a) proven experience of, or capacity in, further and/or higher education
b) proven experience of, or capacity in, industry, commerce, finance, the Third Sector, local authority or trade union(s).

Representativeness

3.21 Moreover, boards should aim to have:

a) a membership which, as far as possible, reflects the make-up of the population which they serve
b) a majority of ordinary board members who have proven experience, or knowledge, of the region.

3.22 As required by the 2005 Act, in appointing members, a regional college board must do so in a manner which encourages equal opportunities and in particular the observance of the equal opportunities requirements.
Number of board members receiving remuneration

3.23 A regional college board cannot remunerate individuals for their role as a member of the board (other than its chair). However, as it is possible that members of staff of a college may seek to become ‘ordinary’ board members as private citizens like any other person, the board must ensure that less than half of its members receive remuneration from the board. Members receiving remuneration include the chair (as a remunerated board appointment); any salaried members of staff on the board, including the principal; and any sabbatical student members (whether remunerated directly by the college or by the college’s students’ association).

Open recruitment process

3.24 The board must conduct a fair, open and merit-based recruitment process, which includes:

1) for any particular appointment or appointments round, the relevant committee should identify an independent person to be part of the process throughout (including development of person specification, assessment criteria and methods as well as involved at the sift and interview) to ensure openness in the appointment round and to instil confidence in it. They must have otherwise no connection with the college (e.g. they must not be a board member, a member of any other college committee or an employee of the college)\(^5\). However, they must be:

   i. knowledgeable about the regional college
   ii. understand the skills, knowledge, experience and attributes required of the person(s) to be appointed
   iii. have demonstrated sound judgment and decision-making.

2) Positions advertised with clear information on the role description, person specification, and assessment criteria and methods. This includes advertising on the Public Appointments website\(^6\).

3) Timely information provided to both successful and unsuccessful candidates with an offer of feedback after application sift and interview stages.

4) Names of candidates that have the support of the chair submitted to the relevant committee.

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\(^5\) The same person can be appointed for more than appointment round. However, care should be taken to avoid excessive reliance on the same person or persons, so as to call into doubt their credibility as an independent person.

\(^6\) [http://www.appointed-for-scotland.org/](http://www.appointed-for-scotland.org/)
5) An appointment made public once Ministerial approval has been given and the person has accepted the position in writing.

3.25 The Code of Practice for Ministerial Appointments to Public Bodies in Scotland7 and accompanying guidance8 are helpful reference tools in making appointments. While they are intended for regulated Ministerial public appointments, the principles of and approach set out by the code are relevant to and should underpin college sector board recruitment and appointment.

Extending board member appointments

3.26 Where an appointment has not already been extended, the relevant committee is to consider whether the needs of the board will be most effectively met by extending an appointment or by making a new appointment.

3.27 In reaching a view, the committee will balance any benefits of continuity provided by an extension with the potential opportunity to increase the range of relevant skills, knowledge, attributes and knowledge on the board by making a new appointment through open competition. Reaching a decision to make a new appointment through open competition would not prevent the person vacating the post from applying for the new appointment.

3.28 Subject to the special arrangements after the completion of a board member’s ‘migrated’ period of office ends (see below), an appointment can be extended (for one single period) only if:

   a) the board member has performed satisfactorily, with evidence of regular assessments of performance to evidence this;
   b) that the board member’s skills, knowledge, attributes and experience remain relevant to the anticipated future needs of the board.

Special arrangements after the completion of a board member’s ‘migrated’ period of office ends

3.29 When a college is first designated as regional in 2014, existing ordinary board members will be ‘migrated’ to the regional college board. They will serve until the expiry of their current term of office or one year, whichever comes first. After this ‘migrated’ period ends, an ordinary board member appointment is not to be

extended. The post is instead to be filled through an open recruitment process as outlined in paragraphs 3.24-3.25.

3.30 It would be open to the person vacating the post to apply for the new appointment. To be clear: if they are subsequently re-appointed, it would be open to the board to extend that appointment at the end of the period of the new appointment. The special arrangements only apply to the end of the ‘migrated’ period of office.

**Ministerial approval**

3.31 Before a regional college board may appoint an ordinary board member or extend an ordinary board member’s period of appointment, the board must obtain the approval of both its chair and Scottish Ministers.

3.32 Scottish Ministers will not normally consider the approval of an ordinary board member unless both the board and the regional college chair have already approved the appointment, and requested Ministerial approval.

3.33 When Scottish Ministers consider whether to approve the appointment or extension of ordinary board members they will take into account the extent to which the regional college board has, in the view of Ministers, paid sufficient regard to this guidance.

3.34 When submitting the name of a person to Scottish Ministers for their approval, the chair of the regional college board should confirm that:

a) the chair and the board are requesting Ministers to approve the appointment or extension;
b) the appointment (or extension of appointment) was made having regard to this guidance (and if not, the reasons why not, see paragraph 3.35 below);
c) in particular for appointments, that an open recruitment process was followed;
d) in particular for extensions, that the existing board member has performed satisfactorily and there are regular assessments of performance to evidence this.

3.35 If, in exceptional circumstances, a regional college board intends to make an appointment without following an open recruitment process or to extend an appointment without evidence of the satisfactory performance of the board member, the board must inform Scottish Ministers at the earliest opportunity, ahead of submitting a name for approval.

3.36 In the event that Ministers do not approve an appointment, they will write to chair of the regional college board giving their reason.
3.37 It would be open to the regional college chair to put forward other persons from the appointment round who the board and the chair consider suitable to be appointed in the event that Ministers did not approve their preferred choice.

3.38 Given that this is a potential outcome, the board should avoid advising such people that they have not been successful until Ministerial approval has been given.

3.39 In the event that there was no other suitable candidate, the board would begin a new open recruitment process.

**Term of board appointments or extensions**

3.40 A regional college board will determine the length (of up to 4 years) of a board appointment or extension based on needs of the board, having regard to the desirability of avoiding a substantial number of board appointments potentially ending around about the same time.

**Consultation questions**

Q1. We should welcome comments on the establishment of a relevant committee to nominate appointments and extensions, including identifying skills etc. of existing board members.

Q2. We should welcome comments on the skills, knowledge and attributes and experience of board members (essential and desirable), including on representativeness.

Q3. We should welcome comments on the open recruitment process, including on arrangements for an independent person.

Q4. We should welcome comments on extending board appointments, including on special arrangements after the migrated period.

Q5. We should welcome comments on any other aspect of the guidance in relation to regional college boards.