

**Minute of the Board of Management Meeting  
Held in the Ayr Campus  
On Tuesday 21 June 2016 at 4.00 pm**



**Present:** Willie Mackie (Chair)

Holly Bates  
Nicki Beveridge  
Julie Bradley  
Fiona Fawdry  
Jim English  
Barbara Graham  
Gordon James  
Alan McGregor  
Douglas Mclvor  
Juliana Pyper-McFarland  
Alan Walker  
Tom Wallace  
Marri Welsh

**Observer:** Margarete Bryan

**In attendance:** Brendan Ferguson (Board Secretary)

Michael Breen  
Jackie Galbraith  
Jane McKie  
Donna Vallance

**Presentation on National Bargaining.**

Prior to the start of the meeting, Shona Struthers and John Gribben of Colleges Scotland provided the Board of Management with a presentation on the process and progress of National Bargaining.

**1 Welcome**

The Chair welcomed everyone to the meeting, and in particular Douglas Mclvor and Marri Welsh to their first meeting as members of the Board.

**2 Apologies**

Apologies were received from Board members Bill Costley, Heather Dunk and Fiona Fawdry.

### **3 Declarations of Interest**

There were no declarations of interest.

### **4 Chairs Report**

The Chair reported on matters pertinent to the Board since its previous meeting including:

- The College Principal, H Dunk, was unable to attend today's meeting as the Chair had found it necessary to bring the meeting forward from 23 to 21 June, a date when the Principal was unavailable to attend. The matter had been discussed with the Principal beforehand who had supported the rationale for bringing the meeting forward.
- The engagements attended as Board Chair.
- The success of the Mission Discovery programme, held at the Ayr Campus in June 2016, a week-long joint venture between the College, local authority partners and ISSET designed to provide young people with first-hand experience of the benefits of a STEM education. The event was funded by the Ayrshire College Foundation and was led by a well-known NASA astronaut, Michael Foale, and other members of the ISSET Team who had spent the week with local school pupils, learners and other young people in the provision of an inspirational experience designed to open their minds to the possibilities of STEM related careers in the future.
- A disappointing meeting with SFC. The meeting, attended by the Chair and the Principal, followed receipt of the 2016/17 funding letter, in May 2016, and the response from Laurence Howells, as CEO of SFC, to the letter from the Chair of the Ayrshire College Audit Committee outlining the College's concerns re the SFC instructed use of Net Depreciation within the College accounting process and the ultimate impact this may have on the ongoing liquidity of the College. SFC had stated at the meeting that no assistance could be provided to support the College in meeting the annual PFI cost of the Kilwinning Campus. The Chair stated that this was despite the annual PFI cost of £2.2 million being a legal requirement inherited as part of the merger process which saw the Kilwinning Campus of the legacy James Watt College transferred as part of the formation of Ayrshire Regional College. No provision had ever been made in the funding settlement conferred on Ayrshire College in the four years since vesting to take account of this annual £2.2 million legacy obligation. This cost had to be ring fenced from the funding received annually from SFC before the preparation of each annual College budget. The position taken by SFC had been even more disappointing given the funding support provided elsewhere in the sector to those Regional Colleges inheriting legacy financial obligations as part of their formation. The Chair concluded that the College would further pursue this matter.

- The Chair added his thanks to those Board Members who had attended the recent externally led Induction Day at City of Glasgow College.

**The Board welcomed the success of the Mission Discovery programme and thanked the Ayrshire College Foundation for providing the necessary funding.**

**The Board expressed its disappointment at the outcome of the discussion held by the Board Chair and the Principal with SFC and supported the further pursuit of this matter.**

## **5 Minutes of the Ayrshire College Board Meeting held on 31 March 2016 (Paper 1)**

Subject to a minor editorial amendment noted by the Secretary, the minutes of the meeting held on 31 March 2016 were approved as a correct record.

Proposed: J English  
Seconded: A McGregor

## **6 Matters Arising**

Page 4 Item 6: Matters Arising. As noted in the Chairs Report, a response had subsequently been received from Laurence Howells, as CEO of SFC, dated 14 April 2016, in reply to the further letter from the Chair of the Audit Committee. This letter had been circulated by the Board Secretary to all Board Members on 19 April 2016.

Mr Howells' letter of reply was helpful insofar as it acknowledged the complexity of the net depreciation approach taken by SFC and also that colleges '*may ultimately encounter cash flow challenges*', a position that had been a serious concern of Ayrshire College since the instruction on the use of net depreciation had first been received from SFC. The letter also noted that SFC were looking at the approach for 2016-17 and beyond and would work with colleges and other stakeholders to ensure that the impact on college accounts of the SFC approach on the use of net depreciation was clearly understood. The Chair noted that discussions were currently taking place on the future use of net depreciation within the college sector accounting processes.

As a final point, Mr Howells' letter had confirmed that SFC, the Scottish Government and Scottish Futures Trust were looking at options to support the Ayrshire College PFI payments in respect of the Kilwinning Campus.

**The Board noted the content of the response from SFC. While the Board welcomed the recognition contained in Mr Howell's letter on the negative**

**impact on College cash flow of the SFC instructed use of net depreciation within the annual accounting processes, the Board was aware that the letter offered no immediate solutions.**

**In addition the Board again expressed its disappointment that, despite the reference in Mr Howell's letter to SFC considering options designed to support the College in meeting the inherited PFI obligation, no offer of additional financial support had been forthcoming following the subsequent meeting with SFC officers.**

## **7 Draft Budget 2016/17 (Paper 2)**

T Wallace, as Chair of the Finance Committee, introduced Paper 2, the Draft Budget for 2016/17, and stated that it had been considered, discussed and approved by the Finance Committee. T Wallace continued that the ongoing real terms decrease in funding, that had been a feature of the "flat cash" funding settlements received by the College since vesting in 2012, continued to erode the cash balance held by the College. Although SFC had announced a 1% increase in funding for the sector in 2016/17, in practice the funding available to the College had decreased. Despite this, the College remained liquid and a going concern. However, if the current approach to funding remained unchanged in future years and the approach to the use of net depreciation as instructed by SFC continued, it was estimated that the College could encounter cash flow difficulties in 2019. T Wallace noted that this was an assumption at this point and would depend on a number of factors, with the main point for Board Members being that the College's overall cash balances will continue to be eroded.

T Wallace then took the Board through the budget proposals, adding that the funding letter from SFC had not been received by the College (and the sector) until 9 May 2016, some months later than it would normally be received. In the circumstances, T Wallace noted, the College Management had commendably turned the funding letter around into a draft 2016/17 budget for consideration by the Finance Committee in less than a month. As a result of this very late notification of funding information, the College Management had been unable to undertake the normal spring curriculum/staffing planning process for the following academic year. As a result no VS consideration could be included within the draft budget. Such consideration and discussion could not now take place at the Board and its Committees prior to the start of the new academic year.

It was noted that the draft budget as presented protected student services and the student experience in 2016/17 and that all budget holders had been involved and had contributed positively to its preparation.

The Chair, W Mackie, informed the Board that Colleges Scotland had prepared and put forward a compelling case for increasing the funding allocation to Colleges as a part of the current Government Spending Review process. T Wallace noted that Ayrshire College had clearly demonstrated its

efficiency and effectiveness since vesting, but still was unable to budget for a surplus.

At this point M Breen raised the matter of the College Financial Forecast Return, now required by SFC, which set out the current financial position of the College and a forecast for the following two financial years. M Breen added that this was in addition to the statutory financial returns already made by the College and explained that the College was content to make a forecast return for 2015/16 and 2016/17 based on the budget approved by the Finance Committee but, with only uncertainty surrounding future funding, any financial forecast for 2017/18 undertaken at this time would present a misleading picture. The Board agreed with this analysis.

**The Board approved the draft 2016/17 budget (Paper 2) and commended the College on the preparation of such a well written, clear and easy to understand paper, particularly given the timescales resultant on the very late issuing of the 2016/17 funding letter.**

**The Board noted that as a result of the late receipt of the funding letter it had not been feasible to give proper consideration to the 2016/17 curriculum/staffing structure, and that any consideration of the provision of consequent VS funding within the 2016/17 budget could not take place prior to the start of the new academic year.**

**The Board agreed that a College Financial Forecast Return for 2017/18 should not be prepared at this time without further information and consideration.**

## **8 Capital Expenditure Programme 2016/17 (Paper 3)**

A Walker, as Vice Chair of the Estates & New Campus Development Committee, introduced the above paper and stated that it had been considered and approved by the Committee. A Walker noted the further significant reduction in Capital/Maintenance funding that had been made available to the College for 2016/17. The total £1.1m that had been made available by SFC had been boosted to £1.7m by the receipts from the recent sales of surplus Ayrshire College land and impending sale of Moffat House in Saltcoats. A Walker commended the proposals contained in Paper 3, estimated at £1.136 million, to the Board for approval. A number of questions were asked and satisfactory responses received.

**The Board approved the Capital Expenditure Programme for 2016/17 as set out in Paper 3.**

## **9 Outcome Agreement Addendum 2016/17 (Paper 4)**

B Graham, as Chair of the learning and Teaching Committee, introduced Paper 4 and stated that it had been fully considered and supported by the Committee. B Graham took the Board through a summary of the Committee's deliberations and commended the Outcome Agreement Addendum to the Board for approval.

**The Board noted and approved the Outcome Agreement Addendum 2016/17 as set out in Paper 4.**

**10 Two-Year Post Merger Evaluation Report (Paper 5)**

W Mackie took members through the above report and stated that the essence of the report was contained in its first line statement that the merger process which had created Ayrshire College had been "*very successful*". W Mackie then took members through the report, in the process of which a number of questions were asked and satisfactory responses received. The Report was commended to the Board.

**The Board noted and welcomed the above report which, it was considered, highlighted the excellent and progressive commitment of College staff towards achieving the College's stated 7 star objective. The Board was pleased that the report would be published and be available within the public domain.**

**11 New Campus Update (Paper 6)**

G James, as Chair of the Estates & New Campus Development Committee, and D Vallance updated members on the current position with regard to the progress of the New Campus Construction Project which, it was reported, was changing on a daily basis. A proposed new date of 18 August had been set for the handover to the College. D Vallance reported that she and the Chair had met with the Managing Director of the main Contractors earlier that day and had been provided with a guarantee that the revised date of 18 August would be met.

The Board discussed the position as reported and recorded their disappointment at the delay in completion beyond the contracted delivery date. Board members expressed their full support of the College position of not accepting the handover of the new building until the Independent Assessor was completely satisfied that all contractual requirements had properly been completed.

**The Board noted the above position and expressed its continuing disappointment at the delay in the completion of the New Campus Construction Project.**

**12 2015/16 Ayrshire College Corporate Risk Register (V3) at June 2016**  
*(Paper 7)*

A Walker, as Chair of Audit Committee, summarised the progress of the Risk Register over the previous 18 months. M Breen added that considerable progress had been made on the Risk Appetite section of the Risk Register and the approach now being proposed had been endorsed when the Committee Chairs had joined the Audit Committee members following the conclusion of the previous week's meeting of the Audit Committee. Although the version being proposed above did not yet contain the Risk Appetite section, this would be rolled out to committees, in liaison with the Chair of each committee, during the first cycle of meetings in 2016/17. It was expected, therefore, that V1 of the 2016/17 Risk Register to be considered by the Board at its forthcoming September 2016 meeting would be a complete version, including the committee approved risks and associated risk appetites.

**The Board noted and approved the above Corporate Risk Register V3 at June 2016.**

**The Board noted and welcomed the progress being made on the inclusion of an appropriate Risk Appetite section within the Risk Register.**

**13 New Campus Risk Register (V16) at May 2016** *(Paper 8)*

The Board noted that the relevant points in relation to this Risk Register had been covered under Item 11 above.

**The New Campus Risk Register V16 was noted.**

**14 Student Association Report** *(Paper 9)*

H Bates introduced the above report and reported that she was now the duly elected Student President for the 2016/17 academic year. H Dunk added that another candidate had originally been elected, but had subsequently resigned. H Bates had also stood in the election and when the votes were looked at following the resignation it was clear that H Bates had collected sufficient votes to fulfil the single transferrable vote quota in the first round, making her the accepted second choice. The position was offered to H Bates by the Student Association and was accepted. The Board noted and welcomed the news that the Student Sabbatical Elections had recorded an Ayrshire College record voting turnout.

H Bates then took members through the report, highlighting various aspects of it. In particular the Student Partnership Agreement, recommended for approval following recent consideration by the Learning & Teaching Committee was presented, was highlighted and warmly received by the Board.

**The Board noted and welcomed the Student Association Report and the information contained therein. The Board also congratulated Holly Bates on her election as Student Association President in 2016/17.**

**The Board welcomed and formally approved the Student Partnership Agreement.**

#### **15 Proposed Board and Committee Schedule 2016 to 2018 (*Paper 10*)**

B Ferguson, as Board Secretary, introduced the above paper and explained that it was the intention to introduce a 5 year rolling schedule for Board and Committee meetings in the future. At the moment, however, the schedule had been restricted to two years as it was the intention to review the Committee structure following the completion of the New Campus Project during 2016/17.

**The Board approved the proposed Board and Committee Schedule subject to the completion of some minor editorial amendment noted by the Board Secretary.**

#### **16 Committee Chairs Reports**

The Committee Chairs provided verbal reports on the matters considered by the Committees since the last meeting of the Board and not already dealt with under the agenda for this meeting. The confirmed minutes of these meetings would be received by the Board at its next meeting.

- Audit Committee – 16 June 2016 – A Walker included in his summary the information that the 2015/16 Audit would be the last one conducted by KPMG, due to their Audit Scotland appointment being completed A Walker noted that the external auditors appointed by Audit Scotland for the period 2016/17 to 2020/21 would be Mazars
- Estates and New Campus Development Committee – 19 May 2016
- Finance Committee – 9 June 2016
- Human Resources and Organisational Wellbeing Committee – 26 May 2016
- Learning and Teaching Committee – 2 June 2016

**The Chairs reports were noted by the Board.**

#### **17 Standing Committee Minutes**

The following confirmed Standing Committee Minutes were received by the Board:

- **Audit Committee:**
  - **24 March 2015 (*Paper 11*),**



- **Estates and New Campus Development Committee:**
  - **5 November 2015 (*Paper 12*)**
  - **18 February 2016 (*Paper 13*)**
- **Finance Committee:**
  - **10 March 2016 (*Paper 14*)**
- **Human Resources and Organisational Wellbeing Committee**
  - **23 March 2016 (*Paper 15*)**
- **Learning and Teaching Committee**
  - **25 February 2016 (*Paper 16*)**

**18 AOB**

W Mackie reminded the Board that this would be the last meeting attended by Angela Alexander as a representative of the Student Association. W Mackie went on to say that Angela had represented the Student Association with great distinction during her two years as Student President, a period in which she had undertaken and completed a tremendous volume of work on behalf of the Association. Included within the large portfolio of work completed was #ThisAyrshireGirlCan, a great achievement, recognised across the sector, and which the First Minister had attended the first anniversary celebration.

W Mackie thanked Angela on behalf of the College for all of her work and made a presentation to her in celebration of her contribution.

**The Board welcomed the presentation by acclaim.**

**19 Date of Next Meeting: Wednesday 28 September 2016 at 4.00pm, Kilmarnock Campus.**

## Reserved Item

### 20 Voluntary Severance Scheme (*Paper 17*)

N Beveridge introduced Paper 17, prepared following discussion at the Human Resources and Organisational Wellbeing Committee, as an advisory document. The Board went on to undertake an exploratory discussion, with contributions made on behalf of the EMT by J McKie and M Breen. A number of questions were asked and responses received. It was agreed that a further discussion would be held following the outcome of the current spending review by the Scottish Government.

**That further strategic discussion on the preparation of a VS Scheme take place when the outcome of the Spending Review currently being undertaken by the Scottish Government is made know.**