

## Shadow Board – Shetland Merger Project

<b>Committee</b>	Shadow Board
<b>Subject</b>	Update on MMBC
<b>Action requested</b>	<input checked="" type="checkbox"/> For information only <input type="checkbox"/> For discussion <input type="checkbox"/> Recommendation
<b>Brief summary of the paper</b>	SFC feedback on MMBC which is being progressed in revisions – V10 attached with comments log for information
<b>Resource implications</b> [if yes, please provide detail]	No  Click here to enter text.
<b>Risk implications</b> [if yes, please provide detail]	No
<b>Date paper prepared</b>	04-Dec-19
<b>Date of committee meeting</b>	11-Dec-19
<b>Author</b>	Project Manager
<b>Equality and diversity</b>	No
<b>Status</b>	Non-confidential
<b>Freedom of Information</b>  Can this paper be included in 'open' business?*	Yes

**Recommendation:**

- 1) This paper proposes a Special resolution to amend the MAA as per Anderson Strathern Comments.
- 2) Agree the Special Resolution.
- 3) Submit the revised MAA to Companies House.

<b>1. Background</b>	
<b>1.1</b>	SFC provided written feedback on V8 of the MMBC following the meeting on 20-10-19
	The comments on the narrative have been addressed in V10 although this is still a work in progress and further revisions will be made.
	The financial section is being fully revised as per timeline (agenda item PB2019-40)
<b>2. Report authors</b>	
<b>2.1</b>	Project Manager

**1. SFC Feedback on Shetland Ministerial Merger Document**

**Overview**

A merger business case should make the case for merger by answering several key questions:

- Why merge?
- What are the benefits of merger for students?
- Financial benefits – How will the merger achieve better value for money?
- What curriculum changes can / will be achieved?
- What will be different or better? What will the merger achieve that does not happen now?
- How will learning and teaching for students improve?

In order to make the case for merger the MMBC will require strengthening in all aspects above. Presentational changes are required to ensure the document is easy to read and flows with a logical sequence.

**Introduction**

This should include:

- Background on reasons for merger. History of merger is included in appendix – should be brought to fore (p18)
- overview of the merging organisations and the sector in Shetland at this stage.
- Deliverables are contained in the annex - this is the reason to support the merger proposal therefore should be at the front of the proposal.

**Section 1**

**1.1**

Vision: How does this relate to UHI’s strategic vision and mission? Are there synergies? As an assigned college there should be clear links.

## 1.2

- Goals of merger should focus on what will be better for the learners in Shetland.
- Could the goals be turned around to sound more positive? “unblock barriers to change” and “the best possible chance of sustainability” sound like a deficit model and indictment of the current institutions.
- Rather than “retain the quality and achievement.....” Could this perhaps state that “*the proposal builds on the considerable strengths and traditions of the existing colleges, to create a new dynamic institution that will make a positive difference to learners and communities, and a vital contribution to the prosperity and social well-being of the island.*”
- Again the specific objectives seem very negative – could the language be changed to be more positive?

## Section 2

### 2.1

Local Strategic Context: This sets out the local context across many priorities but does not link the new institution to the response. What will the new college do to contribute to the outcomes? Perhaps add another column and only include the outcomes directly related to the new college.

### 2.2 & 2.3

Good sections – clearly articulated.

### 2.4 National Strategic Context

The strategic context should also look at SG priorities such as DYW, STEM, Care experienced and attainment. The Outcome Agreement Guidance will signpost the priorities that SG has set out for HE and FE. The Future Skills Action Plan can also be used to determine future priorities. For further strategic objectives the Enterprise and Strategic Boards Strategic Plan sets out the priorities and outcomes for Scotland.

## Section 3

### 3.1

Statements of intent are a little vague – need to be more specific eg how will the college build on the strengths in creativity and marine science? Etc etc

Not sure that the reference to RAM and Micro Ram add any value to this section – not understood by wider public or Minister.

### 3.2

Vertical integration schematic is very good. Add the SG priorities listed in 2.4 above for continuity.

### 3.3

Good section – Innovation and Start up section very good however Well-being and Technology will require strengthened. Reference Industry 4.0 in the technology section.

**3.4**

Good section - Links to SG priorities and Institutional response is good.

**3.5**

Not sure if this is current or future provision, students and staff.

If current it would benefit from a one page curriculum map to identify overall structure at a glance.

Use of SDS data as evidence of future opportunities and growth would strengthen this section.

Vocational team for apprenticeships: How does this relate to the UHI regional contract?

This section requires consistency in presentation and a greater evidence base.

Delivery support services: How does this link to UHI eg Single policy environment, networks etc. Is there an opportunity for shared services in the partnership?

Leadership: Three levels of leadership? Has this been benchmarked against institutions of similar size? The MMBC does not state what the level are or why these levels are required. Is this scale of management appropriate given size of institution?

**Section 4. Enhancing the student experience**

Space utilisation: How is the utilisation measured? Volume of hours? This section should be moved to appendix rather than in main body of document.

**6.3 Realising financial benefits**

Key Objectives include increasing the HE students and strengthening the international profile of Shetland UHI. Requires more detail -from where? To what? How will this materialise?

Curriculum: Risks relating to MA income. This would need to be assessed against full cost of delivery against SDS income – credits are added to ensure full costs are covered. This is a model that is utilised across the sector and is being discussed as part of the skills alignment project.

Short courses: Credits can be used to supplement short course however the college will need to differentiate between what could be considered full cost recovery and courses that can be supplemented by credits.

**6.4 Value for money**

The Minister will not require a definition of value for money.

**6.5 Efficiencies**

Are there efficiencies to be gained by being part of UHI eg efficiencies in administration – single policy environment; sharing services and expertise

**8.2 Accountability to local and national stakeholders**

Local: Current accountability to SQA is through UHI. The new college will also be accountable to UHI.

### **Additional questions**

Recruitment of Students: Two simple student related questions not answered:

- How will you retain Shetland people in Shetland?
- How will you attract non Shetland people to Shetland?

Staff Skills

- Do you have the right skills now?
- Do you have the right skills for the future?
- How and from where will these be sourced

Financial Narrative

- What will be done to deliver VFM?
- How will they do it?
- Extent of scope of VFM
- All growth deferred – why?
- No sense of how it will materialise / where / how it will be phased.
- Are all assumptions agreed / approved by all stakeholders?

## **2. SFC Feedback on Financial Business Case**

### **Overview**

It is difficult to know how the figures presented have been established. We lack confidence in the starting position, how the papers relate and in the figures used to develop the financial case. The figures need to be supported with a full business case narrative explaining exactly what is the starting position and identifying the key figures which explain how the merged college is going to reach its target position.

### **Specifics**

- Is the starting point 6 January or 1st March or 1 August? Require a clear starting position that is evidence based.
- Working capital considerations are not included.
- Require a clear end position that includes cash needs and working capital requirements.
- A supporting cash flow and balance sheet is also required.
- Financial figures are not coherent – there are some unexpected differences in some figures between spreadsheets.
- There is a lack of clarity if whether lecturing, research and support staff costs are captured in staff costs. It would be useful to see income and expenditure segregated under these headings.
- The VSS considerations need to be reflected in the financial case summary.
- VS – starts in Year 2 however figures not included in I&E.
- What structure underpins the VS requirements? Require a clear structure matched against curriculum plans. Which curriculum areas are scheduled to grow or decline?
- Where will the growth come from?
- Staff ratio appears to be very high – majority of college staff costs are in line with SFC income.

- What do the professional fees/costs represent?
- There is no capital / maintenance income line although there is expenditure on premises costs.
- Capital expenditure / investment has been included for student accommodation – to note that SFC does not fund student accommodation.
- Equipment replacement and maintenance should correlate to curriculum.
- What benchmarking has been completed against colleges of similar size, structure and location?

**Next steps**

We suggest that it would be beneficial to set up a finance workshop which includes representation from SIC, NAFC, UHI and SFC. This would ensure that an agreed position is reached in a timeous manner without protracted discussions and e-mails and requiring clarifications. The output of the workshop could then be presented to the shadow board.