

Minutes of APUC Board Meeting held at 10a.m. on Thursday 29 November 2007 at 9 Sighthill Court, Edinburgh

Present

Brian Baverstock	APUC Ltd
Gavin Macdonald	Stow College, Chair
Douglas MacKellar	Independent
Stuart Paterson	Independent
Nigel Paul	University of Edinburgh
Alan Williamson	Jewel & Esk Valley College

In attendance

Douglas Bell	APUC Ltd
Lynn Peterson	APUC Ltd
Hugh Ross	APUC Ltd
Frank Rowell	APUC Ltd
Catherine Hendy	APUC Ltd (For Agenda Item 5 only)

Welcome and Apologies

- 1 Apologies were received from Steve Cannon and David Ross.

Minutes of Previous Board Meeting

- 2 The minutes of the 18 September 2007 Board meeting were approved as an accurate record of the meeting.

Matters Arising

Universities Superannuation Scheme

- 3 Brian Baverstock reported that APUC's application to join the University Superannuation Scheme (USS) had been considered and rejected at the Scheme's Management Committee meeting on 27 September 2007. USS expressed concern that the proposed guarantee arrangement (Bank bond) were value and time limited.
- 4 A revised application for joining the USS was submitted to USS and considered at its 22 November meeting. This time the proposed guarantee was from the Scottish Funding Council (SFC). However, the Council, which formally considered the guarantee at its meeting on 23 November, decided not to support the guarantee in its proposed form because of concerns about the financial exposure. APUC's Chief Executive, therefore, wrote to the SFC offering a cross indemnity to

cover any funding risk to the Council up to July 2009, by which time all institutional guarantees were expected to be in place.

- 5 The potential liability is currently estimated to be £232k. As this would be split between 61 institutions, the average guarantee from each institution would amount to only £3.8k. The Board considered it should not be difficult to secure guarantees from the institutions to cover a liability of this magnitude, although it was recognised that it would take some time to have all the guarantees in place because of the number of institutions involved. It was, therefore, agreed that the Chair should support the Chief Executive's request for a guarantee from the SFC by writing to inform the SFC that the Board fully expected institutional guarantees to be secured by July 2009.
- 6 APUC's cross indemnity could be achieved either by means of a bank bond or by depositing £232k into an escrow account. The Board was satisfied with either approach.

Strategic Plan

- 7 Brian Baverstock handed out a copy of the final version of APUC's Strategic Plan that incorporated suggestions made by the Board at earlier meetings. He reported that a glossy version of the Plan was currently being printed and would be available from the beginning of December.

Partnership Agreement

- 8 He informed the Board that the Partnership Agreement had been adapted to reflect the consensus view of Board members on its presentation and contents. It was sent out to the Principals of all the Scottish HE and FE institutions on 23 November along with APUC's new Articles and revised Memorandum of Association that had been approved by the Board and APUC's members by means of written resolution since the last Board meeting.

Meeting with institutions

- 9 The agenda for the meeting with institutions on 6 December was distributed and all Directors were invited to attend. The meeting was seen as providing a good opportunity for assessing the level of commitment from institutions.

Capital projects –SFC funding proposal

- 10 A funding proposal had been submitted to the SFC setting out the business case for APUC to provide support to FE colleges for the effective and efficient delivery of the procurement elements of the capital projects programme. This would be considered at the SFC's Property and Capital Investment Committee on 5 December. APUC would only be able to undertake this activity if additional funding was secured

Office relocation

- 11 APUC's office relocation to new premises at 14 New Mart Road will be completed by Sunday 16 December and the company will operate from the new address with effect from 17 December. The new premises will serve as APUC's registered office.

Appointment of New Board Members

- 12 Pat Briggs, Executive Director, Planning and Resources, Robert Gordon University, and Susan Bird, Principal, Stevenson College, were unanimously elected as Directors in place of John Gordon and Susan Fox who had resigned.

Financial Management Report: APUC/19/2007

- 13 Catherine Hendy introduced the Financial Management Report that had been circulated in advance of the meeting. The Directors considered the narrative that accompanied the financial results to be excellent. However, they felt that, in addition to being provided with outturn figures, it would be useful to have a cash flow projection, a balance sheet and an explanation of the reasons for variances included in future reports. Catherine Hendy undertook to do this.

Future Funding Model: APUC/20/2007

- 14 In introducing this paper Brian Baverstock mentioned that it had earlier been envisaged that APUC's main long-term funding would come from a combination of member subscriptions and supplier levies. At the time this strategy had been developed, the Local Authority purchasing consortium (abc) was applying supplier levies and the National and Central Government Centres of Expertise were planning to introduce them. However, abc's successor, Scotland Excel, had subsequently moved to a wholly subscription based funding model and, because of the level of the CSR07 funding settlement, the two Scottish Government CoE's have decided revenue from levies is no longer required.

- 15 Therefore, if APUC introduced supplier levies, it would be the only Centre of Expertise applying them. Moreover, it had been assumed that part of the income raised by supplier levies applied to Category A commodities would be passed to APUC to compensate it for the work it would do in this field. However, in the absence of income from this source, the Board concluded that APUC would be unable to devote a substantial resource to undertaking Category A work unless an alternative income stream was secured. It, therefore, decided that APUC's activities would of necessity have to be concentrated on Category B commodities.
- 16 Although the Board felt that no potential source of funding should be ignored, it recognised that, in the current climate, it would be very difficult for APUC to introduce supplier levies. In addition, the income from such levies was always difficult to predict and there was a perception amongst a number of FE and HE institutions that supplier levies were effectively a tax on the end user. Even though this was not the case, it would be difficult to convince some institutions of the benefits that could result from their adoption. This in turn, could make them less inclined to commit to paying subscription fees.
- 17 The Board, therefore, decided against introducing supplier levies as part of APUC's funding model and agreed instead that the executive should plan on the basis of all costs being met by subscriptions from member institutions and that any additional income received from other sources should be used to reduce member subscriptions. Possible volume discounts/rebates and supplier listing fees were also identified as another source of income that could be used to reduce subscription fees.
- 18 The executive was asked to enter into a dialogue with sector representative groups on the issue of subscriptions.
- 19 The Board agreed that institutional subscriptions should be introduced from 1 August 2008 and approved the next steps timetable for future funding set out in paragraph 15 of Paper APUC/20/2007.
- 20 At the Board's request Brian Baverstock undertook to explore whether the Scottish Funding Council could pay the subscription fees for all the institutions – for the first year at least – by top-slicing money from the grants they give to institutions. This would be much simpler, less resource intensive, and more cost effective than dealing with 61 different institutions on an individual basis. It might also save institutions from having to pay VAT on their subscription fees.
- 21 A more substantive paper on the Future Funding Model that takes account of the comments made by the Board will be produced for the next Board meeting.

Appointment of Auditors: APUC/21/2007

- 22 The Board was content with the arrangements set out in the paper for the appointment of external auditors to cover the period 1 January 2008 to 31 December 2010 and delegated authority to APUC's Chief Executive to make the appointment by means of a contract to be placed in December 2007.

Programme Update: APUC/22/2007

- 23 The Board noted and were content with the progress that had been made on the key elements of the Advanced Procurement Programme since the last Board meeting. Brian Baverstock reported that he planned to give the Scottish Government a copy of future reports on a quarterly basis after they had been considered by the Board. The reports will be accompanied by a brief covering paper that will include any comments from the Board on APUC's activities.

Corporate Governance Manual: APUC/23/2007

- 24 The Corporate Governance Manual had been circulated to Board members in advance of the meeting. The Manual received an excellent reception from the Board and a number of favourable comments were made by the Directors. Those Directors who sat on other companies' Boards said that in their experience APUC's governance compared favourably, and in many respects exceeded, that of any of the companies with which they were associated.
- 25 The Governance Manual was considered to be comprehensive and very user-friendly. In addition to providing guidance on the procedures and practices to be followed, it contains references to the legislative and other sources on which the guidance is based. In conjunction with the Procurement Manual and Staff Handbook, the Governance Manual was regarded as providing adequate coverage for the good governance of APUC's affairs.
- 26 The Board, therefore, was content to approve the Corporate Governance Manual and to delegate the approval of minor and routine amendments to the Chief Executive. Substantive changes will, however, require to be approved by the Board.
- 27 The outstanding chapter – "18 Mechanisms for tracking performance" – would be presented to the next Board meeting for approval.

Draft Minutes of Advisory Group Meeting: APUC/24/2007

- 28 The draft minutes of the Advanced Procurement Programme Advisory Group Meeting held on 9 November 2007 were noted without comment.

Any Other Business

- 29 Brian Baverstock drew the Board's attention to the announcement by John Swinney, the Cabinet Secretary for Finance and Sustainable Growth, at the National Procurement Conference on 31 October that he planned to Chair the Public Procurement Reform Board. This is the first time that there has been Ministerial involvement on the Board and this and his statement that publicly funded organisations that prefer not to collaborate on contracts, e-procurement, best practice and policy will be expected to justify their position on objective business grounds, are clear indications of the importance which the Scottish Government attaches to public procurement reform.

Date of Next Meeting

- 30 The next meeting will take place on 28 February 2008 in APUC's new premises at 14 New Mart Road, Edinburgh.