

Minutes of HEFESTIS Board Meeting held at 11:30 am on Tuesday 26 November 2019 at the University of Dundee.

Present

Brian Henderson (Chair)	University of Aberdeen
Andrew McCreath (AM)	HEFESTIS Ltd.
James Morris (JM)	University of Dundee
Nick Murton (NM)	Edinburgh College
Anne Jamieson (AJ)	Independent

Participated by MS Teams

Angus Allan (AA)	South Lanarkshire College
Kathy McCabe (KM)	Heriot-Watt University
Lisa Clark (LC)	Glasgow Kelvin College
Angus Warren (AW)	APUC Ltd. - Observer

In attendance

Elizabeth McFarlane (EM)	Corporate Services, APUC Ltd.
Michael Caithness (MC)	Corporate Services, APUC Ltd
Malcolm Beveridge (MB)	Chiene + Tait - Auditor

Welcome and Apologies

- 1 Chair thanked everyone for attending and the University of Dundee for kindly hosting the meeting.
- 2 Chair also expressed special thanks to Malcolm Beveridge, Chiene + Tait for auditing the accounts and travelling to Dundee to present his report. He also expressed, for the record, the appreciation of the Board to Alan Williamson, Edinburgh College, for his contribution as chair of the Audit Committee.
- 3 Chair noted that Elizabeth McFarlane was attending to present the Finance Report and that Angus Allan, Kathy McCabe, Lisa Clark and Angus Warren were joining the meeting via MS Teams. Jordan Schroeder, who was due to contribute to agenda item 7 was unlikely to join due to another commitment and poor internet connection at his location.

Minutes of the Audit Committee held on 20 October

- 4 AA presented the outcome of the Audit Committee noting the following points:
 - The result was an unqualified opinion from the auditors.
 - HEFESTIS is considered as a going concern.
 - There were no control issues to report.
 - The Audit report was very well presented and easy to understand.

- The Audit Committee recommends the directors' report, financial statements and letter of representation to be approved and signed by the Board.
- 5 Chair observed that useful discussions had arisen out of the audit meeting.
- 6 JM asked, in relation to tax charges for dealing with non-member institution, if HEFESTIS should strive to ensure that all institutions who benefit from its services become members. AM committed to write to non-members to invite them to join. **(ACTION: AM)**
- 7 MB suggested that the Articles should be checked regarding how reserves should be allocated in the event of a wind-up situation. **(ACTION: MC)**
- 8 Chair suggested that this topic was worthy of an entry in the risk register. **(ACTION AM)**

Audited Financial Statements 2018/19

- 9 MB presented his Audit report noting that it was closely scrutinised by the Audit Committee and highlighting the following:
- The audit was in line with FRS102 Section 1A that has reduced disclosure for small companies.
 - The audit was an unqualified opinion and there were no control issues to report.
 - Turnover was £736k split between the CISO-Share and DPO-Share services and there were no noted misstatements.
 - Expenditure was £694k, mainly salary costs, and there were no control issues to report
 - Support services of £56k were approved APUC charges.
 - Travel expenses were only attributable to the CISO-Share service as DPO travel was covered by the client institutions.
 - Tax charge of £5k was due to services provided to non-members.
 - Debtors were £350k due to accounts receivable from members.
 - Net assets at the end of the reporting period were £37k.
- 10 MB invited any questions from the Board.
- 11 Chair noted that 'debtors' was high, but it was not a concern as the debtors were financially sound institutions.
- 12 Chair also noted that there had been an improvement in getting funds in from members in a timely manner.
- 13 MB reiterated that DPO travel costs are recoverable from members but CISO costs are not and AM confirmed that this was the agreed process.

- 14 AW noted that a SharePoint Shared Service was in planning and that it could be hosted by HEFESTIS providing opportunity for increasing income although resource demand would also increase.
- 15 The Board approved the Financial Statements and a short break was taken to allow the Financial Statements and Letter of Representation to be signed.
- 16 MB left the meeting at 11:50.

Financial Management Report

- 17 EM presented a summary of the Financial Management Report to the end of October 2019 highlighting the following:

Results for period to end October 2019

- Income was £198k (£99k each for DPO and CISO-Share).
- Expenditure was £172k (£100 for DPO and £72k for CISO-Share).

Forecast Outturn

- Income is forecast to be £822k against a budget of £773k due mainly to CoGC increasing its days from 0.25 to 3.
- Expenditure is forecast to be £767k against a budget of £713k due mainly to CISO recruitment costs and a DPO salary increase.
- Forecast cash balance at the end of the financial year is £49k.

- 18 AM noted that there was an error in the cost model resulting in an over statement of £22k because the COO's time had been stated twice.
- 19 AM informed the Board that the recruitment of a fixed term CISO contractor for RGU was complete and the individual was now in-post. He added that this was not a long-term solution and the costing, and longer term resourcing, would need to be reviewed again in the light of the error in the cost model to minimise impact on reserves.
- 20 AM stated that funding from more members would ease the situation and noted that the Board had previously indicated that a level of reserves of around 3 months would be desirable.
- 21 Chair suggested that getting to that level of reserves in the short term would be difficult given the current levels of income and cost.
- 22 JM stressed the need to have adequate resources to deliver the services.

- 23 AM added that the CISO contractor resource at RGU for 3 months was proving helpful for them and whilst he didn't want to disappoint them by removing the resource too early, any replacement resource beyond this had to be affordable.
- 24 Chair noted that HEFESTIS does not have the reserve funding compared to the original APUC service and any new services will need appropriate initial resource and adequate contingency.
- 25 AW advised that the Collaboration Catalyst Manager is doing all the work to identify and develop potential new services and would focus on market development as part of the APUC support services.
- 26 Chair stressed that the Board needs to be happy with the costing of any proposed new services prior to transition into HEFESTIS.
- 27 Chair added that APUC and HEFESTIS need to agree and document the process for bringing in new services. **(ACTION: AW/AM)**
- 28 Chair noted that HEFESTIS had lost APUC as a member recently and AW explained that this was to free up CISO resource to solve the North East situation by not having to also support APUC. He added that APUC should re-join when resources are more settled.
- 29 AJ asked if a permanent staff resource employed for RGU would also allow APUC to re-join and AW thought that would make sense since contractor cost are so high. AM agreed and added that a part time CISO would therefore be the preferred option.
- 30 JM noted that the Catalyst was provided to get markets identified and asked if there was funding to get them off the ground. AW confirmed that the funding for the Catalyst did not cover new service launch costs.
- 31 JM asked if there were any other routes to funding and Chair suggested that further discussion on this topic was required to investigate other sources of funding. **(ACTION: Board)**
- 32 AW noted that there was good support for climate change in procurement and that ICT was a major factor in this area. He suggested that HEFESTIS might provide a suitable location for the siting of an APUC generated initiative around the circular economy in ICT. Chair noted that APUC was attending HEIDS on 6 December to talk about this subject and looked forward to a positive discussion on this matter.
- 33 AM stressed that any potential new services would require written justification before adoption.
- 34 AM proposed to create a proposal document for the new services and AJ suggested that it should include targets and risks. She added that it should ideally be a phased approach to build confidence in the service and that it would be useful to identify potential reserve resources who could be recruited when required. **(ACTION: AM)**
- 35 Chair also suggested that in the medium term when funds allowed, there should be insurance in place to cover any risk with the services. **(ACTION: Chair to investigate)**

Minutes of the previous meeting on 14 August 2019

36 The minutes were approved as an accurate record of the meeting.

Matters Arising from the previous meeting

37 Chair noted that all but one of the matters arising from the previous meeting were complete and that item 4 (review of Board composition) should be part of an annual report that includes specification of required skill sets for Board members. **(ACTION: Chair)**

Service Status Report

38 AM introduced the DPO paper noting the following:

- A new DPO was now in-post at City of Glasgow College (CoGC) on a part time basis.
- CoGC has since requested a full-time service until the end of the year.
- Recruitment of the new DPO incurred relocation expenses which were shared amongst all members.
- A new HEFESTIS website is being piloted to experiment with ways of improved sharing of information with clients.

39 Chair stressed the importance of having a strategy for the new website. **(ACTION: Board - Strategic Discussion)**

40 AJ agreed that a 'smarter' website would be better for the service to improve interactivity with members, but that resource would be required to support it.

41 Chair noted that 'good content' was available and that it would benefit from an up-to-date wrapper.

42 AJ asked if branding was different for each service and Chair explained that the current site was an information site and not a revenue generator with marketing content. For a future web site, marketing would be more important. He added, however, that it would require Board approval before launch.

43 AM noted that a policy was required to define how to deal with redundancy costs should these ever arise, and this will be discussed initially at the Steering Groups.

44 AM introduced the CISO paper noted the following:

- AM reported that the new service model for CISO has been well received by clients.

- He added that CISO resource is deployed half-way between on-site and off-site.

45 JM agreed that feedback had been positive, especially with colleges, and that HEFESTIS needs to look at how best to adopt the new model and measure its progress. It should be used as a benchmark for improving the service.

46 Chair suggested that this could provide a KPI for the service and that there was also a need to look at ways to improve the DPO service.

47 Chair added that more documentation was required to measure and gauge progress against. He added that there is also a need to establish member priorities to ensure that they are not being overlooked. **(ACTION: Board - Strategic Discussion)**

48 AM noted that the steering group was now working very well with good input from the members.

49 AJ suggested that sort form of accreditation particularly for table top exercises could be introduced as a way of motivating members.

LC joined the meeting at 12:48

50 AM advised that the University of Glasgow had a desire to join the service as a community member but has not followed up yet. He added that community membership is 66% of the full member cost and needs to be kept under review.

51 AM informed the Board that workshops had been well attended.

52 Chair noted that HEFESTIS was providing 'value add' to Microsoft on security issues and that members were all addressing MS security. He suggested that there would be some merit in chatting to MS about a formal arrangement for support. **(ACTION: Chair)**

53 Chair advised that the University of Strathclyde has received the 'Cyber Team of the Year' award.

Strategy Development

54 AM started the strategy discussion by presenting some observations on the current management structure and options for going forward:

- HEFESTIS's organisation currently has an interim MD with the Managing CISO also acting as COO and deputy MD.

He noted that the COO/Deputy MD role that includes line management of all staff, is currently stretched given that this is in addition to CISO duties, and will not scale in its current form if additional services are launched.

- 55 AM stated that regardless of the future option chosen for the MD role, in order to spread line management and service management responsibilities he recommended that each current and future service should be headed up by its own manager, reporting into the MD. There was a suitable candidate on the DPO Share, and the Deputy MD would continue to manage the CISO Share. This was agreed.
- In terms of the MD role itself, the options are:
 - Continue with part time independent MD
 - Appoint a Head of Service as MD in addition to their Head of Service role.
 - Chair becomes executive (this is not a preferred option)
 - Considerations for an independent MD:
 - Pros
 - A dedicated MD is flexible and can act independently when service issues arise
 - Skills needed to fulfil the MD role will not always be easy to find alongside the technical skills required from a Head of Service.
 - As a part time resource, has capacity to add more time when necessary although there may come a point when a full time MD is required.
 - Cons
 - It is a role that carries significant responsibility which can be difficult to manage on a part time basis when unforeseen demands can arise.
 - It may reduce motivation for Service staff aspiring to the role.
 - Considerations for a service lead acting as MD:
 - Pros
 - Employee is full time and available
 - Will have on the ground knowledge of services and members
 - Provides development opportunity
 - Cons
 - May be difficult to find the right blend of technical and director level skills in one individual
 - May be too vested in the service they manage to see challenges objectively
 - Double hit if losing someone who has day-to-day service role and is also MD.
- 56 After discussion it was agreed that a separate MD independent of direct service involvement was the best solution.
- 57 JM commented that technical service issues need a dedicated resource to resolve but the MD skill set doesn't have to be from the sector.

- 58 KM noted that AM has done a good job to get the HEFESTIS service to where it is today and LC, NM and AJ concurred.
- 59 Chair noted that HEFESTIS needs to be flexible with the funding of the MD role.
- 60 AJ asked if the role was being under-priced and suggested that additional funding from having more members would be helpful.
- 61 AM advised that he was happy to continue at present but added that the situation should be reviewed from time to time as the needs of the company evolved.
- 62 Chair stated that JS is to be commended for the CISO progress made to date and it was agreed that his deputy MD role should continue.
- 63 AM proposed that JS should be included in the planned Strategy Development meeting and this was agreed. **(ACTION: AM)**
- 64 AA asked if 2 new job roles were being created by this proposal and AM confirmed that they were not wholly new positions but added that there was a need to clarify the role of deputy MD and the role of service lead to be assigned to the head of DPO . **(ACTION: AM)**
- 65 Chair enquired how HEFESTIS stands in the information security marketplace and AM suggested that a special meeting of the Board should be scheduled to address the overall strategy going forward. This meeting should ideally be run by a facilitator. **(ACTION: Chair/AM)**
- 66 JM informed the Board that he had recently attended a JISC Conference and noted that there was a definite need for a HEFESTIS style service south of the border. He added that JISC do not have adequate security coverage in-house.
- 67 Chair noted that UCISA is also looking at information security and needs to clarify its actual role in this area. He added that HEFESTIS was in a good position to expand its service coverage.
- 68 JM asked how HEFESTIS could build on these potential opportunities for expansion of its service and it was agreed this would be explored when considering the overall strategy.

Risk Register

- 69 AM presented the Risk Register and noted that there was a need for a review. He added that risks should reflect the issues actively concerning management – including recent risks to membership.
- 70 AJ asked if there was a risk from Brexit and JM felt that there wasn't, but there was a need for a review given the proposed new organisational structure. **(ACTION: AM)**

71 The Risk Register could be reviewed at the meeting to be arranged for development of the Strategy.

Any Other Business

72 AM presented a paper on Overhead Charging for New Services and highlighted the following points:

- The overhead cost for management is lean and whilst it covers basic people management it may not adequately cover the full cost of service management depending on the complexity of the service.
- Principles
 - The services should be delivered at cost but with an element built-in to establish some reserves for contingencies.
 - Each service should cover its own costs with no cross-service subsidies.
 - Staff related overhead costs should be apportioned according to the level of staffing resource deployed for each service.
- Current Services
 - Some overhead costs are split 50:50 between DPO and CISO services and others (e.g. insurance and APUC support) are driven by FTE numbers.
 - CISO service has a flat price banding depending on the size of the institution.
 - DPO service is charged at a fixed FTE rate based on the number of days agreed with each institution
 - For new services, the same basic model could be applied.
- Proposed Model for New Services broken down into 4 components.
 1. Direct costs of employment and other direct costs.
 2. A share of overhead costs.
 3. The assumed management effort for each service.
 4. The assumed incremental MD effort for each service.
- Breakdown of estimated costs:

	per FTE
Share of Overhead Costs	£7,170
Service Management	£1,250
Company Management (MD)	£1,130
Total Overhead per FTE	£9,550

- No allowance for travel costs has been made in the overhead calculation.

73 AM stressed that the paper was a 'bare minimum' management requirement and that new services will need to be carefully resourced. He added that start-up services normally require more MD effort.

74 JM made the following observations:

- How are service delivery improvements managed?
- How are the services marketed within the existing market?
- Does HEFESTIS need a business development manager and who is currently responsible for this?
- All these topics should be discussed again in the planned Strategy Development meeting.

Date of Next Meeting

75 Calendar invites for the following dates will be sent out. (**ACTION: MC**)

- tbc – Strategy Meeting, venue tbc
- 19 March 2020 – Board, venue tbc
- 22 April 2020 – Additional Audit Committee Meeting, venue tbc
- 12 August 2020 – Virtual Board as required (via MS Teams)
- 20 October 2020 – Audit Committee, Edinburgh tbc
- 26 November 2020 – Board, venue tbc

There being no further business, the meeting closed at 13:45