Draft Minute of Finance Committee
14 June 2016

Boardroom, Falkirk Campus (commencing at 4.30pm)

Present: Mr Liam McCabe (Chair)
Mr Ralph Burns
Mr Andrew Carver

Apologies: Mr Ken Richardson
Ms Caryn Jack

In Attendance: Mrs Alison Stewart, Associate Principal and Executive Director of Finance
Dr Ken Thomson, Principal
Mrs Irene Andrew, Head of Finance
Mr David Allison, Associate Principal and Executive Director Information Services
Mr Stephen Jarvie, Corporate Governance and Planning Officer

F/15/028 Declarations of Interest

The Chair declared an interest owing to the links between the College and University of Stirling in relation to certain degree level courses and under the Scottish Funding Council (SFC) HEI funded activity.

F/15/029 Minutes of Meeting held on 15 March 2016.

The minutes of the meeting held on 15 March 2016 were approved.

F/15/030 Matters Arising

a) F/15/027 Any Other Competent Business

The Associate Principal and Executive Director of Finance updated members on funding for the Student Association. She noted that the intention was to request funding from the Forth Valley College Foundation to support this as this will help to maintain the independence of the Foundation.

A paper covering this has been successfully taken through the Strategic Development Committee and would be presented to the Board for final approval.

The Principal confirmed that although the Student Association is autonomous it is not a separately incorporated body and this approach is in line with NUS guidance for FE colleges.

F/15/031 Budget 2016-17

The Associate Principal and Executive Director of Finance presented a paper outlining the budget for the next academic year.

She highlighted that, while the Grant In Aid allocation appears to have increased, this was to reflect the recent pay awards agreed through National Bargaining and that otherwise the College was in a flat cash position. She also highlighted that Student Support funding and Capital and Maintenance funding levels had been cut.

The Assistant Principal and Executive Director of Finance highlighted that there also had been no additional funding provided to support the College to absorb the additional costs in relation to the removal of the NI rebate and the introduction of the UK government's Apprenticeship Levy.

She discussed the challenges facing commercial activity and highlighted the appointment of a new Development Fundraising Manager to seek alternate sources of funding. Members queried the budgeted net contribution level of £200k against the new post and the Associate Principal and Executive Director of Finance confirmed that this target had been reached in consultation with the post holder and the Associate Principal and Executive Director of Business Development and was deemed to be a viable target.

Members requested that the Development Fundraising Manager attend the next Committee meeting to outline her strategy to the Committee.

[redacted]

[redacted]

(Redacted under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

The Associate Principal and Executive Director of Finance outlined the impact of the cuts to the Capital and Maintenance grant and noted that, while SFC had applied the cut across the sector, owing to the College's current and future estates commitments this had a disproportionate negative effect on the College.

Members noted the list of proposed estates projects and asked for an overview of the selection process which the Associate Principal and Executive Director of Finance provided.

Members noted that, while understanding the necessity for ensuring funding is in place for the new Falkirk campus, it should be borne in mind that current students would not experience the new campus and that the existing campus should be maintained to an acceptable standard so as to deliver a learning and broader student experience of as high as possible in the current situation.

It was also noted that proposed changes to existing campuses should be borne in mind for the design of the new Falkirk campus.

a) Members endorsed the budget and its submissions to the Board with a recommendation for its approval by the Board. It was also agreed that the risks associated with achieving the budget be highlighted to the Board. .

F/15/032 Treasury Management Strategy 2016-17

The Associate Principal and Executive Director of Finance presented the annual update to the Treasury Management Strategy as required by the College's Treasury Management policy.

She noted that, owing to the change in status of Colleges, and with that the inability to accumulate cash balances this activity would likely become redundant in the future.

a) Members approved the Treasury Management Strategy for recommendation to the Board of Management and approved the discontinuance of this Strategy for 2017-18 onwards.

F/15/033 FRS102 – Accounting Policies

The Associate Principal and Executive Director of Finance gave a presentation to members on the implications of FRS102, noting that elements of this required the College to choose between options and that the impact of these was not fully known at this time.

She highlighted the perception risk to the College of the implication of FRS102 on with volatility in reported results due to the application of the new standard. The Committee noted that without proper understanding and clear communication the revised financial statements for the College could appear to a lay person, to show College's financial security to be at risk even when if fundamentally that was not the case. This was a particular concern for the College when seeking commercial work as there is often a requirement to prove financial viability via the provision of accounts.

Members queried whether there had been definitive guidance provided by Scottish Funding Council or Colleges Scotland.

The Associate Principal and Executive Director of Finance confirmed that work and training had taken place funded by Colleges Scotland but that it was unlikely that SFC would give a definitive direction would be given as the choice of accounting policy was a matter for the Board to decide. She highlighted that she intended to discuss the College's approach to FRS102 with the newly appointed College external auditors to ensure they were in agreement.

a) Members noted the content of the presentation and agreed that the Associate Principal and Executive Director of Finance should discuss this issue with the external auditors and that this would be brought back to the next meeting of the Committee at which decisions on accounting policies would be finalised.

b)

F/15/034 Print Re-Tender

(Redacted under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

a) Members approved the recommendation of [redacted] to the Board of Management for approval.

F/15/035 Forecast Outturn 2015/16 (May 2016)

The Associate Principal and Executive Director of Finance presented the latest Forecast Outturn and noted that the underlying operating position of the College had improved since the last forecast presented to the Committee.

She noted that, as with the budget, these figures did not yet have any FRS102 related adjustments in them.

She highlighted that the forecast did not include costs incurred to date in relation to the Arts Venue which is no longer proceeding. She confirmed that the College was currently in discussion with Falkirk Council on this matter.

a) Members noted the content of the report

F/15/036 Review of Risk

Members noted the risks as outlined in the papers.

F/15/037 Any other competent business

The Associate Principal and Executive Director of Finance noted that there would be a requirement to hold an additional Finance Committee meeting to approve the financial model for the Falkirk Campus Full Business Case.

Members agreed that 16 August 2016 would be the date for this meeting.

Agenda

14 June 2016
FINANCE COMMITTEE

Boardroom, Falkirk Campus at 4.30pm
(Refreshments available from 4.00pm.)

AGENDA

1. Apologies

2. Declarations of interest

FOR APPROVAL

3. Minutes of meeting of 15 March 2016

4. Matters Arising

   a) F/15/027 Any Other Competent Business

5. Budget 2016-17 — Alison Stewart
   (Elements of paper 5 are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

6. Treasury Management Strategy 2016-17 — Alison Stewart

7. FRS102 – Accounting Policies — Irene Andrew

8. Print Re-Tender (Paper to Follow) — David Allison
   (Paper 8 is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

FOR DISCUSSION

9. Forecast Outturn 2015/16 (May 2016) — Alison Stewart
   (Elements of paper 9 are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

10. Review of Risk

11. Any other competent business

FOR INFORMATION

Programme of Committee Business

Executive Office, Falkirk Campus (commencing at 4.30pm)

Present: Mr Liam McCabe (Chair)
Mr Ralph Burns
Mr Andrew Carver
Ms Caryn Jack

Apologies: Mr Ken Richardson

In Attendance: Mrs Alison Stewart, Associate Principal and Executive Director of Finance
Mr Stephen Jarvie, Corporate Governance and Planning Officer
Dr Ken Thomson, Principal
Mr David Allison, Associate Principal and Executive Director Information Services
Ms Louise Burnett, Finance Manager

F/15/020 Declarations of Interest

The Chair declared an interest owing to the links between the College and University of Stirling in relation to certain degree level courses and under the Scottish Funding Council (SFC) HEI funded activity.

F/15/021 Minutes of Meeting held on 1 December 2015.

The minutes of the meeting held on 1 December 2015 were approved.

F/15/022 Matters Arising

a) F/15/014 Draft External Audit Annual Report to the Board of Management

The Chair noted that this had been amended before it was submitted to the Board in December 2015.

b) F/15/016 FRS 102 Gap Analysis and Action Plan

The Associate Principal and Executive Director of Finance noted that members had requested that the work on FRS 102 implications be suitably resourced. She reported that this matter had not progressed owing to the resignation of the Senior Finance Manager and that a review of the staffing structure within Finance had been conducted and interviews scheduled to fill the vacant position.

She also confirmed that the recommendations on the implementation of on FRS 102 would be brought to the June meeting. Liam McCabe also offered support from his staff at University of Stirling who have undertaken much of the necessary preparatory work to implement the new standard and who would be happy to pass on their experience to benefit the College.

F/15/023 Tuition Fees and Fee Waiver Policy

The Associate Principal and Executive Director Information Services presented the annual update to the College Tuition Fees and Fee Waiver Policy.

He noted that the Scottish Government set 84% of total fee levels and that the SQA had yet to confirm their revised fees. He explained the rational for the changes outlined in the paper and noted the minor risk that the small increment in College controlled fees may make some College courses less attractive. He also highlighted that the increase matched previous year's increases and that these had not had a negative impact.

a) Members approve the Tuition Fees and Fee Waiver Police for recommendation to the Board

F/15/024 Resource Return 2015/16

The Associate Principal and Executive Director of Finance presented the 2015/16 resource return which is due for submission to SFC by 21 March. She highlighted the focus on the return as it ties into the SFC and Government year-end figures.

She outlined SFC guidance on the utilisation of *Net Depreciation* and the approach the College was taking. She also highlighted that it would be unlikely that the College would seek to make a donation to the Forth Valley College Foundation this year.

Members requested an update on the current situation with Barclays and the covenants on the loans the College has with Barclays. The Associate Principal and Executive Director of Finance confirmed that this was still with Barclays for review as their lead person has been on long term sick leave, but that she had received no indications of negative reactions to the breaching of the covenants. Members were reminded that the reclassification of colleges as public bodies means that in practical terms the compliance with covenants would be viewed in a more favourable light by third party lenders as Colleges would in effect be viewed as less of a risk. Barclays have stated that covenants are not applied to public sector bodies.

a) Members noted the content of the report and appendices and approved the submission of the return to SFC.

F/15/025 Forecast Outturn 2015/16 (February 2016)

The Associate Principal and Executive Director of Finance presented the revised forecast outturn to members. She noted that the paper contained detail on variances to date but that overall the College was in a positive position with a rise in the projected surplus.
Members asked for detail on the 1% pay raise for lecturing staff. The Principal outlined the current position and the upcoming strike action by EIS members.

Members requested further information on pension contributions. The Associate Principal and Executive Director of Finance outlined the triennial valuation process and reported on the current levels of pension contribution the College is required to make.

Members queried whether there were any indications of upcoming changes to pension contribution levels. The Associate Principal and Executive Director of Finance confirmed that there was no indication of this.

a) Members noted the content of the report

F/15/026 Review of Risk

The Principal expanded further on the upcoming strike action and the measures that had been put in place by the College to mitigate this as much as possible. He also confirmed that this had been reported to the Audit Committee at their 10 March 2016 meeting.

The Associate Principal and Executive Director of Finance informed members that the College sector accounts would be laid before Parliament next week.

a) Members noted the update on risks

F/15/027 Any other competent business

The Principal informed members that there may be movement in relation to the funding for the new Falkirk campus estate and that further information would be provided when it was available.

Members noted the update and requested, owing to the intended contribution to the new estate, that the Arm's Length Foundation be kept apprised of any changes.

The Associate Principal and Executive Director of Finance noted that members had requested the College to look into supporting staffing within the Student Association owing to the end of the SPARQS funding. She confirmed that, while the exact funding source was being evaluated, the College had made a firm commitment to fund the Student Association for the next year.

Members welcomed the update.

Forth Valley College

5. Budget 2016-17
For Approval

14 June 2016
FINANCE COMMITTEE

1. Purpose

To present members with the Budget for 2016-17.

2. Recommendation

That members consider both the capital and revenue budgets for 2016-17 and recommend to the Board of Management for approval.

3. Background

The College has to report on 2 different year ends based on 2 different accounting regimes. This paper considers the College's revenue budget for the financial year which runs from 1 August 2016 to 31 July 2017 and capital budget which runs 1 April 2016 to 31 March 2017.

Due to the mismatch between Colleges' reporting on a financial year basis under recognised accounting standards and the need to balance Scottish Government Resource Budgets, SFC and Scottish Government have issued direction that it is acceptable for Colleges to report operating deficits to a level equivalent to their net depreciation subject this to being in relation to either Student Support funding or specific regional pressures as approved by SFC.

4. Key Considerations

Funding Allocations

Funding Allocations	16/17	15/16	Variance
GIA	19,964,583	19,766,914	197,669
ESF	530,777	525,585	5,192
	20,495,360	20,292,499	202,861
Student Support	3,551,830	3,671,124	(119,294)
ESF Student Support	143,125	131,396	11,729
	3,694,955	3,802,520	(107,565)
SPARQS - Student Association	-	71,000	(71,000)
Capital & Maintenance	783,600	1,055,880	(272,280)

The College is faced with the challenge that whilst maintaining our Grant in Aid allocation (with additional funding to support the 1.5% wage increase agreed through National bargaining) SFC have reduced the overall Capital and Maintenance budget by £272k and student support funding by £108k both of which could impact on the revenue budget. It should be noted that no additional funding has been received to cover the increased costs in relation to the withdrawal of the National Insurance rebate or the Apprenticeship levy which comes into force in April 2017.

Revenue Budget

The revenue budget for 2016-17, detailed in Appendix 1, shows a surplus of £37,496 prior to the utilisation of net depreciation with the key assumptions detailed in Appendix 2.

Income & Expenditure	16/17 Budget	15/16 Q3 Forecast
Income	29,745,604	29,550,753
Expenditure	(29,100,391)	(28,429,143)
	645,213	1,121,610
Net Depreciation	(607,717)	(607,716)
Operating surplus	37,496	513,894
Falkirk Estates	(525,745)	(1,069,165)
Student Support	(115,000)	(45,000)
Operating surplus/(deficit)	**(603,249)**	**(600,272)**

Appendix 1 details the 2016/17 budget in more detail.

SFC funding has increased to support the 1.5% pay increase in relation to National Bargaining.

Commercial training and Modern Apprenticeship income are major contributors to supporting the additional staffing and operational costs the College is incurring while funding is remaining static. The key areas where growth in income has been incorporated relate to short commercial courses such as Compex, industry courses such as ECITB along with an increased International delivery.

For 2016/17 the College has also created a new Development and Fundraising post, and a target of a net contribution of £200k is included within the budget within other income.

Capital & Maintenance

The Capital and Maintenance grant is allocated on a fiscal year basis of 1 April 16 to 31 March 17. The maintenance element is contained with the revenue budget in Appendix 1 while the capital element is ring fenced with the appropriate capital resource budget (CDEL) being allocated.

Due to the reduction in funding consideration has been given as to whether the College wishes to continue to top slice £200k towards the New Falkirk Campus project or to whether it should cut the amount available for general maintenance and / or capital. If the top slicing is removed this would allow for existing levels of general maintenance and capital to be maintained, however would impact on the funding for the New Falkirk Campus.

The table below illustrates the potential impact of the reduction in funding:

	15/16	16/17 Option 1	Option 2	Option 3
Maintenance				
Interest	186,761	178,868	178,868	178,868
Top Slice - Falkirk Estates	200,000	200,000	200,000	
General Maintenance	364,405	100,018	364,405	364,405
	751,166	478,886	743,273	543,273
Capital	304,714	304,714	40,327	240,327
	1,055,880	783,600	783,600	783,600

It is proposed that the £200k top slice is removed to allow the Stirling Car Park extension to be completed. Appendix 3 lists the projects recommended for approval by the Director of Estates and the Associate Principal for Information Services.

Student Support

We have been informed that the AY 16/17 student support allocations had been calculated on the basis of the final (after redistribution) allocations for AY 15/16, adjusted for changes in volumes. As Forth Valley College had not asked for redistribution our overall % of funding had reduced from 3.5% to 3.3% resulting in a cut of £108k.

It should be noted that the College is required to manage this cut while at the same time SFC have increased the weekly bursary payment rate by 1.5%. Offsetting against this increase is the move from 95% attendance to 100% which will potentially reduce the number of payments made.

Within the budget it is forecast that the College will potentially need to fund £115k of Student Support from College resources. While recognising there is potentially £3.2m for in year redistribution held by SFC, this cannot be relied upon when preparing our budget for 2016/17.

Net depreciation

It is currently assumed that net depreciation will be used to fund the shortfall in Student Support £115k and thereafter be used to fund the new Falkirk Campus. Falkirk Campus costs have only been included up to the level that the net depreciation will fund, as final projected revenue costs for the project are not yet known.

5. Financial Implications

This is covered in Section 4.

6. Equalities

Assessment in Place? – Yes ☐ No ☒

Not applicable given the nature of this report.

7. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		x
High		
Medium	x	
Low		
Very Low		

There are a number of risks associated with the budget for 2016/17.

- The budget relies on increasing international and commercial activity which will be challenging within the current economic climate
- Fundraising is a new area for the college; a strategy for Fundraising is currently being developed and will include a target contribution for 2016/17 of £200k
- The College may need to fund £115k in relation to Student Support.

In mitigation of these risks the College
- is seeking to exit the hospitality provision within the Raploch Campus with a potential saving of £150k
- have written to SFC regarding the cut in Capital & Maintenance Funding and Student Support requesting that this be reviewed
- will apply for in year re-distribution for Student Funding
- Business development will continue to seek new commercial opportunities

Risk Owner – Alison Stewart **Action Owner –** Alison Stewart

8. Other Implications –

Communications – Yes ☐ No ☒ **Health and Safety – Yes ☐ No ☒**

Paper Author – Fiona Lovell **SMT Owner –** Alison Stewart

6. Treasury Management Strategy 2016-17
For Approval

14 June 2016
FINANCE COMMITTEE

1. Purpose

To seek approval from members for the Treasury Management Strategy for 2016-17.

2. Recommendation

That members approve the Treasury Management Strategy 2016-17.

3. Background

In March 2012 the Finance Committee and Board of Management approved the Treasury Management Policy. This policy complies with the key principles of the CIPFA Code of Practice for Treasury Management. A key requirement of this policy is that an annual Treasury Management Strategy by approved by the Finance Committee and presented to the Board of Management prior to the start of the financial year.

4. Key Considerations

On the 1 April 2014 Forth Valley College was reclassified as an "Arm's Length Public Body". This has had a significant impact on the level of cash the College is now able to hold and also restricts the College's ability to undertake new borrowing.

An additional consideration following on from the implementation of the reclassification is that the College must move to the Government Banking System (GBS) by April 2017. The implications of this is that the College will have to switch banks from Barclays to RBS for our day to day banking and will no longer have the ability to generate interest.

The Treasury Management Strategy for 2016-17 covers:

- the current treasury position;
- treasury management performance;
- the estimated borrowing requirement;
- prospects for interest rates;
- the borrowing strategy;
- the investment strategy.

5. Financial Implications

The move to the GBS by April 2017 will remove the ability for the College to earn interest on surplus cash held.

6. Equalities

Assessment in Place? – Yes ☐ No ☒

N/A due to nature of Strategy.

7. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	x	x

The College Treasury Management Policy requires the College to adopt low risk approach to its treasury management activities.

Risk Owner – Alison Stewart

Action Owner – Alison Stewart

As the College is now unable to borrow without Scottish government consent and is also restricted in holding large cash balances the impact of this Strategy is low risk.

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes ☐ **No** ☒

Health and Safety – Yes ☐ **No** ☒

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

Treasury Management Strategy 2016/17

Status:	Awaiting Finance Committee Approval
Date of version:	June 2016
Responsibility for Strategy:	Director of Finance
Responsibility for implementation:	Director of Finance
Responsibility for review:	Director of Finance
Date for review:	June 2017

TREASURY MANAGEMENT STRATEGY 2016/17

Introduction

1. The CIPFA Code of Practice on Treasury Management in Public Services has been revised, subsequent to the default of Icelandic banks during 2008. Key elements of the revised Code are outlined in Appendix 1. The Treasury Management Strategy for 2015/16 has been prepared in accordance with the revised Code.

2. In light of the revised Code, the Treasury Management Policy Statement has also been revised. The updated Treasury Management Policy Statement is given in Appendix 2.

3. The Code requires the College to set out its treasury management strategy for borrowing and investment. Accordingly, the Treasury Management Strategy will be submitted annually for Finance Committee approval prior to the new financial year. There is also a requirement to approve the annual treasury management report and to carry out a mid-year review of treasury management strategy and performance.

4 The College's performance in this area is currently reported to the Finance Committee. It is considered appropriate for the Finance Committee to approve the strategy for the forthcoming financial year and this be presented to the Board of Management.

5. Treasury management activities will be undertaken throughout the year in accordance with the strategy and subsequent guidance in respect of investments.

Treasury Management Strategy 2016/17

6. This treasury management strategy covers:

- the current treasury position;
- treasury management performance;
- the estimated borrowing requirement;
- prospects for interest rates;
- the borrowing strategy; and
- the investment strategy.

Current Treasury Position

7. A summary of the College's debt and investment position as at xx June 2016 is outlined in Appendix 3 and Appendix 4.

Treasury Management Performance

8 The headline performance indicator for Treasury Management is the interest rate payable on long term borrowings. For 2016/17 this is estimated at 4.30%, based on the strategy set out in this paper. The strategy for 2016/17 and future years is to sustain the rate at this level. In addition, the return for investments is expected to be around 0.8% until the College moves to the Government Banking System. Thereafter all interest will be received centrally by Scottish Government.

Estimated Borrowing Requirement

9. The estimated new borrowing requirement for 2016/17 is £nil. Existing borrowings will be £4,252,692 at 31 July 2016 and the financing costs arising from this level of borrowing have already been included within the 2016/17 budget.

Prospects for Interest Rates

10. The College's financial advisor has provided the following view of probable interest rates for the financial year 2016/17 based on the Bank of England quarterly Inflation Report published on 12 May 2016:

(a) Long term

Swap rates - 20 year swap rate is currently at 1.76% (May 2015 – 2.24%)

(b) Short term

Short-term interest rates (Bank Rate, the official Bank of England rate paid on commercial bank reserves), currently at 0.50%, are not expected to increase in the immediate future with the first increase now being forecast December 2019. When interest rates do start to increase this will be gradual with rates being unlikely to reach the pre-financial crisis normal level of 5%.

Borrowing Strategy 2016/17

11. Following the reclassification of the College as an Arm's Length Public Body from 1 April 2014 the College is required to comply with the Scottish Public Finance Manual which prohibits borrowing without prior Scottish Government consent.

Investment Strategy

12. The College will have regard to the revised CIPFA Treasury Management Code. The key priorities of the strategy will be security of capital, minimising the risk of any loss on the principal sum invested, and liquidity of investments. The College will aim to achieve the optimum return on its investments commensurate with the proposed risk strategy and liquidity requirements. The risk appetite of the College will be low in order to give priority to security of investments.

15. The limit of investments will reflect the level of available College's reserves, together with provision for managing the Council's day-to-day cash flow requirements. Investments will be managed internally.

16. Surplus funds will be invested with banks and other financial institutions on its approved lending list, the 'counterparty investment list'. Investments will be made up to an approved limit of £1m with any one institution. Investments may be made for a range of periods from overnight to a maximum of 364 days.

17. Currently, the College uses Fitch, Moody's and Standard and Poors ratings to derive its counterparty criteria. However, the following factors are also taken into account:

- Credit watches and credit outlooks from credit agencies
- Credit Default Swap (CDS) spreads, to give early warning of likely changes in credit ratings

18. The College will continue to limit exposure to credit risk by ensuring that investments are placed with the highest rated bodies from a monthly credit list of UK clearing banks. The investment criteria to be adopted from 1 August 2016 are outlined in Appendix 4.

19. Credit ratings will be monitored on an on-going basis. If a downgrade results in the counterparty no longer meeting the College's minimum criteria, no further investment will be made with that institution, with immediate effect. In addition, the College's will not place sole reliance on credit ratings and this external creditworthiness service. Market information and information on government support for banks will also be considered when making investment decisions.

20. Bank Rate, currently at 0.50%, is not expected to increase during 2016/17. Given that investment rates are down at historically low levels, the College will avoid locking into longer term deals unless more attractive rates are made available.

21. The Director of Finance will continue to monitor the economic environment and adopt a pragmatic approach to changing circumstances. A balanced view of risk against return will be taken in respect of all investments. It is anticipated that return on investments will be limited in 2016/17 as a result of Bank Rate forecasts and the over-riding principal of risk aversion. Investment activity will be reported upon at the end of the financial year, as part of the Annual Treasury Report.

Financial Issues

22. The financial implications of this report are reflected in the draft budget for 2016/17.

Appendix 1

Revised CIPFA Treasury Management Code of Practice 2009

The CIPFA Code of Practice on Treasury Management in Public Services was last updated in 2009 in the light of the default by Icelandic banks in 2008. The revised Code sets out various requirements which have been summarised as follows: -

a) Although not mandatory for Colleges it is considered best practice to formally adopt the revised Code and four specific clauses (as outlined below).

b) The strategy report will affirm that the effective management and control of risk are prime objectives of the Colleges treasury management activities.

c) The College's appetite for risk must be clearly identified within the strategy report and will affirm that priority is given to security of capital and liquidity when investing funds and explain how that will be carried out.

d) Responsibility for risk management and control lies within the organisation and cannot be delegated to any outside organisation.

e) Credit ratings should only be used as a starting point when considering risk. Use should also be made of market data and information, the quality financial press, information on government support for banks and the credit ratings of that government support.

f) There should be a sound diversification policy with high credit quality counterparties.

g) Borrowing in advance of need is only to be permissible when there is a clear business case for doing so and only for the current capital programme or to finance future debt maturities.

h) The main annual treasury management reports must be approved by the Board of Management.

i) There needs to be, at a minimum, a mid-year review of treasury management strategy and performance. This is intended to highlight any areas of concern that have arisen since the original strategy was approved.

j) The role of scrutiny of treasury management strategy and policies must be delegated to a specific named body.

k) Treasury management performance and policy setting should be subjected to prior scrutiny.

l) Members should be provided with access to relevant training.

m) Those charged with governance are also personally responsible for ensuring they have the necessary skills and training.

n) Responsibility for these activities must be clearly defined within the organisation.

o) Officers involved in treasury management must be explicitly required to follow treasury management policies and procedures when making investment and borrowing decisions on behalf of the College (this will form part of the updated Treasury Management Practices).

The College has adopted the main recommendations of CIPFA's Treasury Management in the Public Services: Code of Practice (the Code) as set out in section 4 of the Code.

CIPFA recommends that all public service organisations adopt, as part of their standing orders, financial regulations or other appropriate formal policy documents, the following 4 clauses:

a) The College will introduce and maintain:

- A Treasury Management Policy statement, stating the policies and objectives of its treasury management activities
- Appropriate Treasury Management Practices (TMPs) which set out the way in which the College will achieve those policies and objectives.

b) The Finance Committee will receive reports on its treasury management policies, practices and activities, including as a minimum, an annual strategy and plan in advance of the year, a mid-year review and an annual report after its close, in the form prescribed in its TMPs

c) The Board of Management delegates responsibility for the implementation and monitoring of its treasury management policies and practices to the SMT and for the execution and administration of treasury management decisions to the Director of Finance and Corporate Services. The Director of Finance and Corporate Services will act in accordance with the organisation's policy statement and TMPs

d) The Board of Management nominates the Finance Committee to be responsible for ensuring effective scrutiny of the treasury management strategy and policies.

The contents of the policy statement and TMPs will follow the recommendations contained in Sections 6 and 7 of the Code as amended to reflect the particular circumstances of the College. These amendments will not result in the College materially deviating from the Code's key recommendations.

Appendix 2

Revised Treasury Management Policy Statement

The Treasury Management Policy Statement was last approved by the Finance Committee on 7 March 2012.

The College defines its treasury management activities as:

1. The management of the College's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.

2. The College regards the successful identification, monitoring and control of risk to be the prime criteria by which the effectiveness of its treasury management activities will be measured. Accordingly, the analysis and reporting of treasury management activities will focus on their risk implications for the College.

3. The College acknowledges that effective treasury management will provide support towards the achievement of its business and service objectives. It is therefore committed to the principles of achieving value for money in treasury management, and to employing suitable comprehensive performance measurement techniques, within the context of effective risk management.

4. The College's specific objective in relation to debt is to achieve the lowest level of interest paid on debt as prudently possible, while at the same time minimising the potential volatility of the average rate of interest.

Appendix 3

Current Debt Position

The College had a £8m Term Loan Facility with Barclays Bank, which expired on 31 July 2013. The final amount drawdown was £4.5m.

The projected balance at 31 July 2016 is £4,252,692. Loan repayments of £151,010 will be made during the year. Total interest payable for 2016/17 is £178,868.06.

Forth Valley College
Debt position and interest calculation

Forth Valley College
Making Learning Work

1 August 2016 - 31 July 2017				Loan Interest			IR Swaps						
Date	Maturity date	Type	Loan Value	Libor rate	Margin	Total interest rate	We pay fixed rate	Receive floating	No. of days	Loan Interest due	IR swap payable	IR Swap receivable	Total Interest due in period
		Opening Balance	4,252,692.00										
01/08/2016	31/10/2016	Rollover/IR swap	4,215,584.00	0.6140%	1.3500%	1.9640%	2.9500%	0.6140%	92	20,868.64	31,345.47	6,524.11	45,690.00
31/10/2016	31/01/2017	Rollover/IR swap	4,179,682.00	0.6400%	1.3500%	1.9900%	2.9500%	0.6400%	92	20,964.83	31,078.51	6,742.46	45,300.88
31/01/2017	28/04/2017	Rollover/IR swap	4,142,254.00	0.6710%	1.3500%	2.0210%	2.9500%	0.6710%	87	19,953.98	29,126.29	6,625.00	42,455.27
28/04/2017	31/07/2017	Rollover/IR swap	4,101,682.00	0.7130%	1.3500%	2.0630%	2.9500%	0.7130%	94	21,791.96	31,161.55	7,531.59	45,421.91
		Loan Repayment	**151,010.00**						**365**	**83,579.40**	**122,711.81**	**27,423.15**	**178,868.06**

Appendix 4

Investment Criteria

The College regards a primary objective of its treasury management activities to be the security of its finances. Lending will be restricted to:

- The UK clearing banks and subsidiaries, and UK building societies;
- Other banks as specified by the College having regard to Credit References and approved by the Finance Committee.

Maximum Investment limit (outwith instant access current account) £1,000,000

Maximum Investment period 1 year

Current Investment Position

The College main banker is with Barclays Bank where £1.8m, as at 27th May 2016, is held on instant access, at a rate of 0.35%.

Current Investment Rates have been obtained from four banks and an analysis of interest rates as at 27th May 2016 is included below for information.

Term	Barclays	Clydesdale	Bank of Scotland	Santander
Instant Access	0.50%	0.50%	0.50%	0.30%
30 day	0.50%		0.90%	
90 day notice	0.70%			
3 months	0.48%	0.30%	0.80%	
6 months	0.63%	0.50%	0.90%	
12 months	0.96%	1.00%	1.25%	0.75%
24 months		1.40%		

.

7. FRS 102 – Accounting Policies For Approval

14 JUNE 2016
FINANCE COMMITTEE

1. Purpose

To provide the Finance Committee with an overview of the implications of FRS 102 for Forth Valley College. The paper provides a summary of accounting policy choices available.

2. Recommendation

That members' consider the accounting policy choices available for the recognition of income.

3. Background

With effect from 1 January 2015 the Financial Reporting Council (FRC) revised the Financial Reporting Standards in the UK. The revisions fundamentally reformed financial reporting, replacing the extant standards. All of the standards in existing UK GAAP have been replaced by – FRS 100, FRS 101, FRS 102 and FRS 103.

The College will be required to comply with FRS 102 while continuing to comply with the FEHE Statement of Recommended Practice 2015 (SORP), and the Financial Reporting Manual (FReM). The FEHE SORP 2015 is detailed and technical with many changes and factors to be considered. The SORP is non-prescriptive and allows for accounting policy choices.

Where we have identified FRS 102 will have a significant impact on the College we have produced an implementation plan along with an action plan (see sections 2 and 3 of the summary FRS 102 paper). The actions have been categorised into the following headings:

- S = systems and processes;
- A = accounting and reporting;
- P = people and change; and
- B = business.

4. Key Considerations

FRS 102 will apply to this financial year ending 31 July 2016. Both the opening Balance Sheet as at 1 April 2014 and the comparative Balance Sheet as at 31 July 2015 will require to be restated as if FRS 102 had always been in place in order to provide a meaningful comparative upon publication.

Changes to the Primary Financial Statements are as follows:

- Income & Expenditure Statement becomes Statement of Comprehensive Income (SOCI)
- Balance Sheet becomes Statement of Financial Position
- Statement of Recognised Gains & Losses (STRGL) replaced with Changes to Reserves & Funds
- Operating & Financial Review changes to Strategic Report, including a Director's report

Key Changes where action is required:

The main change is the method of accounting for income, in particular government and non-government grants. Appendix 3 provides an Income Decision Tree which outlines which model can be applied depending on the source of income. The implications of the change to the accounting treatment for income will be discussed in more detail at the Finance Committee.

The implications and the accounting choices for recognising income are shown in the table below:

ACCOUNTING CHOICES	Choice	Accruals Model	Performance Model
Exchange Transactions e.g. tuition fees	No	X	
Non Exchange Transactions			
- Government Grants			
- Land	No		X
- Other	Yes	X	X
- Revenue	Yes	X	X

ACCRUALS MODEL:	PERFORMANCE MODEL:
Income recognised to match expenditure incurred	Income recognised in the SOCI on entitlement, therefore potential more volatile surplus / (deficits).
Income received in advance recorded as a creditor (deferred income) until the grant is spent.	Income received in advance held within restricted reserves
Creditors are liabilities, therefore a reduction in net assets on the SOFP, **weakens SOFP**	Restricted reserves, are reported below the line, **SOFP remains strong**
Income recognised over the expected useful life of the asset therefore matched to the annual depreciation charge	A potential mis-match with future depreciation charges incurred.
No change to current systems & processes	Systems & processes will require amendments
Easier to understand and communicate	More difficult to explain

Please see Appendices 1 and 2 which provide indicative figures when applying both the accruals and performance model to income.

Key Changes where no action required as the college is already complying with the provisions:

Employment benefits – The College has already accounted for short-term 'holiday benefits' (holiday pay accrual) of £1.1m in its financial statements and its resource return at 31 March 2014 and £0.2m at 31 July 2015 so no restatement of the opening balances for 2014/15 and 2015/16 or adjustments to the 2014/15 results will be required. This will be updated on an annual basis.

Retirement benefits – The College has considered its accounting arrangements for the two main pension schemes where there are active employees; the Scottish Teachers' Superannuation Scheme (STSS) and Falkirk Council Local Government Pension Scheme (LGPS). The liabilities relating to LGPS are recognised on the College's balance sheet at present. The College has approached Falkirk Council and their actuary to discuss the move to FRS 102 and request FRS 102 compliant information. FRS 102 contains a slight change in that the net interest expense (or income) is based upon the net deficit (or surplus) within the scheme. This differs to current UK GAAP where interest is equal to the difference between unwinding the discount on scheme liabilities and the expected return on assets. STSS is a multi-employer defined benefit scheme accounted for as defined contribution schemes. This is because unfunded multi-employer schemes do not give rise to contractual obligations and any notional deficit is funded on a 'pay as you go' basis. The accounting treatment for both schemes is similar under FRS102 as for current UK GAAP.

Fixed assets - As with current UK GAAP, FRS 102 allows classes of assets to be measured at cost or revaluation. The new standard requires valuations to be on the basis of 'fair value' rather than the present 'existing use value' (non-specialised) and 'depreciated replacement cost' (specialised assets). This requirement is in line with the FReM and as such the college is already complying with the provision therefore no change is required.

Other provisions requiring further consideration:

Leases – A review of all the current leases held by the College will be carried out with the main lease arrangements to be clarified being the Raploch Campus agreement, photocopier leases, coffee machines, vending machines and franking machine leases. Where new leases are identified, or new leases are entered into, the College will need to review the substance of the arrangements to determine whether the risks and rewards are transferred to the lessor. In terms of disclosures, FRS 102 requires lessees to disclose future minimum lease commitments, analysed by when the payment is due. Equivalent disclosures are required from lessors. This applies to both operating and finance leases and is different to the current UK GAAP disclosures.

Embedded leases – The College will carry out a review of its material contracts to determine whether any of its current contracts contain embedded leases although at first review it appears we do not have any embedded leases. The College will develop a process to capture new contracts which contain embedded leases at contract negotiation. These typically relate to circumstances where a contract includes the provision or use of assets such as vehicles or equipment which is in effect for the sole use and benefit of the College and where the cost of which is effectively a component of lease payments. As an example, such arrangements may exist in respect of catering, facilities and IT contracts.

Financial instruments – re-classification of debt instruments into basic or other. The regulations are complicated so the impact is yet to be assessed.

Fair value changes – mainly changes to the value of a number of assets and liabilities which will have a direct impact on the income and expenditure account e.g. interest-rate swaps. This may result in more volatile surplus / (deficits) however the impact is yet to be assessed.

5. Financial Implications

Financial implications are only in terms of the presentation of financial information.

6. Equalities

Assessment in Place? – Yes ☐ No ☒

Not applicable given the content of this paper.

Please summarise any positive/negative impacts (noting mitigating actions)

7. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High	X	X
Medium		
Low		
Very Low		

Failure to comply with FRS102 would lead to potentially qualified accounts.

Whichever method of recognising income is selected for the treatment of government grants this will either weaken the Statement of Financial Position (Balance Sheet) which would likely lead to a negative position within a couple of years or distort the College's operational surpluses on an on-going basis.

Further advice is being sought from both the College's existing (Henderson Loggie) and new (Ernst & Young) external auditors.

Risk Owner – Alison Stewart **Action Owner –** Irene Andrew

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes ☐ **No** ☒ **Health and Safety – Yes** ☐ **No** ☒

Please provide a summary of these implications - Text

Paper Author – Irene Andrew **SMT Owner –** Alison Stewart

Impact of the new SORP on the Statement of Comprehensive Income (SOCI)
for the year ended 31 July 2015
DRAFT / INDICATIVE FIGURES

	Notes to Accounts	Original 2014-15 Financial Statements	Effect of transition to FRS 102 / New SORP (2015)				Restated 2014-15 Financial Statements	
		OLD SORP (2007)	*NO ACCOUNTING POLICY CHOICE*	*ACCOUNTING POLICY CHOICE*			NEW SORP (2015)	
			Impact of Deferred Capital Grants - NON Government	**Impact of Deferred Capital Grants - Government**				
			PERFORMANCE MODEL	*ACCRUAL MODEL*	*PERFORMANCE MODEL*		*ACCRUAL MODEL*	*PERFORMANCE MODEL*
				Non SFC Grant	SFC Grant received	SFC Grant Released		
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Income								
Scottish Funding council grants	2	31,522			638	(2,712)	31,522	29,448
Tuition fees and education contracts	3	9,926					9,926	9,926
Other grant income	4	97	(1)	(1)			96	96
Other operating income	5	1,849					1,849	1,849
Investment income	6	26					26	26
Total income before other grants and donations		43,420	(1)	(1)	638	-2,712	43,419	41,345
Donations and other grant income		0					0	0
Total income		43,420	(1)	(1)	638	(2,712)	43,419	41,345
Expenditure								
Staff costs	7	28,925					28,925	28,925
Pension provision charge	9	1,702					1,702	1,702
Other operating expenses	10	10,185					10,185	10,185
Depreciation	14	3,542					3,542	3,542
Interest payable	11	224					224	224
Donation to FVC Foundation	12	1,100					1,100	1,100
Total expenditure		45,678	0	0	0		45,678	45,678
Surplus / (deficit) before tax & exceptional items		**(2,258)**	**(1)**	**(1)**	**638**	**(2,712)**	**(2,259)**	**(4,333)**
Exceptional items								
Loss on Revaluation of Land		(615)					(615)	(615)
Surplus / /(deficit) after tax		(2,873)	(1)	(1)	638	(2,712)	(2,874)	(4,948)
Surplus for the year		***(2,873)***	***(1)***	***(1)***	***638***	***(2,712)***	***(2,874)***	***(4,948)***

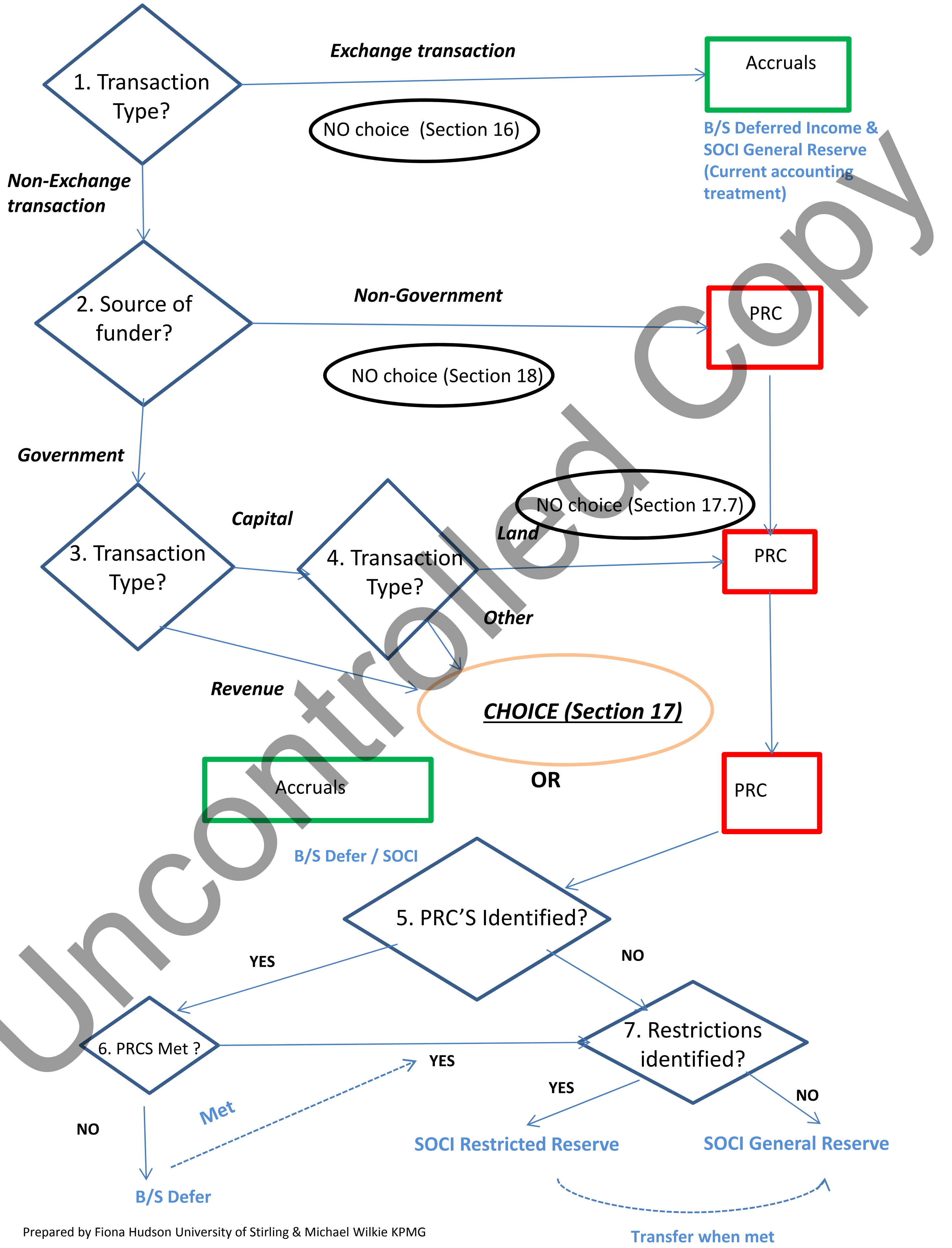
Notes
No adjustments included above for holiday pay, pension liability or revaluation of fixed assets as the provisions are already reflected within the 2014/15 financial statements

Impact of the new SORP on the Consolidated Statement of Financial Position

DRAFT / INDICATIVE FIGURES

		Opening Balance at 1 April 2014	Effect of transition to FRS 102 / New HE SORP (2015)			Applying Accruals Model for Capital Grants: Opening Balance at 1 April 2014 Restated	Applying Accruals Model for Capital Grants: Movement in year 2014-15			Applying Accruals Model for Capital Grants: Closing Balance at 31/7/15	Applying Performance Model for Capital Grants: Opening Balance at 1 April 2014 Restated	Applying Performance Model for Capital Grants: Movement in year 2014-15		Applying Performance Model for Capital Grants: Closing Balance at 31/7/15
	Notes to Accounts	**OLD SORP (2007)**	***NO** ACCOUNTING POLICY CHOICE*	*ACCOUNTING POLICY CHOICE*		**NEW SORP (2015)**	No Accounting changes - as per 2014-15 Financial Statements	Impact of DCG's under new regime - SFC Grant	Impact of DCG's under new regime - Reallocation of Short/Long term Creditors	**NEW SORP**	**NEW SORP (2015)**	No Accounting changes - as per 2014-15 Financial Statements	Impact of DCG's under new regime	**NEW SORP**
		As per 2013-14 Published Accounts	**Impact of Non-exchange / Non-Government income** *PERFORMANCE MODEL*	**Impact of Deferred Capital Grants** *ACCRUAL MODEL*	*PERFORMANCE MODEL*									
		£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Non - current assets														
Fixed Assets	14	**63,713**				63,713	(2,619)			61,094	63,713	(2,619)		61,094
Current Assets														
Stocks		**33**				33	(6)			27	33	(6)		27
Trade & other receivables (previously debtors)	15	**3,192**				3,192	(1,783)			1,409	3,192	(1,783)		1,409
Cash and cash equivalents		**786**				786	823			1,609	786	823		1,609
		4,011	**0**	**0**	**0**	**4,011**	(966)	0	0	**3,045**	**4,011**	(966)	0	**3,045**
Creditors: Amounts falling due within one year	16	**(4,128)**		(2,712)		(6,840)	1,293	2,712	(1,627)	(4,462)	(4,128)	1,293		(2,835)
Net current (liabilities)/assets		**(117)**	**0**	**(2,712)**	**0**	**(2,829)**	327	2,712	(1,627)	**(1,417)**	**(117)**	327	0	**210**
Total Assets less Current Liabilities		**63,596**	**0**	**(2,712)**	**0**	**60,884**	(2,292)	2,712	(1,627)	**59,677**	**63,596**	(2,292)		**61,304**
Creditors: Amounts falling due after more than one year	17	**(4,432)**		(31,801)		(36,233)	216	(638)	1,627	(35,028)	(4,432)	216		(4,216)
Provisions														
Pensions Provisions	18	**(7,536)**				(7,536)	(1,162)			(8,698)	(7,536)	(1,162)		(8,698)
Pension Liability	27	**(10,202)**				(10,202)	(3,315)			(13,517)	(10,202)	(3,315)		(13,517)
Total Net Assets		**41,426**	**0**	**(34,513)**	**0**	**6,913**	(6,553)	2,074	0	**2,434**	**41,426**	(6,553)	0	**34,873**
	Note	**£'000**												
Deferred Capital Grants	19	**34,537**	(24)	(34,513)	(34,513)	0	(2,075)	2,075		0	34,513	0	(34,513)	0
Restricted Reserves														
Income and expenditure reserve -excl pension reserve	20	(3,477)				(3,477)	(1,310)	(1)		(4,788)	(3,477)	(3,385)		(6,862)
Pension reserve	20	(10,202)				(10,202)	(3,315)			(13,517)	(10,202)	(3,315)		(13,517)
Unrestricted Reserves														
Income and expenditure reserve - unrestricted reserve			24		34,513	24				24	24		34,513	34,537
Revaluation reserve	20	**20,568**				20,568	147			20,715	20,568	147		20,715
Total reserves		**41,426**	**0**	**(34,513)**	**0**	**6,913**	(6,553)	2,074	0	**2,434**	**41,426**	(6,553)	0	**34,873**

SORP 2015 Accounting for Income Decision Tree Appendix 3



Prepared by Fiona Hudson University of Stirling & Michael Wilkie KPMG

9. Forecast Outturn 2015/16 (May 2016)
For Discussion

14 June 2016
FINANCE COMMITTEE

1. Purpose

To submit the revised forecast Outturn for 2015/16 to members for discussion.

2. Recommendation

For members to consider the reforecast outturn for the year to 31 July 2016.

3. Background

Regular reforecasting exercises are carried out to allow us to ensure our financial targets are in line with original budget expectations and to allow us to factor in any changes that have occurred since the last reforecasting exercise.

This report provides a summary of the College Income and Expenditure for the Academic Year 2015-16 reforecast at May 2016 compared to the original budget for 2015-16 that was prepared in May 2015 and approved by Finance Committee in June 2015 and also against the Q2 reforecast which was prepared and approved by Finance Committee in February 2016.

4. Key Considerations

The reforecast is showing an operating cash surplus of £1,122k against the Q2 reforecast of £988k. Explanations for the variances are detailed in Appendix 1.

	15-16 Budget	Q2 Forecast	Q3 Forecast	Q2 vs Q3 Variance
Income	29,466,245	29,883,437	29,550,753	(332,684)
Expenditure	(28,783,259)	(28,895,899)	(28,429,143)	466,756
	682,986	987,538	1,121,610	134,072
Net Depreciation	(619,793)	(607,714)	(607,716)	(2)
Operating surplus	63,194	379,824	513,894	134,070
Falkirk Estates	-	(952,714)	(1,069,165)	(116,451)
Student Support Funded by College	-	-	(45,000)	(45,000)
Operating surplus/(deficit) (incl. Estates)	**63,194**	**(572,890)**	**(600,272)**	**(27,382)**

Operating Surplus

The level of cash surpluses being delivered demonstrates that operationally on an on-going basis the College is performing well from a financial perspective. Excluding the new Falkirk Estate costs and the requirement to fund Student Support, the College would have a projected operating surplus of £514k.

Net Depreciation
SFC has confirmed that for 2015/16 net depreciation cash can be spent to ensure the Resource Budget is fully utilised at 31 March 2016. Priorities for this cash are identified as 1% pay increase, student funding and loan repayments. Thereafter individual agreement is on a case by case basis with SFC. FVC has secured SFC's agreement to utilise net depreciation to support the new Falkirk Campus project.

New Falkirk Campus

	15-16 Budget	Q2 Forecast	Q3 Forecast	Q2 vs Q3 Variance
SFC Revenue Maintenance Grant	200,000	42,674	42,674	0
New Falkirk Campus	(200,000)	(1,376,387)	(1,749,383)	(372,995)
Grants received from ALF	0	381,000	637,544	256,544
	0	0	0	0
	0	**(952,714)**	**(1,069,165)**	**(116,451)**

Costs relating to advisors fees for the new Falkirk campus are currently forecast to be £1.750m for 2015/16. It is assumed that these will be offset by the balance of the 2015/16 SFC Maintenance grant which was top sliced for the estates of £43k, together with a grant from Forth Valley College Foundation of £638k. The remaining costs will be funded by the College through its operating surplus for 2015/16 and the utilisation of net depreciation as agreed with SFC.

In addition to this there are approx. £330k of costs in relation to the Arts centre which are currently under discussion with Falkirk Council and are excluded from the budget.

Student Funding
At the start of the financial year approval was sought from the Finance Committee to change the practice at FVC of reducing bursary payments by £10 per week in order to manage the allocation the College received. It was recognised that this change would likely lead to an overspend in relation to student funding which would be met by the College. The total projected overspend is £109k which has been offset by surplus funding of £64k from 2013/14 which the College had not previously returned to SFC. SFC have agreed this funding can be utilised to offset the overspend.

Pension Valuation
Both the original budget and the revised forecasts exclude any adjustments for FRS 17 (i.e. Defined Benefit Pension Revaluation adjustments).

5. Financial Implications

The utilisation of net depreciation cash to support the new campus, together with the impact of the FRS 17 pension valuation will likely result in an operating deficit for the College in the Financial Statements for the year ending 31 July 2016. This should be viewed as a technical deficit rather than a cause for concern over the on-going financial sustainability of the College.

6. Equalities

Assessment in Place? – Yes ☐ No ☐ Non-Applicable ☒

7. Risk

	Likelihood	Impact
Very High		
High		
Medium		
Low	x	x
Very Low		

Please describe any risks associated with this paper and associated mitigating actions
Prior to utilisation of the net depreciation the College is in a better operational position that was expected. However, there is a risk that when the financials are published the "technical deficit" arising from net depreciation may be misinterpreted by external parties/stakeholders.

Falkirk Council do not pay the £330k costs in relation to the Arts Centre.

Risk Owner – Alison Stewart **Action Owner –** Irene Andrew

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes ☐ **No** ☒ **Health and Safety – Yes** ☐ **No** ☒

Paper Author – Fiona Lovell **SMT Owner –** Alison Stewart

Forth Valley College

Programme of Finance Committee Business

	Sep-16	Nov-16	**Mar-17**	**Jun-17**
1 Apologies for absence	✔	✔	✔	✔
2 Declarations of interests	✔	✔	✔	✔
FOR APPROVAL				
3 Minutes of previous meeting	✔	✔	✔	✔
4 Maters Arising	✔	✔	✔	✔
Student Union Accounts	✔			
Accounting Policies	✔			
Resource Return 2015/16 (Q4/4)	✔			
Annual Accounts		✔		
Procurement Strategy		✔		
Resource Return 2016/17 (Q4/2)			✔	
Transfer to Forth Valley College Foundation			✔	
Tuition Fees & Fee Waiver Policy			✔	
Budget 2017/18				✔
Treasury Management Strategy 2017/18				✔
FOR DISCUSSION				
Forecast Outturn 2015/16	✔			
Forecast Outturn 2016/17 @ January 2017			✔	
Forecast Outturn 2016/17 @ April 2017				✔
Review of Risk	✔	✔	✔	✔
Any other competent business	✔	✔	✔	✔
FOR INFORMATION				
Programme of Committee Business	✔	✔	✔	✔
Budget Monitoring - 2016/17 Qtr 1 (Oct 2016)		✔		
Budget Monitoring - 2016/17 Qtr 2 (Jan 2017)			✔	
Budget Monitoring - 2016/17 Qtr 3(Apr 2017)				✔