

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

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 1 December 2015
3. Matters Arising
 - a) F/15/014 Draft External Audit Annual Report to the Board of Management
 - b) F/15/016 FRS 102 Gap Analysis and Action Plan
4. Tuition Fees and Fee Waiver Policy David Allison
5. Resource Return 2015/16 Alison Stewart

FOR DISCUSSION

6. Forecast Outturn 2015/16 (February 2016) Alison Stewart
(Elements of paper 6 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.)
7. Review of Risk
8. Any other competent business

FOR INFORMATION

Programme of Committee Business
Budget Monitoring Report – February 2016 - (This paper 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.)

Boardroom, Falkirk Campus (commencing at 4.30pm)

Present: Mr Liam McCabe (Chair)
Ms Caryn Jack
Mr Ralph Burns
Mr Ken Richardson

Apologies: Mr Andrew Carver

In Attendance: Mrs Alison Stewart, Associate Principal and Executive Director of Finance
Mr Stephen Jarvie, Corporate Governance and Planning Officer
Mrs Monica Halcro, Senior Finance Manager
Louise Burnett, Finance Manager

F/15/010 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/15/011 Minutes of Meeting held on 15 September 2015.

The minutes of the meeting held on 15 September 2015 were approved.

F/15/012 Matters Arising

a) F/15/006 Resource Return 2014/15

The Associate Principal and Executive Director of Finance confirmed that the resource return was submitted

b) F/15/007 Forecast Outturn 2014/15

The Associate Principal and Executive Director of Finance reported that the SFC statement on agreed deficits was covered by note 35 in the accounts

F/15/013 Annual Report and Financial Statements 2014/15 (Joint item with Audit Committee)

The Associate Principal and Executive Director of Finance presented the Annual Report and Financial Statements for 2014/15 to the Audit and Finance Committees noting that, as previously indicated to the Finance Committee, the accounts were reporting a deficit of £2.9 million as a result of a number of significant non-cash adjustments that were deducted from the operating surplus of £1.6 million. These adjustments were discussed and explained individually and concerned: pension provision, loss on revaluation of assets and depreciation. In addition there was a donation to the FVC Foundation of £1.1 million agreed by the Board at a previous

meeting. She highlighted that arriving at a deficit position was likely to be common across the College sector this year due to similar adjustments being made at other Colleges.

She discussed the challenges posed in comparing this accounting period of 16 months with the previous period which covered 8 months owing to changes arising from Colleges reclassification as public bodies by the Office for National Statistics (ONS).

Members queried the change in the gearing ratio number. The Associate Principal and Executive Director of Finance noted that this was due to increases in pension liability levels. While this is not an immediate cost, it does need to be reflected in the accounts and has therefore impacted on the gearing ratio.

Finance Committee members noted that the deficit position had been indicated at previous Committee meetings and asked if it was anticipated that this would impact on the College's lending or the funding for the new Falkirk Campus.

The Associate Principal and Executive Director of Finance confirmed that the College was in breach of the existing banking covenants with Barclays Bank, as it had been at the end of the last accounting period. She provided an overview of discussions with Barclays to remove the covenants as these were not normally applied to public bodies which the College is following reclassification.

In relation to funding for estates, she confirmed that the SFC statement in the accounts confirms that this is a technical issue and does not reflect on the overall financial health and sustainability of the College.

Members of Audit and Finance Committees noted their thanks to the Finance team for a significant piece of work.

- a) Members approved the Annual Report and Financial Statements 2014/15

F/15/014 Draft External Audit Annual Report to the Board of Management (Joint item with Audit Committee)

Cathie Wyllie, Henderson Loggie, presented the draft external auditors annual report.

She reported that Henderson Loggie were anticipating issuing an unqualified opinion on all aspects of the accounts once their final checks were completed.

She noted the adjustments as contained within the report but confirmed none of these individually or collectively breached the materiality limit.

She also noted that Audit Scotland were completing their review of College severance packages over the last few years and that a report would be issued in due

course. Members queried the severance package provided to the previous Principal in light of recent press attention to this area. It was confirmed that the severance package provided was in line with what was provided to previous staff and in line with SFC guidance.

Members also queried the section covering compliance, noting that the wording used could give rise to misconceptions. It was agreed that this would be changed to clarify the matter.

- a) Members approved the Draft External Audit to the Board of Management subject to the discussed amendments and thanked Ms Wyllie for her firm's conduct of the audit.

F/15/015 Student Funding for 2015-2016

The Finance Manager presented a report on the performance of the student funds for 2014/15, noting there was a slight underspend, and also discussed the funding for the 2015-16 period.

She highlighted that there were some potential changes coming from SFC, including the need for 100% attendance to qualify for payment and the potential decision to reclassify 18 and 19 year olds staying at home as EMA rather than bursary students.

She outlined the impact of these changes and highlighted the risk to 18 and 19 year olds attending College owing to reductions in funding that would be available. She confirmed that SFC had been consulting on these changes and that the College had highlighted its concerns.

In relation to the 100% attendance, she noted that attendance would be checked on a weekly rather than 4 weekly basis to ensure all qualifying attendance is captured and paid.

- a) Members noted the content of the report

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

The Senior Finance Manager presented a report on the introduction of Financial Reporting Standard (FRS) 102 which was a new all-encompassing standard that would replace all existing accounting standards and UK Generally Accepted Accounting Practice (GAAP). The introduction of FRS 102 would be underpinned by a new Statement of Accounting Practice (SORP) for all UK FE and HE institutions. A new accounts SORP compliant reporting format will be introduced within the College to comply with UK wide change to FRS 102. This will take effect for the 2015/16 financial statements.

She confirmed that there was an action plan in place to manage the change and relevant information would be brought to the Committee on proposed changes

including specific requests on accounting policy choices that were required under the new SORP.

The Chair noted that the University of Stirling was also required implement these changes and identified a named contact who could provide advice on their experiences of this technically complex matter at the University.

Members queried whether there was also guidance being provided by College's Scotland. The Associate Principal and Executive Director of Finance confirmed that the Finance Directors group were holding workshops on this topic as part of their quarterly meetings.

The Chair requested that the 2014/15 accounts and statement of consolidated income be provided to the Committee in the new format to demonstrate the changes.

Members noted the significant piece of work involved in the change to FRS102, that further updates will be brought to the Committee as well as specific recommendations on accounting policies and asked that appropriate resource be put in place to support this work.

- a) Members noted the content of the report

F/15/017 Budget Monitoring Report – October 2015

The Senior Finance Manager presented the Budget Monitoring report for the 3 months to October 2015 and outlined the key changes since the last report.

The Associate Principal and Executive Director of Finance noted that the downturn in commercial income owing to factors such as reduction in Oil and Gas training was impacting figures. She confirmed that the College was currently looking at identifying alternative funding streams.

Members queried how this change would be notified to the Board of Management. The Associate Principal and Executive Director of Finance noted that it would be appropriate for the Chair to raise this when presenting the minute of the meeting.

- a) Members noted the content of the report

F/15/018 Review of risk

No new risks were identified

F/15/019 Any other competent business

None

1. Purpose

To seek approval of the level of tuition fees and fee waiver policy for Session 2016/17 from members. Recommendations will progress to the Board of Management.

2. Recommendation

That members approve the proposed tuitions fees and fee waiver policy for Session 2016/17.

3. Background

The Board of Management has responsibility for determining tuition fees. It is a condition of grant that no fees should normally be charged to home (Scotland) or EU students studying full-time in Scottish further education colleges and the notional fees are set by Scottish Government and published through SFC and the Students Awards Agency for Scotland (SAAS) for these students. These fees have yet to be set, therefore approval of tuition fees will be subject to any changes made to nationally set fees. SFC publishes its Fee waiver grant policy annually, with the latest available policy published for Session 2015/16. Approval of the fee waiver policy will be subject to any changes made to the national policy for Session 2016/17.

4. Key Considerations

Tuition Fees

It has been confirmed that there are no changes from Scottish Government to the notional fees for Session 2016/17, and as such full time fees remain the same as for 2015/16, which are as follows:

Full time FE: £1,008

Full time HE (HNC/D): £1,285

Full time Degree: £1,820

It should be noted that in Session 2016/17 it is forecast that 84% of all tuition fees received by the College from mainstream provision will come from full time learners.

SQA fees are a large determinant when setting part time fees. SQA fees for Session 2016/17 have not been released, and no commitment has been made by SQA to the likely timing of this release, or to the likelihood of the value of their fees for next session. SQA hasn't increased fees for the last 5 sessions, and will push to increase its fees for 2016/17, although in recent years Scottish Government has asked SQA to maintain the level of fees, however it's possible that SQA fees for next session may rise.

The Bank of England in its February Inflation Report stated that CPI inflation was tracking at 0.2%, which was below its target of 2%, but it is forecasting that inflation will rise above this target within its 2 year forecast period, and rise beyond this. A comparison of our fees against

neighbouring colleges has been undertaken, and our fees for the current session are largely on par with other colleges. With possible SQA increases in mind, and with recognition that the majority of our costs are continuing to rise, it is proposed that the College uplifts unit fees for HE, FE and Degree by £5. As such the proposal is that the part time FE fee rises to £115 per credit, with the part time HE fee rising to £130 per credit, and the degree rate per subject rising to £205 per credit. This only applies to part time degree students of whom there are very few (none last session).

It's proposed that the fee for ECDL remains the same, to remain competitive with neighbouring Colleges, and to encourage growth in a revitalised qualification from British Computer Society. It's proposed that the National Qualification fee (National 4, National 5 and Higher) will increase from £330 to £345, to reflect the increase in the FE rate per credit.

Andrew Campbell, the College's International Manager, has researched fees currently being charged by other Colleges and Universities. As a result, it's proposed that fees for International and Rest of the UK remain the same for Session 2016/17. These fees are competitive compared with the average costs in the University sector, and are comparable with other College International fees. These fees are for students enrolling on mainstream courses, and as background, the college enrolled 2 international students on mainstream courses in Session 2015/16. Bespoke international provision would be priced on an individual contract basis.

It's proposed that re-sit examination fees are not increased. The volume of re-sits is relatively low and the fee reflects administration staff cost.

For any evening courses which fall out-with our standard pricing structure for FE and HE credits, fees will be set on a course by course or contract basis, with course fee/contract price being established through our established costing model.

The net impact of all of these uplifts, based on forecasted activity levels, would be the generation of approximately £15K of additional income.

National Fee Waiver

National Fee Waiver Policy has remained relatively unchanged since Session 2012/13, with the exception of updates to reflect changes to benefit schemes and increases in the threshold levels for means-tested fee-waiver, however the College's Fee Waiver policy will be adapted should there be any changes to the National Policy, once published. As such, there are no significant changes to this part of the College's fee waiver policy.

Local Fee Waiver

There are also no significant changes proposed to local fee waiver policy. Although not part of our local fee waiver policy as an additional benefit to staff where places remain available on courses not eligible for fee waiver (commercial and enhanced fee courses) just prior to courses commencing, these places have been advertised to staff.

5. Financial Implications

Please detail the financial implications of this item – If approved, based on estimated activity levels it is forecasted that there will be an increase of £14K in tuition fees received in Session 2016/17 compared to Session 2015/16.

6. Equalities

Assessment in Place? – Yes No

If No, please explain why – N/A

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		
Medium		
Low	X	X
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – There is a risk that increasing our part time fees by more than the current rate of inflation may make our courses less attractive, however our research informs that our fees are comparable to other colleges.

Risk Owner – David Allison

Action Owner – Pamela Duncan

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 – Once approved, our tuition fees and fee waiver policy require to be published, and communicated internally to appropriate staff.

Paper Author – Pamela Duncan/David Allison

SMT Owner – David Allison

Uncontrolled Copy

TUITION FEES 2016/17

	2015/16	2016/17	Note
	£	£	
Full-time HE (HNC/HND) Courses	1,285	1,285	
Full-time Degree Courses	1,820	1,820	
Full-time FE (non-advanced) Courses	1,008	1,008	
Part-time Courses			
Further Education - rate per credit	110	115	
Higher Education - rate per credit	125	130	
Evening – rate per course	Priced per course	Priced per course	a
Degree – rate per subject	200	205	
ECDL	360	360	
ECDL rate per module	60	60	
ECDL Advanced per module	105	105	
National 4/National 5/New Higher	330	345	
Full-time International Students/RUK			
Higher Education	6,000	6,000	b
Higher Education - rate per credit	425	425	
Degree	8,000	8,000	b
Further Education	5,000	5,000	b

Notes

- a) evening courses will be priced on a course by course basis, where delivery is outwith standard FE/HE delivery.
- b) a non-refundable deposit of 50% of total fee required to secure a place, with remainder due prior to Confirmation of Acceptance to Study (CAS) being issued this is required to allow the applicant to apply for a Tier 4 Visa.

Examination Fees

Degree (re-sits)	£50 per subject/unit
ECDL Advanced (re-examination)	£25 per module
ECDL Advanced Mock Test	£20 per test
ECDL (re-examination)	£20 per module
ECDL Mock Test	£15 per test

Forth Valley College
Fee Waiver Policy 2016/17

All Students wishing to apply to have their fees waived must complete a fee waiver application form and provide satisfactory proof of eligibility. Students studying on a part-time HE course can be funded through fee waiver to a maximum of 9 credits. Students studying on a part-time FE course can be funded through fee waiver to a maximum of 12 hours per week.

A Under National Policy

For qualifying courses^{a)} tuition fees (including SQA registration and examination fees) will be waived for eligible students in the following categories.

Further education (FE) students following full-time non-advanced courses for which Credits can be claimed.

Students who were classified as full-time under the previous definition but who are classified as part-time under the new definition ^{b)}.

1. FE students on courses classified in programme group 18 – Special Programmes.
2. Students on part-time courses for which Credits can be claimed who meet the following criteria:
 - i) The student/student's family^{c)} are in receipt of:
 - Income Support*, or
 - Working Tax Credit, or
 - Pension Credit, or
 - Housing Benefit, or
 - Income Related Employment and Support Allowance (ESA)*, or
 - Income-based Job Seekers Allowance*
 - Universal credit (which was introduced from November 2013 will be phased in over the coming years to replace the benefits listed above).

***(evidence must be dated within 3 months)**
 - or
 - ii) The student is in receipt of:
 - Carer's Allowance (or carers who have an 'underlying entitlement' to Carer's Allowance but gave up the allowance to, for example, claim their pension), or
 - Disability Living Allowance, or
 - Severe Disablement Allowance, or
 - Attendance Allowance, or
 - Incapacity Benefit, or
 - Contributory Employment and Support Allowance (ESA)* (this also includes people whose contributory ESA has ended due to the time-limiting nature of this benefit, but who remain entitled to NI credits for incapacity.)
 - Personal Independence Payment.

***(evidence must be dated within 3 months)**
 - or
 - iii) Where the student is a home or privately educated school pupil

or

- iv) where the taxable income of the student's family^{c)} in the previous financial tax year (2015-16) is equal to or less than (see table below):

Student Circumstances	Household Income	Evidence Required
households with only one person	£8,282	Council Tax Notice, P60 or last 3 months payslips
households consisting of a couple without children	£12,395	Council Tax Notice, P60 or last 3 months payslips
households with dependent children /adults living in parental home	£18,977	Child Benefit or Child Tax Credit letter, P60 or last 3 months payslips

In such cases, the burden of proof is on the student to satisfy the college with evidence of their low income. Where there has been a material reduction in income from the previous financial tax year, the taxable income of the student's family^{c)} in the current financial tax year can be assessed.

or

- v) The student is a person, or the spouse or child of a person, who is an asylum seeker living in Scotland (as defined in section 18 of the Nationality, Immigration and Asylum Act 2002), which can be accessed at http://www.opsi.gov.uk/acts/acts2002/ukpga_20020041_en_3#pt2-pb2-l1q18

or

- vi) The student is in the care of a local authority and is living in a foster home or children's home, regardless of the age of that student.

3. State school pupils undertaking college activities that form part of their school-based curriculum.

4. A college will be able to use fee waiver grant in respect of the activity of a student only if they meet all the relevant criteria of the fee waiver grant policy and:

- i) That person falls within the definition of eligibility in Schedule 2 of *The Education (Access Funds)(Scotland) Determination 2013*. Please pay particular regard to paragraphs 8 and 10 in part 2 of schedule 2 which relate to fee only awards. The current regulations are available at: http://www.sfc.ac.uk/web/FILES/Funding_Streams_Student_Support/The_Education_Access_Funds_Scotland_Direction_Determination_2009.pdf

or

- ii) The student is a person, or the spouse or child of a person, who is an asylum seeker living in Scotland on either a full-time English for Speakers of Other Languages (ESOL) course or a part-time non-advanced or advanced course,

or

- iii) The student is a child of an asylum seeker or a young asylum seeker person on a full-time non-advanced course (excludes ESOL) and meets the criteria outlined in paragraph 5,

or

- iv) The student is a non-asylum seeker living in Scotland on a part-time ESOL course and the student's main purpose for being in the European Union is not to receive education (note that these students are still subject to the requirements as stated in paragraph 2).

5. The criteria referred to in paragraph 4 (iii) are that the student's asylum application (their own or their family's application) must have been made prior to the end of 2006, and the student:
 - i) Is resident in Scotland on 1 August, 1 January, 1 April or 1 July closest to the beginning of the first term of the person's course
 - ii) Has been resident in Scotland for a minimum period of three years
 - iii) Was under 18 years old on the date when the application for asylum was made (the application must have been made prior to 1 December 2006), and
 - iv) Is under 25 years old on 1 August, 1 January, 1 April or 1 July closest to the beginning of the first term of the person's course.
6. This will apply to those students starting a new course or those continuing on a course. These criteria ensure that we meet our obligations under the United Nations Convention on the Rights of the Child.
7. Colleges cannot use fee waiver grant for a student being supported by an Individual Learning Account (ILA) grant.

B Under College Policy

For qualifying courses^{b)} tuition fees (including SQA registrations and examination fees) will be waived for students in categories 7 through 11. Students under 18 years of age on date of enrolment should be assessed on parental income if not a school pupil **or** in full time Further Education.

8. Full-time students from Forth Valley College undertaking a flexible learning course or a part-time day course (excluding Full Cost Recovery and leisure courses).
9. Students sponsored by sportscotland Institute of Sport's programme for elite athletes.
10. College Staff (including retired staff) and their immediate family (spouse, partner and children under 18 years of age) and Board members undertaking a part-time/evening course (excluding Full Cost Recovery and leisure courses).
11. School pupils where college activity does not form part of their school-based curriculum.
12. College discretion (individual students or groups of students)^{d)}

Notes

- a) Full-time non-advanced (FE) courses and part-time FE and HE courses for which Credits can be claimed. Excludes certain specialised courses for which a higher fee is charged.
- b) The previous definition of full-time may be found in the 2004/05 SUMs guidance (circular FE/26/2004). Credit guidance: 2015-16 student activity data guidance for colleges provides the current definition of full-time and part-time.
- c) Family means:
 - A married or unmarried couple or;
 - A couple in a civil partnership or;
 - A married or unmarried couple in a civil partnership and any child or young person who is a member of the same household and the responsibility of either or both members of the couple as described above or;
 - A person who is not a member of a married or unmarried couple or civil partnership (this will usually be a lone parent) and any child or young person who is a member of the same household and the responsibility of that person.
- d) For use on an individual basis in the interest of good customer care. Such cases to be approved by a member of the Senior Management Team.

If there is any doubt about the interpretation of the National Policy, reference should be made to SFC Circular Fee Waiver Grant Policy 2015/16 dated 5 June 2015 and accompanying guidance.

If the student's status changes during their period of study, the student will be eligible for fee waiver if they satisfy the eligibility rates on the "required date for funding" for the course.

1. Purpose

To inform members of the position relating to the Q4/2 Resource Return for 2015/16 which is to be submitted to SFC on 21 March 2016.

2. Recommendation

That members note the content of this paper and approve the submission of the Return to SFC.

3. Background

From 1 April 2014 Further Education Colleges in Scotland were reclassified as Arms Length Public Bodies. As such they are now treated as part of central government for financial budgeting and reporting purposes. FVC is therefore now required to control its expenditure so that it does not exceed pre-set Government budget cover limits. It should be noted that the College is no longer able to accumulate reserves or hold significant cash balances.

Scottish Government accounts are prepared on a fiscal year basis of 1 April to 31 March, while Colleges accounts are prepared on a financial year basis of 1 August to 31 July. In order to meet the government's accounting requirements Colleges are now required to submit a "Resource Return" on a fiscal year basis under government accounting rules.

4. Net depreciation

For 2015/16 the sector has been allocated cash resource cover for "net depreciation" which if utilised/spent this cash this would result in an operating deficit in a College's Income & Expenditure Account. However, not using the available cash budget would result in an underspend against resource budget and a build-up of 'frozen' cash equivalent to net depreciation, which would not be acceptable. FVC's net depreciation charge at 31 March 2016 is £612k.

In January 2016 SFC have confirmed 3 options to ensure surplus cash arising from "net depreciation" does not get frozen in College accounts and that the cash should be utilised for;

- Student support
- Repayment of loan debt capital
- 1% pay increase

Once these priorities have been met, other calls on remaining funds will be considered on a case by case basis.

Student Support: Forth Valley College believes its allocation for AY 2015/16 is not sufficient to cover its Student Support costs for the year and is forecasting that at July 2016 the deficit is £30k.

Repayment of loan debt capital: Forth Valley College has a Term Loan Facility with Barclay's Bank. The amount due to be repaid in the year to March 2016 is £143k.

1% pay increase: This has already been factored in the budget and is affordable from the College's operating surplus.

FVC have received confirmation from SFC that it can utilise its net depreciation to support the development of a new Falkirk campus. As these costs will be in excess of the available net depreciation the remainder will be funded by in year surplus and a grant from Forth Valley College Foundation.

5. Resource Return

The Resource Return is attached at Appendix 1. The forecast shows a Revenue Resource underspend of £143k which is equivalent to the value of loan repayments which although utilises cash does not score against the Resource budget. The Capital Resource is forecast to be fully utilised. Net depreciation has been applied to fund New Falkirk Campus project costs.

Appendix 2 provides a reconciliation of the College's financial results and forecasts split by both the fiscal year end of 31 March 16 and the College's financial year end of 31 July 16.

Appendix 3 provides a reconciliation of the College's projected fiscal year outturn to the Q4/2 Resource Return.

6. Financial Implications

If the College is not allowed to utilise the net depreciation to support the new Falkirk Campus this could result in a deficit of £3m in the overall project funding. However by utilising the net depreciation cash this will eliminate the surplus cash the college has generated in the year to 31 March 2016 and will result in the College reporting an operating deficit at both 31 March 16, the government accounting year end, and 31 July 2016, the College's financial year end.

7. Equalities

Assessment in Place? – Yes No

An equalities assessment is not applicable given the subject matter of the paper.

8. 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
Medium		
Low	x	
Very Low		

There is a risk that if the College does not spend the surplus cash generated from the treatment of net depreciation it will not fully spend its resource budget. This in turn could result in the cash being frozen and possibly reductions in future budgets.

SFC approval now received to utilise net depreciation for estates costs.

Risk Owner – Alison Stewart

Action Owner - Alison Stewart

9. 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

Uncontrolled Copy

Appendix 1

Resource Return 2015/16				
		Budget	Q4.2 Forecast	Variance
		£000	£000	
Income				
SFC Grant Cash		21151	21257	-106
FE/HE Childcare		487	589	-102
Student Support: Bursary		2937	2683	254
Student Support: Discretionary		261	261	0
Profit or (loss) on disposal of non current asset		0	0	0
Other Income		10195	9995	200
UHI HE Funding (UHI colleges only)		0	0	0
Total Income		35031	34784	247
Expenditure				
Wages and salaries	RDEL	23199	23055	-144
(Gross) Operating costs	RDEL	7409	7613	204
FE/HE Childcare	RDEL	487	590	103
Student Support: Bursary	RDEL	3095	3131	36
Student Support: Discretionary	RDEL	263	241	-22
Bad Debt	RDEL	15	10	-5
Utilisation of pre 31 March provisions (negative)	RDEL	0	0	0
Donation to ALF	RDEL	0	0	0
Total Expenditure		34468	34640	172
Under/(overspend) on Resource Budget	RDEL	563	144	419
Capital DEL				
SFC Capital Grants (negative)	CDEL	-305	-305	0
Income from disposal of non current assets (negative)	CDEL	0	0	0
Other external income (negative)	CDEL	0	0	0
Receipt from ALF (negative)	CDEL	0	0	0
Capital additions to non-current assets	CDEL	305	305	0
Under/(overspend) on Resource Budget	CDEL	0	0	0
Ring Fenced RDEL				
Depreciation		2422	2322	-100
Deferred Capital Grant Release (negative)		-1754	-1710	44
Amortisation	Ring-fenced RDEL	0	0	0
Impairment (where not classed as AME)	Ring-fenced RDEL	0	0	0
Total Ring Fenced RDEL	Non Cash Resource	668	612	-56

Appendix 2

Income and Expenditure		Forth Valley College				
	16 months to 31 July 15	y/e 31/7/16			y/e 31/7/16	y/e 31/7/16
	14-15	Fiscal	Fiscal	15-16	Acad	Q2 - Feb
	Fiscal Outturn	Apr-July 15	Aug - Mar16	Fiscal Outturn	Apr-July 16	Reforecast
	A	A	I		I	31-Jul-16
Income						
SFC Grants	22,039,293	5,917,231	14,702,097	20,619,328	6,533,302	21,235,400
Tuition Fees	2,509,597	942,407	2,254,538	3,196,944	1,091,543	3,346,081
Commercial Training Income	988,874	271,120	610,691	881,812	228,227	838,918
Modern Apprentice Income	2,812,865	852,022	2,015,771	2,867,792	711,009	2,726,780
Catering and Hospitality Income	1,135,935	283,930	818,021	1,101,951	280,375	1,098,395
Other Income	414,059	187,457	415,859	603,317	222,004	637,863
	29,900,622	8,454,167	20,816,977	29,271,144	9,066,460	29,883,437
Expenditure						
Salary Costs	20,942,263	6,304,120	15,528,780	21,832,901	6,701,113	22,229,893
Staff Related Costs	380,168	126,800	271,462	398,262	139,589	411,051
Learning and Teaching Costs	1,697,894	585,964	915,885	1,501,849	603,495	1,519,380
Catering and Hospitality Costs	714,087	202,036	490,637	692,673	188,900	679,536
Property and FM Costs	2,581,768	742,372	1,277,279	2,019,651	902,646	2,179,925
Marketing, Communication & Print Costs	509,485	164,762	354,748	519,511	239,788	594,536
Finance & Governance Costs	522,938	182,563	390,052	572,615	260,049	650,101
IT and Telecommunication Costs	421,999	157,614	302,788	460,402	166,135	468,924
Other Costs	167,368	63,359	94,599	157,959	65,522	160,121
External Recharges	186,691	38,383	2,236	40,619	196	2,432
Internal Recharges	0	0	0	0	0	0
Total Expenditure	28,124,661	8,567,975	19,628,467	28,196,441	9,267,433	28,895,899
Ongoing Operations Cash Surplus/(Deficit)	1,775,962	(113,808)	1,188,510	1,074,702	(200,972)	987,538
New Falkirk Campus						
SFC Revenue Maintenance Grant	0	157,327	42,674	200,001	0	42,674
New Falkirk Campus	(18,867)	(157,327)	(1,095,399)	(1,252,726)	(280,988)	(1,376,387)
Grant from ALF	0	0	100,000	100,000	281,000	381,000
	(18,867)	(0)	(952,725)	(952,726)	12	(952,714)
Transfer to ALF	(1,100,000)	0	0	0	0	0
Operational Cash Surplus/(Deficit)	657,094	(113,809)	235,785	121,976	(200,961)	34,824
Non Cash Expenditure						
Net Depreciation	621,479	207,162	405,144	612,307	202,570	607,714
Asset Impairment		615,000		615,000		
Pension Costs		1,973,000	0	1,973,000	0	0
Total Non Cash Expenditure	621,479	2,795,162	405,144	3,200,307	202,570	607,714
Operational Surplus/(Deficit)	35,615	(2,908,971)	(169,359)	(3,078,330)	(403,531)	(572,890)
Per July 15 Accounts		(2,873,356)		Forecast overrun at 31 July 16		(572,890)

Appendix 3

Reconciliation Ledger v Resource Return	£
Operating Surplus per ledger	121,976
SFC Accrued Income movement	451,770
Student Funding shortfall per Resource Return	-429,865
Resource Underspend per Resource Return (= Loan Repayments)	<u>143,881</u>

Uncontrolled Copy

1. Purpose

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

2. Recommendation

For members to consider the revised forecast 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.

Earlier in the year it was identified that some income streams that had been anticipated at the time of producing the 2015-16 budget were no longer viable. There was a requirement to quantify and understand the impact of these changes on the Academic Year 2015-16 final outturn. This led to the recommendation that a high level reforecast be carried out at the end of October 2015 (Quarter 1 of the Academic Year) to allow us to review the 2015-16 Academic Year outturn and to mitigate the risk of further deficits by identifying additional income streams or reducing costs.

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

4. Key Considerations

The reforecast is showing an operating cash surplus of £988k against an original budget of £683k. Explanations for the variances are detailed in Appendix 1.

	15-16 Budget	O2 - Feb Forecast	Movement
Income	29,466,245	29,883,437	417,192
Expenditure	(28,783,259)	(28,895,899)	(112,640)
	682,986	987,538	304,552
Net Depreciation	(619,793)	(607,714)	12,078
Operating Surplus	63,194	379,824	316,630
Falkirk Estates	0	(952,714)	(952,714)
Operating surplus / (deficit) (inc estates)	63,194	(572,890)	(636,084)

The level of cash surpluses being delivered demonstrates that operationally on an ongoing day to day basis the College is performing well from a financial perspective. Excluding the new Falkirk Estate costs the College would have a projected operating surplus of £380k.

Net Depreciation

SFC have 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

Costs relating to advisors fees for the new Falkirk campus are forecast to be £1.376m 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, together with a grant from Forth Valley College Foundation of £381,000. 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.

Both the original budget and the revised forecast excludes any adjustments for FRS 17 (ie Defined Benefit Pension Revaluation adjustments).

5. Financial Implications

The utilisation of net depreciation cash to support the new campus together with impact of the FRS 17 pension valuation will likely result in an operating deficit for the College in the Financial Statements for the year to 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	x	x
Low		
Very Low		

Please describe any risks associated with this paper and associated mitigating actions

Risk Owner – Alison Stewart

Action Owner – Fiona Lovell

In utilising the net depreciation cash the College will breach its financial covenants in relation to the Term Loan with Barclays Bank. In addition to this there is a risk that externally the College will be viewed as financially unsustainable.

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

Uncontrolled Copy

Forth Valley College
Programme of Finance Committee Business

	Jun-16	Sep-16	Dec-16	Mar-17
1 Apologies for absence	✓	✓	✓	✓
2 Declarations of interests	✓	✓	✓	✓
FOR APPROVAL				
3 Minutes of previous meeting	✓	✓	✓	✓
4 Maters Arising	✓	✓	✓	✓
FVC Foundation - Grant Application	✓	✓	✓	✓
Budget 2016/17	✓			
Treasury Management Strategy 2016/17	✓			
FRS 102 - Accounting Policies	✓			
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				✓
FOR DISCUSSION				
Forecast Outturn 2015/16 @ April 2016	✓			
Forecast Outturn 2015/16		✓		
Forecast Outturn 2016/17 @ January 2017				✓
Review of Risk	✓	✓	✓	✓
Any other competent business	✓	✓	✓	✓
FOR INFORMATION				
Programme of Committee Business	✓	✓	✓	✓
Budget Monitoring - 2015/16 Qtr 3 (April 2016)	✓			
Budget Monitoring - 2016/17 Qtr 1 (Oct 2016)			✓	
Budget Monitoring - 2016/17 Qtr 2 (Jan 2017)				✓