Agenda

15 September 2015
FINANCE COMMITTEE

Falkirk Boardroom, Falkirk Campus at 4.30pm
(Refreshments available from 4pm.)

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 25 June 2015

3. Matters Arising

   a) F/14/053 - Donation to Forth Valley College Foundation
   b) F/14/068 - Updated schedule of meeting dates to be issued

4. Student Association Outturn for 2014-15 and Student Association Budget for 2015-16 — Lorraine Simpson

5. Accounting Policies — Monica Halcro

6. Resource Return 2014/15 — Alison Stewart

FOR DISCUSSION

7. Forecast Outturn 2014/15 — Monica Halcro
   (Elements of paper 7 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.)

8. Review of Risk

9. Any other competent business

FOR INFORMATION

Programme of Committee Business

Boardroom, Falkirk Campus (commencing at 4.30pm)

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

Apologies: Ms Angela Winchester
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
Ms Louise Burnett, Finance Manager

F/14/060 Declarations of Interest

The Chair declared an interest owing to the links between the College and Stirling University at Degree level and under the Scottish Funding Council (SFC) HEI funded activity.

F/14/061 Minutes of Meeting held on 17 March 2015.

The minutes of the meeting held on 17 March 2015 were approved.

F/14/062 Matters Arising

The Chair asked for an update on the status of the Branshill site. The Associate Principal and Executive Director of Finance noted that the value of the site had been included in the Falkirk OBC and that discussions had been held with SFC on the use of the receipt from the sale. She confirmed that SFC were supportive of the approach whereby the College would retain the receipt.

a) F/14/053 Donation to Forth Valley College Foundation

The Associate Principal and Executive Director of Finance updated members on discussions with Barclays regarding the removal of the covenants in place for loan funding owing to the change in the College's status to a public sector organisation.

She reported that the Barclays representatives were supportive of the approach to remove the covenants and had requested evidence of public body status which has been provided.

Barclays will now consider this matter and the Associate Principal and Executive Director of Finance will feedback to the committee once a final decision is reached.

A further update will be given to next meeting of the Committee

b) F/14/054 Resource Return 2014/15 (April 14 – March 15)

The Associate Principal and Executive Director of Finance noted that, as discussed at the last committee meeting, the resource return documentation had been submitted to the Chair for approval before it was submitted to SFC. The final version of the resource return would be ready for mid-September in line with SFC timelines.

c) F/14/055 Forecast Financial Outturn 2014/15 (April 14 – July 15)

The Associate Principal and Executive Director of Finance confirmed that a letter of assurance from SFC had been received and would be used to support commercial activity. She also noted that text reflecting the current College position was being prepared by SFC for inclusion in the accounts to highlight that any deficits were as a result of a technical accounting change and were not reflective on their own of an issue with the College's financial security.

F/14/063 Student Funding for 2015-2016

The Finance Manager presented a paper seeking approval to provide student funding for 2015-16 at the maximum SFC rate and also requested additional funding to cover the anticipated deficit in student support funds.

She outlined the approach that had been taken in the past to manage spending within the provided budget and noted that other colleges had routinely and apparently as a matter of choice exceeded their allocation with no repercussions from SFC. As such, it is felt that this had penalised both the College and the students and the new approach is designed to rectify this and to help ensure the College is treated similarly and fairly compared to its peers.

a) Members approved the recommendations in the paper

F/14/064 Budget 2015-16

The Senior Finance Manager presented the 2015-16 budget and highlighted that the College expected to have a £63,000 surplus. She outlined some key assumptions within the budget which included a 1% pay raise for staff, increases in employer pension contributions and the withdrawal of the NI rebate.

She highlighted that these increases were possible owing to the anticipated level of commercial income in 2015-16.

a) Members approved the submission of the 2015-16 budget to the Board for approval

F/14/065 **Treasury Management Strategy 2015-16**

The Associate Principal and Executive Director of Finance presented the annual update to the strategy. She explained that the strategy was not in the practical sense relevant at this time as the College is unable to borrow or hold onto surplus cash; however she noted it was good practice to have a strategy in place should future opportunities arise.

a) Members approved the Treasury Management Strategy 2015-16

F/14/066 **Forecast Outturn 2015/16 (at April 15)**

The Senior Finance Manager presented to Q4 forecast outturn. She advised that this had not changed significantly since the presentation of the Q3 forecast, with the main difference being the donation to the Forth Valley College Foundation which resulted in the Q4 forecast showing a deficit which was in the acceptable range for SFC.

a) Members noted the content of the report

F/14/067 **Review of risk**

The Chair noted the risks as outlined in the Student Funding paper.

The Chair also noted the ongoing changes in the sector tied to tight timescales and highlighted the risk of overstretching the resource of the Associate Principal and Executive Director of Finance and the Finance team. It was agreed that this should be kept under review.

F/14/068 **Any other competent business**

The Associate Principal and Executive Director of Finance noted that the College was currently tendering for insurance services. Owing to the timelines, she asked members for approval to issue the APUC evaluation document and College recommendation for approval electronically.

Members approved this approach.

The Associate Principal and Executive Director of Finance reported that the schedule of meeting dates would be revised to ensure members are able to attend around external commitment. The revised timetable would be issued once it was prepared.

The Associate Principal and Executive Director of Finance reported on a recent meeting with the Forth Valley College Foundation where the College's grant application for funding of £1.8m to support the ongoing Falkirk campus development was approved.

4. Student Association Outturn for 2014-2015 and Student Association Budget for 2015-2016 For Approval

15 September 2015
FINANCE COMMITTEE

1. Purpose

To present the Student Association Outturn for August 2014 to July 2015 and the Budget for August 2015 to July 2016.

2. Recommendation

That members review and approve the content of this report.

3. 2014-2015 Outturn

2014-2015 has seen the Student Association raise their profile within the College; they have held a fresher and refresher fayre, volunteer events, employability events and health events. The Student Association was also shortlisted for 'Best Student Association in the UK' and won 'Student Officer of the Year in Scotland' at the annual NUS awards and won runner up for 'Student Engagement in Scotland' at the SPARQS awards. The Student Association also launched the new NUS Framework at our Stirling Campus, with Angela Constance in attendance.

Appendix 1 shows the Student Association Outturn for Academic Year 2014-2015 was £15k. This is made up of £11k surplus on their Operational Spend and a £4k surplus on their SPARQS funding.

The Student Association secured SPARQS Funding for 2014-2015. This funding was to staff the Student Association and as result of this funding the College recruited a Sabbatical President and an Administration Assistant who are both full time. The Sabbatical President stood for election for this position. To support the full time Sabbatical Officers the College also recruited three campus presidents, an Education Officer and Learner Engagement Officer who are employed 6 hours per week. These Officers are all full time students who stood for election for their positions. The surplus on the SPARQS funding will carry forward to 2015-2016 to fund the salary costs of the Student Association staff as they are in post for 2 years and the College can only use this funding to support Student Association Salaries.

The Student Association Operational Budget is also showing a £10k Surplus. This year the Student Association were successful in gaining a £4k Prepare for Work Grant from the National Skills Academy for Financial Services. This grant was not in the Budget but was used to help Students with preparation for employment, teaching them how to dress and interview skills, as part of February's Refresher Fayre. The Student Association also made savings within Entertainment Functions, Miscellaneous Expenditure and Class Rep Spend by buying in bulk to save costs and by using the same entertainers at the fresher and refresher fayre, gaining discounts for repeat booking.

4. 2015-2016 Budget

The Student Association are requesting £18k from the College. £14k of this is to fund the sabbatical officers until the end of session 2015-2016. The SPARQS funding awarded to the association was £142k over 2 years, with £71k to be drawn down in 2015-2016, however this leaves a shortfall of £14k compared with cost and the College has budgeted to fund the difference. There is also a change in a structure for 2015-2016; the Education Officer and Learner Engagement Officer are being replaced by 2 Vice President Roles, who will work 30 hours a week. One will have responsibility for Education and Learner Engagement and the other will have responsibility for Health, Wellbeing and Support.

The College will also provide a grant of £4k to fund operational costs. The Student Association is budgeting £4k income from Barclays to continue running preparation for employment workshops. There is a budget of £3.5k to allow the team to attend conferences and training courses and £5k to spend on Fresher and Refresh Fayres, this is based on last sessions spend.

There is also a budget of £3k against salaries. This is project work that is being run with Stirling University to work on Open Badges, this is a new programme aimed at student development. The Student Association are also budgeting for Mobile Phones this session, to allow them to be contacted when they are out and about.

5. Financial Implications

There is no financial implication, as long as the Student Association stays within Budget. This will be monitored monthly to ensure there is no overspend.

6. Equalities

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

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	x	x
Low		
Very Low		

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

Risk Owner – Fiona Brown **Action Owner –** Lorraine Simpson

8. **Other Implications –** NA

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

Paper Author – Lorraine Simpson/Louise Burnett **SMT Owner –** Fiona Brown

4. Student Association Outturn for 2014-2015 and Student Association Budget for 2015-2016 For Approval

15 September 2015
FINANCE COMMITTEE

Appendix One

Forth Valley College Student Association

		2014-2015 Budget	2014-2015 Actual	Variance	2015-2016 Budget
SUIN0001	SU Grant Income	2,431	2,431	0	3,709
SUIN0003	SU Miscellaneous Income	1,000	4,177	3,177	4,000
SUIN0004	SU Entertainment Income	2,000	1,316	-684	1,000
SUIN0005	SU NUS Income	0	403	403	350
Student Union Income		**5,431**	**8,326**	**2,895**	**9,059**
SUEX0001	SU Conferences and Courses	3,000	3,307	-307	3,500
SUEX0002	SU Entertainment Functions	6,500	4,940	1,560	5,000
SUEX0004	SU Materials	3,000	3,185	-185	2,000
SUEX0005	SU Membership Fees	2,200	1,450	750	2,300
SUEX0006	SU Miscellaneous Expenditure	4,000	648	3,352	1,614
SUEX0007	SU Salaries	0	0	0	2,760
SUEX0008	SU Travel Costs	800	658	142	1,500
SUEX0009	SU Class Rep Incentives	4,000	1,772	2,228	500
SUEX0010	SU Marketing	1,000	513	487	0
SUEX0011	SU IT Equipment	500	307	193	1,000
Student Union Expenditure		**25,000**	**16,781**	**8,219**	**20,174**
Academic Year Surplus/Deficit		**-19,569**	**-8,454**	**11,115**	**-11,115**
Previous Year Surplus		**19,569**	**19,569**	**0**	**11,115**
Operational Surplus/Deficit		**-0**	**11,115**	**11,115**	**0**
SPARQS Carry Forward		**0**	**0**	**0**	**4,108**
SUSP0001	SPARQS Funding	71,000	71,000	0	71,000
SUSP0001	Grant from FVC	0	0	0	13,921
SUSP0001	Salaries	65,320	66,892	-1,571	89,029
SPARQS Surplus/Deficit		**5,680**	**4,108**	**-1,571**	**-4,108**
Overall Surplus/Deficit		**5,679**	**15,223**	**9,544**	**0**

5. Accounting Policies year to 31 July 2016
For Approval

15 September 2015
FINANCE COMMITTEE

1. Purpose

To present the Accounting Policies to be applied to the Annual Financial Statements for the year ending 31 July 2016.

2. Recommendation

Members approve the accounting policies for application to the Financial Statements for the year ended 31 July 2016.

3. Background

In accordance with FRS 18, "an entity's accounting policies should be reviewed regularly to ensure that they remain the most appropriate to its particular circumstances. An entity should implement a new accounting policy if it is judged more appropriate to the entity's particular circumstances than the present accounting policy".

The College's accounting principles are based on the Statement of Recommended Practice: Accounting for Further and Higher Education (known as FE/HE SORP). This FE/HE SORP was revised at 31 March 2014 in line with International Financial Reporting Standards (IFRS) and is effective for financial years beginning on or after 1 January 2015

4. Key Considerations

The proposed accounting policies are attached for consideration, with tracked changes to show those area which have been updated.

5. Financial Implications

The adoption of incorrect accounting policies could lead to a mis-statement of surplus/deficit for the financial period being reported.

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
Non adherence to mandatory SORP guidance in the Accounting Policies could lead to a departure from the SORP and could affect the ability of the Financial Statements to reflect a true and fair view. This could lead to mis-statements and/or qualified accounts.

Risk Owner – Alison Stewart

Action Owner – Monica Halcro

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes ☐ **No** ☒

Health and Safety – Yes ☐ **No** ☒

Paper Author – Monica Halcro

SMT Owner – Alison Stewart

Basis of preparation

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, and the Accounts Direction issued there under by the Scottish Funding Council which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education ~~(2007).~~ (2015).

Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain assets.

Recognition of income

Revenue Government Grants
Income from recurrent grants, tuition fee income and income from other government grants is included on a basis to appropriately match income to expenditure.

Capital Government Grants (non-land)
Income will be included over the expected useful life of the asset.

Commercial income and income from short term deposits is recognised in the period in which it is earned.

~~Income from recurrent grants from the Scottish Funding Council (SFC), income from other grants, contract and other services rendered is included on a basis to appropriately match income to expenditure.~~

~~All income from short-term deposits is credited to the income and expenditure account Statement of Comprehensive Income in the period in which it is earned.~~

Donations with restrictions or donations with no restrictions are recorded on entitlement to the income.

Donations with performance-related conditions will be recognised when the performance-related conditions are met.

Tangible Fixed Assets

The majority of the College's buildings being specialised buildings, open market value is not an appropriate basis of valuation. Land and buildings are therefore valued on the basis of depreciated replacement cost with the exception of the land only sites which are valued on the basis of Open

Market value. Land is not depreciated and buildings are depreciated over their estimated life as identified by the valuer.

Where land and buildings are acquired with the aid of ~~specific~~ government grants, they are capitalised and depreciated as above. The related grants are credited to the deferred capital grant account and released to ~~income and expenditure account~~ Statement of Comprehensive Income over the estimated life of the building on a basis consistent with the depreciation policy.

Finance costs, which are directly attributable to the construction of land and buildings, are capitalised as part of the costs of those assets.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Assets under construction are accounted for at cost, based on the value of the architects' certificates and other direct costs. They are not depreciated until they are brought into use.

Buildings are revalued on an annual basis.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets it is charged to the ~~income and expenditure account~~ Statement of Comprehensive Income in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- market value of the fixed asset has subsequently improved;
- asset capacity increases;
- substantial improvement in the quality of output or reduction in operating costs; or
- significant extension of the asset's life beyond that conferred by repairs and maintenance.

~~*Buildings owned by third parties*~~

~~*Where land and buildings are used, but the legal rights are held by a third party, for example a charitable trust, they are only capitalised if the College has rights or access to ongoing future economic benefit. These assets are then depreciated over their expected useful economic life.*~~

Equipment

Equipment costing less than £10,000 per individual item or grouped items is written off to ~~income and expenditure account~~ Statement of Comprehensive Income in the year of acquisition. All other equipment and vehicles are capitalised and depreciated in accordance with the depreciation policy.

Where items of equipment are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are credited to a deferred capital grant account and released to ~~income and expenditure account~~ Statement of Comprehensive Income over the estimated life of the asset on a basis consistent with the depreciation policy.

Depreciation

Depreciation is provided to write off the cost or valuation of tangible fixed assets on a straight-line basis over the expected useful lives of the assets. New build campuses at Alloa and Stirling are depreciated using a component accounting approach.

i) Buildings	20 - 50 years
ii) Plant & Equipment	5 years
iii) Building improvements	10 years
iv) IT Equipment	4 years
v) Motor vehicles	7 years
vi) Equipment acquired for other projects	project life
vii) Specialist Equipment acquired for Oil and Gas teaching	10 years

Leased assets

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Rental costs in respect of operating leases are charged to the ~~income and expenditure account~~ Statement of Comprehensive Income on a straight line basis.

Revaluation reserve

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from revaluation reserve to ~~income and expenditure account~~ Statement of Comprehensive Income together with any surplus or deficit on disposal.

Impairment of assets

Any reduction in the recoverable amount of fixed assets arising from impairment reviews are recognised in the Statement of Comprehensive Income or ~~Statement of Total Recognised Gains and Losses~~ Statement of Changes in Reserves as appropriate.

Maintenance of premises

The costs of maintenance are charged to the ~~income and expenditure account~~ Statement of Comprehensive Income in the period in which they are incurred.

Stocks

Stocks are stated at the lower of their cost and ~~net realisable value~~ selling price less costs to sell. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Liquid resources

Liquid resources include sums on short-term deposits with recognised banks, building societies and government securities.

Taxation

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

Provisions

The College provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is significant, the estimated cash flows are discounted using an appropriate discount rate.

Agency arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College ~~Income and Expenditure Account~~ Statement of Comprehensive Income, and movements ~~have been~~ are disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College ~~Income and Expenditure Account~~ Statement of Comprehensive Income.

Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure.

Retirement benefits

Local Government Pension Scheme (LGPS)

The Local Government Pension Scheme is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Projected Unit Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the Statement of Comprehensive Income represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme (STSS)

The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS17 'Retirement Benefits', accounts for the scheme as if it were a defined contribution scheme. As a result, the amount is charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the year.

Pension Provision

Provisions are recognised when the College has a present or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. The College has made provision for the enhanced pensions, payable to former employees who have taken early retirement, for which it is liable. This provision is calculated based on the actuarial tables which take account of the enhancement payable, the age, sex and marital status of the former employee. The annual cost of the enhancement is funded from the provision. The provision is made in accordance with FRS12 and any movements are adjusted through the Statement of Comprehensive Income.

6. Resource Return 2014/15
For Approval

15 September 2015
FINANCE COMMITTEE

1. Purpose

To present the final Resource Return for Fiscal Year April 2014 to March 2015 to members.

2. Recommendation

Members approve the final Resource Return Outturn for FY 2014-2015 and approve the completion of the Review Certificate by the Director of Finance.

3. Background

Further to the reclassification of Colleges in Scotland to being an arms-length government body the College is now required to submit government returns based on the fiscal period from April to March each year. The Resource Return is submitted as a measure of the income and expenditure of the College against resource cover allocated to the government department. The Resource cover for the College is, effectively, the SFC Grant Income. The College can generate further resource cover through commercial activity. Resource underspend results in a build up of cash that gets frozen if not expended. To counter that Colleges were permitted to set up an Arm's Length Foundation into which cash surpluses are currently transferred.

A draft resource return (Q4/3) covering the 12 months to 31 March 2015 was submitted to the Scottish Funding Council in April. Due to the close proximity of the submission deadline to the yearend date, a further final submission (Q4/4) is due in September and includes transactions that were unknown at the time of the Q4/3 submission.

SFC has issued Colleges with a Review Certificate, to be completed by the Director of Finance. The completion of this certificate ensures that there is no requirement for an independent audit of the resource return, nor does the review certificate work require to be independently audited.

4. Movement between Q4/4 and Q4/3 - Donation to the ALF (Appendix 1)

The main variance between the Q4/3 submission in April 2015 and the final submission, due in September 2015, is the donation to the Arm's Length Foundation and the incorporation of pension valuation adjustments.

The SFC announced the sector has been allocated a further cash resource cover for "net depreciation" for the fiscal year April 2014 to March 2015. This also has an effect on the financial results. Utilisation of this resource cover results in an operating deficit in a College's published Income and Expenditure Account at 31 July 2015. The College transferred £1.1m into the ALF at 31 March 2105 - as approved by the Board of Management. A further £250k transfer was accrued into the Resource Return Q4/3 due to the resource cover being available from the perspective of Government Reporting. This accrual has now been reversed. Although the College has resource cover to transfer funds, the financial results for the 16 months to 31 July 2015 do not permit a further transfer as the deficit is close to the net depreciation figure of £764k.

The reason for this is the Income and Expenditure for the 16 months to 31 July 2015 includes non-cash adjustments relating to income recognition and a holiday pay accrual. These adjustments were created when the sector adopted a 31 March yearend and produced an 8 month set of Financial Statements to 31 March 2014. In addition to this, the FReM requires the calculation of a holiday pay accrual at 31 July which impacted on the final outturn.

5. Resource underspend

The College is reporting a resource underspend in relation to the Scottish Government's Resource Department Expenditure Limits (DEL) of £532k. This due to the reversal of March 14 year end adjustments which apportioned income and expenditure in line with the delivery of learning and teaching rather than on a 8 split month. This would not have had an impact on our Resource Outturn for 2014/15 had the year end remained at 31 March. However as the year end reverted back to 31 July this has had a negative impact on the 16 month figures. As the College was restricted in the level of permitted deficit (up to the value of its net depreciation at 31 March 15) the full resource budget was not utilised and available surplus cash was not donated to the Forth Valley College Foundation.

The Capital DEL budget has an underspend of £7k due to the receipt of a capital grant from Falkirk Council for electric cars on 30 March 2015.

6. Revaluation of Assets

At the time of writing this report the revaluation of assets exercise is yet to be carried out. It is anticipated there is no impairment of assets and the revaluation will not impact on the Resource Return. The return will be submitted by the SFC deadline of 11 September subject to Finance Committee approval on 15 September 2015.

7. Equalities

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

8. 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 is that underspend of Resource budgets could result in reductions in future funding.

Risk Owner – Alison Stewart **Action Owner –** Monica Halcro

9. Other Implications –

Please indicate whether there are implications for the areas below.

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

Paper Author – Monica Halcro **SMT Owner –** Alison Stewart

Appendix 1

Resource Budget Control - College Resource Return for Q4 M4 April 2014 to March 2015					
College Name	Forth Valley College				
College Contact	Monica Halcro. Monica.halcro@forthvalley.ac.uk. 01324 403270				
Enter YTD Actual and Forecast outturn in blue shaded cells					
			Year to 31 March Q4/3	Year to 31 March Q4/4	Variance
	HMT Resource Classification	**Budget £000**	**Actual £000**	**Actual £000**	**Variance £000**
Income					
SFC Grant Cash	RDEL	22598	22317	22317	0
SFC Accrued Income	None	0	111	111	0
Student Support: Bursary	Agency	3002	3187	3187	0
Student Support: Discre ionary	Agency	263	359	359	0
Profit or (loss) on disposal	RDEL	0	0	0	0
Other Income		9041	8965	8985	-20
UHI HE Funding (UHI colleges only)		0	0	0	0
Total Income		**34904**	**34939**	**34959**	**-20**
Expenditure					
Wages and salaries	RDEL	22267	21840	21871	-31
(Gross) Opera ing costs	RDEL	7817	7752	7789	-37
Student Support: Bursary	RDEL	3246	3193	3188	5
Student Support: Discre ionary	RDEL	313	359	359	0
Bad Debt Write Off	RDEL	25	16	9	7
Utilisation of pre 31 March provisions (negative)	RDEL	0	0	0	0
Donation to ALF	RDEL	1234	1350	1100	250
Total Expenditure		**34902**	**34510**	**34316**	**194**
Deprecia ion	Ring-fenced RDEL	2616	2616	2614	2
Deferred Capital grant release (negative)		-1852	-1852	-1850	-2
Amortisa ion	Ring-fenced RDEL	0	0	0	0
Impairment (where not classed as AME)	Ring-fenced RDEL	0	0	0	0
Total Ring Fenced RDEL	Non Cash Resource	**764**	**764**	**764**	**0**
Provisions (where agreed as AME)	AME	0	0	0	0
Accruing pension liablity	AME	0	0	2414	-1973
Deprecia ion on assets funded by capital grants from Private sector/donations/lottery	AME	0	0	0	0
Impairments (where agreed as AME)	AME	0	0	0	0
Total AME		**0**	**0**	**2414**	**-1973**
Surplus/(Deficit)		**-762**	**-335**	**-2094**	**1759**
SFC Capital Grants (negative)	CDEL	-471	-471	-471	0
Net book value of disposals of non current assets (negative)	CDEL	0	0	0	0
Other external income(negative)	CDEL	0	-6	-6	0
Receipt from ALF (negative)	CDEL	0	0	0	0
Capital additions to non-current assets	CDEL	471	470	470	0
Total Capital DEL		**0**	**-7**	**-7**	**0**
KEY CONTROL AREAS					
Resource Budget Control					
Under/(Overspend) on Resource Budget	**RDEL**	**2**	**318**	**532**	**-214**
Under/(Overspend) on Resource Budget	**CDEL**	**0**	**7**	**7**	**0**
Under/(Overspend) on Resource Budget	**AME**	**0**	**0**	**1973**	**-1973**

7. Forecast Outturn 2014/2015
For Discussion

15 September 2015
FINANCE COMMITTEE

1. Purpose

To present the forecast outturn to members for the 16 months to 31 July 2015.

2. Recommendation

Members consider the financial position of the College for the 16 months ended 31 July 2015 and note that this is subject to further changes in relation to the revaluation of assets which is currently outstanding.

3. Background

The budget for the 16 month period 1 April 2014 to 31 July 2015 with a reported operating surplus of £131k was approved by the Board of Management in December 2014 following the decision by Scottish Government to revert back to a 31 July year end. Throughout the period quarterly reforecasts were completed. At the end of April 2015 the last forecast outturn had a budgeted deficit of £759k, after a donation of £1.1m to Forth Valley College Foundation.

Due to the unpredictability of FRS 17 valuations no provision for these adjustments was included in the original budget and quarterly reforecasts.

4. Forecast Outturn

Appendix 1 shows a projected deficit of £2.682m, after the incorporation of the pension valuation. As work is still ongoing to finalise the accounts for audit, this deficit will be subject to change, although not significantly. Is should be noted that this deficit is entirely due to the non-cash adjustments for pension valuations and the direction from SFC to spend surplus cash up to the level of the net depreciation to ensure the maximum utilisation of Scottish Government resource budgets. The College continues to generate significant levels of cash from its day to day operations.

Appendix 3 summaries the movement on the LGPS pension liability and Early Retirement Pension Provision based on the FRS 17 Valuation. The impact of this is a net charge to the Income & Expenditure Account of £1.973m.

5. Key Considerations Income and Expenditure Account – Appendix 1

The overall operational "cash surplus" of £309k is ahead of budget by £50k. The individual variances are largely due to timing differences with some key points to highlight as per below:

- SFC Grant Income is ahead of profile by £117k. An additional £212k SFC Revenue Maintenance Grant was drawn down to fund general estates maintenance costs and Falkirk Campus costs which were incurred earlier than profiled in the forecast. Also there was a reduction in Childcare income £75k and other grant income £20k which are matched by reduced costs.
- Electrical Safety training is lower than budget by £43k due to lower uptake than expected.

- SDS and MA income is ahead of forecast by £45k and Training charges were £21k higher than budget due to a Summer school being run for [redacted].
- Other VQ income has also increased by £19k in comparison to budget as a result of additional courses not anticipated at the time of forecast.
- Other Income includes a release of a provision of £45k in relation to an old project (SCBC) and increases in catering income of £20k.
- Salaries include holiday pay accrual adjustments of £282k that were not included in the forecast, this is an accounting entry required to comply with the Scottish Government Financial Reporting Manual (FReM). Additional savings were also delivered in relation to academic teaching costs of £64k and support staff costs of £32k.
- Training and Development costs are higher than budget by £22k due to HoTD training which was in part funded by a reduction in recruitment costs.
- Catering costs are higher than budget by £30k and is reflected by increased income.
- Rates are £22k below budget which is a result of a refund in respect of Middlefield.
- Utility costs were budgeted with some contingency included resulting in forecast being higher by £57k. This will be monitored closely in future budgeting exercises to eliminate the contingency.
- Revenue maintenance costs of £212k were incurred ahead of profile and are matched by SFC Maintenance Grant Income.

6. Key Considerations - Balance Sheet - Appendix 2

Overall it is difficult to provide a meaningful comparison of the Balance Sheet. The March 2014 year end was part way through the academic year and required a number of adjustments to reflect this which would not be required at a July year end.

Fixed Assets

The movement in assets is made up depreciation of £3.5m and additions for the 16 months to 31 July 2015 of £637k, all of which are funded by capital grants. The land and property assets are subject to a revaluation exercise which is still outstanding. This will result in further adjustments when that exercise is complete.

Current Assets

Trade Debtors

	At 31st July 2015				At 31st March 2014			
	Organisation	Student	Total		Organisation	Student	Total	
Age of Debt	£000	£000	£000	%	£000	£000	£000	%
0 - 30 days	365	(12)	353	84%	420	(14)	405	96%
31 - 60 days	55	(8)	47	11%	116	(11)	104	25%
61 - 90 days	1	(3)	(2)	-1%	21	(6)	15	4%
91 - 120 days	1	(1)	0	0%	2	3	6	1%
121+ days	5	17	22	5%	5	45	50	12%
	427	(7)	420		563	17	580	
Bad Debt Provision	(1)	(23)	(24)		(8)	(29)	(38)	
Write off bad debt	(2)	0	(2)					
Credit Balances	38	35	73		12	47	58	
Unite Payments in Advance	0	0	0					
Total Trade Debtors	463	4	468		567	34	601	

The organisation debtor balance has decreased by £104k in comparison to the 31st March 2014. [redacted] Due to the timing of the periods, these invoices were not outstanding as at 31 July 2015. It is difficult to provide a period versus period comparison for these movements due to the fact that the previous year end was part way through an academic year.

Prepayments and Accrued Income
At 31 July 15 there is no requirement to accrue SFC Grant in Aid income as this is allocated on an academic year basis, whereas at 31 March 2014 an accrual of £2m was required as SFC's profile of payments did not match the profile of teaching delivery.

Bank and Cash
The increased bank balance at 31 July reflects the operational cash surplus generated of £309k, cash being held to cover HMRC payment of £400k, and net movement in debtors/creditors of £294k offset by loan repayments of £180k.

<u>Current Liabilities</u>

Other taxation and social security
At 31 March 14 the HMRC liabilities were paid prior to the yearend to reduce cash balances whereas the normal payment profile is upheld at 31 July, and paid the following month.

Accruals
Holiday pay accrual at 31 July 2015 of £280k is significantly less than the accrual at 31 March 2014 of £1.1m which reflects the timing of academic holidays throughout the year.

Deferred Income
At 31 March 2014 this reflects that tuition fees were received in advance for the full academic year and therefore the element relating to April 2014 to July 2014 amounting to £490k was deferred. In addition the 31 March 2014 figure included SDS advance funding of £97k.

Other Creditors
Most of the increase is due to Student Support funding due back to SFC of £100k and an increase short term loan capital repayments of £40k as the capital repayments only commenced in October 2014.

Net Current Assets/Liabilities
The net current liability position at 31 July 2015 has improved slightly on the position at March 2014. This reflects the higher cash balance the college is holding as it was unable to utilise the full resource budget (Agenda Item 6) due impact of the reversal of year-end adjustments at 31 March 2014.

7. Outstanding Items

As per Government guidelines, we are now required to revalue our assets annually at 31st July 2015 and we await the valuation exercise taking place. It is unlikely to have an impact on the Income and Expenditure account as any increase or decrease in value of the assets will have a corresponding adjustment to our Revaluation Reserve. The revaluation figures do not form part of our Income and Expenditure although it is reported in our Financial Statements in the Statement of Historical Cost Surpluses and Deficits and in the Balance Sheet.

8. Financial Implications

Overall the operating “cash surplus” of £309k after the donation of £1.1m to the ALF is a better result than expected at the last reforecast.

SFC guidance states that for the financial period ended 31 July 2015 Colleges are permitted to report deficits equivalent to the net depreciation figure and FRS 17 pension charges. The net depreciation at 31 March 2015 is £764k and the charge arising from FRS 17 Pension valuations of £1.973m means that FVC falls within the guidelines.

Reporting a deficit does have implications however, and to counter any queries or concerns by the users of the Financial Statements, SFC have issued a statement of assurance for Colleges to incorporate into their Financial Statements for the financial period ended 31 July 2015 (Appendix 4).

9. Equalities

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

10. Risk

	Likelihood	Impact
Very High		
High	x	x
Medium		
Low		
Very Low		

The key risk is that results could be misinterpreted outwith the College resulting in the perception that the College is not financially secure due to adjustments for non-cash costs resulting from pension valuations and the utilisation of surplus cash to balance resource budgets distorting these results.

To mitigate the risks of this deficit being detrimental to future business partnerships, the SFC also issued Colleges with a statement of assurance for inclusion in the Financial Statements for the 16 months ended 31 July 2015. This statement stated the deficit should be viewed as a “technical” deficit and should not be interpreted, on its own, as a challenge to the College’s ongoing financial sustainability. The full Statement is in **Appendix 4**.

Risk Owner – Alison Stewart **Action Owner –** Monica Halcro

11. Other Implications –

Please indicate whether there are implications for the areas below.

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

Paper Author – Monica Halcro **SMT Owner –** Alison Stewart

Forth Valley College
Programme of Finance Committee Business

	Nov-15	Mar-16	Jun-16	Sep-16
1 Apologies for absence	✔	✔	✔	✔
2 Declarations of interests	✔	✔	✔	✔
FOR APPROVAL				
3 Minutes of previous meeting	✔	✔	✔	✔
4 Maters Arising	✔	✔	✔	✔
FVC Foundation - Grant Application	✔	✔	✔	✔
Student Union Accounts				✔
Accounting Policies				✔
Resource Return 2014/15				✔
Annual Accounts	✔			
Procurement Strategy	✔			
Transfer to Forth Valley College Foundation		✔		
Tuition Fees & Fee Waiver Policy		✔		
Budget 2016/17			✔	
Treasury Management Strategy 2016/17			✔	
FOR DISCUSSION				
Forecast Outturn 2015/16 @ January 2016		✔		
Forecast Outturn 2015/16 @ April 2016			✔	
Forecast Resource Outturn - 2015/16				✔
Review of Risk	✔	✔	✔	✔
Any other competent business	✔	✔	✔	✔
FOR INFORMATION				
Programme of Committee Business	✔	✔	✔	✔
Budget Monitoring - Qtr 1 (Oct 2015)				
Budget Monitoring - Qtr 2 (Jan 2016)				
Budget Monitoring - Qtr 3 (April 2016)			✔	