Agenda

14 March 2017
FINANCE COMMITTEE

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

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 29 November 2016

3. Matters Arising

    a) F16/016 Student Funding 2016/17

4. Tuition Fees and Fee Waiver Policy Session 2017/18 — David Allison

5. Resource Outturn 2016/17 — Alison Stewart

6. Government Banking Service — Irene Andrew

FOR DISCUSSION

7. Procurement Update — Paul Johnstone

8. Business Development Quarterly Report — Colette Filippi

(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.)

9. Forecast Outturn 2016/17 (Q2 January 2017) — Irene Andrew

(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. Indicative Funding Allocation 2017/18 — Alison Stewart

11. Decision Point 3 Falkirk Campus Affordability — Alison Stewart

(Elements of paper 11 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.)

12. Review of Risk

13. Any other competent business

Agenda

14 March 2017
FINANCE COMMITTEE

FOR INFORMATION

Programme of Committee Business
Internal Audit Reports

- Non-Pay Expenditure and Creditor
- Budget Setting and Monitoring

2. Minutes of meeting 29 November 2016
For Approval

14 March 2017
FINANCE COMMITTEE

Room S1.18, Stirling Campus (commencing at 4.30pm)

Present: Mr Liam McCabe (Chair)
Mr Andrew Carver
Mrs Pamela Duncan
Mrs Caryn Jack

Apologies: Mr Ken Richardson

In Attendance: Mrs Alison Stewart, Associate Principal and Executive Director of Finance
Mrs Irene Andrew, Head of Finance
Ms Louise Burnett, Finance Manager (F/16/016 Only)
Mr Keith McPherson, Ernst & Young

The Chair welcomed Keith McPherson to the meeting. The Associate Principal and Executive Director of Finance noted that Mr McPherson was representing Ernst & Young who would be the College's incoming external auditors.

F/16/010 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.

He also declared an interest in relation to item F/16/013 by virtue of being a Board member of APUC.

F/16/011 Minutes of Meeting held on 13 October 2016.

The minutes of the meeting held on 13 October 2016 were approved, subject to a revision to the attendance list.

F/16/012 Matters Arising

a)F/16/006 FRS 102 Accounting Policies

Members requested an update on FRS 102 following the last meeting. The Associate Principal and Executive Director of Finance reported that advice had been sought from the auditors and the Scottish Funding Council and the decision had been taken to prepare the accounts on an accruals basis. There had also been engagement with the Chair on this issue. The consensus was that the College should adopt the accruals method of accounting for capital grants which was its current practice. While this would weaken the College's balance sheet, given the College's staus under ONS this was considered to be less of an issue than adopting the perfromamce method in which the depreciation charge would be significantly greater.

The Chair noted that the decision on which basis to prepare the accounts had been an outstanding approval item from the last meeting and asked members if they were content to approve the policies used to prepare the accounts.

Members approved the accounting policies.

b) F/15/031 Budget 2016-17

Members requested an update in relation to the Raploch community campus. The Associate Principal and Executive Director of Finance provided an overview of recent discussions with Stirling Council and noted that it was hoped to reach an exit point in early 2017. She also provided an overview of the anticipated savings from the exit. It was pointed out that the College would continue to have a presence in the raploch campus and it was from catering provisionthat the exit was being planned.

F/16/013 Procurement Strategy 2016-2018

The Procurement Manager, Paul Johnstone who is on secondment to the college from APUC presented the updated Procurement Strategy for approval. He outlined the requirement for an update to the strategy as a result of the Procurement Reform Act and confirmed that the College met the requirements set out in the Act. He informed members that the Strategy would be published on the College website as required by the act and that annual reviews would be conducted and that these would also be published.

Members requested an overview of the College procurement processes which the Procurement Manager provided.

a) Members endorsed the policy for Board of Management approval

F/16/014 Annual Report and Financial Statements 2015/16 (Joint item with Audit Committee)

The Associate Principal and Executive Director of Finance presented the Annual Report and Financial Statements 2015/16 for approval.

She noted that the preparation of the accounts had been challenging with the implications of the new Statement Of Recommended Practice (SORP) and FRS 102 to be taken into account. She highlighted the work done by the Finance team under the Head of Finance.

She informed members that the new reporting standard made the figures look more challenging than they actually were and that neither the College nor the External Auditors had any issues with describing the College as a going concern. She confirmed that the College was continuing to be strong in cash generation, had achieved a better outturn for the year than had been budgeted and had met government resource allocation requirements.

The Chair of the Finance Committee congratulated the Assistant Principal and Executive Director of Finance and the Head of Finance for pulling together the financial statements and securing a clean audit report in this challenging year of transition. The Chair of Finance also noted that there were concerns as to how the changes to the accounts as a result of applying new technical changes under FRS 102 would look externally to the sector but noted that the College had no choice but to implement this.

Members noted that the changes did make the accounts appear challenging and invited both internal and external auditors to comment on the accounts and raise any concerns they might have.

No concerns were raised.

Members requested an update regarding the existing covenants with Barclays Bank. The Associate Principal and Executive Director of Finance confirmed that the College was in breach of the covenants and that Barclays were aware of the reason. She updated members on progress towards the removal of the covenants and confirmed that, while this was a Barclay's decision, the College continues to push for the removal of the covenants.

The Chair asked for clarity over the use of the term 'exceptional items' for items that have appeared in the accounts for more than a year. Mr McNaught, Henderson Loggie, confirmed that in his professional opinion these items should be classed as 'exceptional' items.

a) Members approved Annual Report and Financial Statements 2015/16

F/16/015 Draft External Audit Annual Report to the Board of Management (Joint item with Audit Committee)

Mr McNaught, Henderson Loggie, presented the annual report from the College external auditors. He highlighted that all testing had been satisfactory and outlined the audit adjustments which had been made.

He confirmed that Henderson Loggie planned to issue an unqualified audit opinion for the accounts.

a) Members approved the content of the draft external audit annual report to the Board of Management

F/16/016 Student Funding 2016/17

The Finance Manager presented a report outlining the performance for 2015/16 and anticipated activity for 2016/17.

She outlined the challenges facing student funding owing to reductions in funding levels and confirmed that the College had submitted a bid for further 'in-year' funding to support anticipated activity levels.

Members queried what the College would do if additional funding was not made available. The Finance Manager confirmed that, in this case, the College would be unable to offer funding support to new students starting in the January intake and noted that this would impact on individuals' ability to attend.

The Associate Principal and Executive Director of Finance also noted that the College could seek to redistribute funds from Net Depreciation into student funding. She confirmed that this funding had already been allocated and outlined the impact of moving funds to student funding.

a) Members noted the content of the report and requested an update once it was known if the College would receive additional funding

F/16/017 Budget Monitoring - 2016/17 Qtr 1 (Oct 2016)

The Head of Finance presented the outturn report for the first quarter of 2016/17. She highlighted that the College, based on current funding levels and other assumptions, was anticipating a deficit at this time.

She confirmed that SMT had been looking into this and that a decision had been taken to stop all non-essential spending. She also reported that she would be working with the Associate Principal and Executive Director of Finance to meet with Heads of Department to review their budget and free up unallocated funds. The Committee noted that the adverse budget varainace of £325k was due to shortfalls in several income headings. The Committee was informed that all reasonable efforts would be made to recover the position as far as was possible.

a) Members noted the content of the report

F/16/018 Review of Risk

Members noted the risks in relation to student funding and the current outturn position.

F/16/019 Any other competent business

None

4. Tuition Fees and Fee Waiver Policy Session 2017/18
For Approval

14 March 2017
FINANCE COMMITTEE

1. Purpose

To seek approval of the level of tuition fees and fee waiver policy for Session 2017/18 from members. Recommendations will progress to the Board of Management for approval.

2. Recommendation

That members approve the proposed tuitions fees and fee waiver policy for Session 2017/18.

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 2016/17. Approval of the fee waiver policy will be subject to any changes made to the national policy for Session 2017/18.

4. Key Considerations

Tuition Fees

It has been confirmed that there are no changes from Scottish Government to the notional fees for Session 2017/18, and as such full time fees remain the same as for 2016/17, 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 2017/18 it is forecast that 83% 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 2017/18 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 6 sessions, and will push to increase its fees for 2017/18, although in recent years Scottish Government has requested that SQA maintain the level of fees. It is possible that SQA fees for next session may rise, however Scottish Government recently have been keen to control costs to Councils, particularly through the embedding of Curriculum for Excellence, so it's more likely that Scottish Government will again request that SQA don't increase costs.

The Bank of England in its February Inflation Report stated that CPI inflation was tracking at 1.6%, which was below its target of 2%, but it is forecasting that inflation will rise above this target in Q1 2017/18, and then above it further ahead. An inflationary increase would add £2 to the cost per Credit. Over the last three sessions when inflation has been low we have increased fees by £5 per Credit. A comparison of our fees against neighbouring colleges has been undertaken, and our fees for the current session are, with the exception of Dundee and Angus, higher than other Colleges. Even if these colleges were to increase their costs by the rate of inflation, our fees would still be higher. Most Colleges last session didn't raise their fees, while we applied a £5 increase to ours. As a comparison of current HE fees, Dundee & Angus charge £140 per Credit, compared to our £130 per Credit, while our nearest neighbours in West Lothian, New College Lanarkshire and Fife currently charge £110, £110 and £90 per Credit respectively. The most common fee per Credit for part time FE is around £100, which is less than our fee of £115 per Credit. The impact of applying an inflationary 2% increase to our part time and Credit based evening provision based on current activity levels could see an additional £5K received through tuition fees, however this session we have seen reduced recruitment to our evening provision, although there is no firm evidence that this reduction is linked to course fees. Taking all evidence into consideration, the proposal is to keep our fees for part-time and Credit-based evening courses for Session 2017/18 at the same level as Session 2016/17.

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.

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 2017/18. 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 4 international students on mainstream courses in Session 2016/17. 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.

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 changes to this part of the College's fee waiver policy.

Local Fee Waiver

One change is proposed to our Local Fee Waiver Policy. It's proposed to remove the category of "School pupils where college activity does not form part of their school-based curriculum" as being eligible for fee waiver. This code has become redundant as it was used only 22 times last session, with enrolments related to courses which would be eligible under other categories.

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 – Based on current activity levels it is forecasted that there is potential for an increase of £5K in tuition fees received in Session 2017/18 compared to Session 2016/17 if an inflationary 2% increase was applied to our part time fees. This potential additional income will not be realised under this proposal.

6. Equalities

Assessment in Place? – Yes ☐ **No** ☒

If No, please explain why –

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 – The only risk identified is a potential loss of additional income if fees were increased, however comparisons against other Colleges have highlighted that our fees are higher, bar one college.

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

Forth Valley College

TUITION FEES 2017/18

	2016/17	2017/18	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	115	115	
Higher Education - rate per credit	130	130	
Evening – rate per course	Priced per course	Priced per course	a
Degree – rate per subject	205	205	
ECDL	360	360	
ECDL rate per module	60	60	
ECDL Advanced per module	105	105	
National 4/National 5/New Higher	345	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 2017/18

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 Credit Price Group 5 – 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*****, or
   - Income-based Job Seekers Allowance*
   - Universal credit

     ***(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* (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.legislation.gov.uk/ukpga/2002/41/contents

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/GuidanceStudentSupport/Further_Education_Residency_Guide_September_2013.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: 2016-17 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 2016/17 dated 12 April 2016 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.

Forth Valley College

5. Resource Return 2016/17
For Discussion

14 March 2017
FINANCE COMMITTEE

1. Purpose

To inform members of the position relating to the Q4/1 Resource Return for 2016/17, which was submitted to SFC on 16 February 2017 and the Q4/2 return due to be submitted to SFC on 15 March 2017.

2. Recommendation

That members note the content of the Q4 /1 Resource Return that was submitted to SFC in February and approve the Q4/2 Resource Return for submission to SFC. The Q4/2 return will be circulated electronically prior to the meeting as this has still to be finalised.

3. Background

As a result of the reclassification of Further Education Colleges in Scotland, Colleges are treated as part of central government for financial budgeting and reporting purposes and as such, FVC is required to control its expenditure so that is does not exceed pre-set Government budget cover limits.

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 required to submit a "Resource Return" on a fiscal year basis under government accounting rules.

4. Net depreciation

For 2016/17 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 under spend 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 2017 is £608k.

SFC has 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 2016/17 is sufficient to cover its Student Support costs for the year.

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 2017 is £145k.

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

FVC have again received confirmation from SFC that it can utilise its net depreciation to support the development of the 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 £145k 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 17 and the College's financial year end of 31 July 17.

Appendix 3 provides a reconciliation of the College's projected fiscal year outturn to the Q4/1 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 2017 and will result in the College reporting an operating deficit at both 31 March 17, the government accounting year end, and 31 July 2017, 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 is 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 – Irene Andrew **SMT Owner –** Alison Stewart

Appendix 1

	Budget £'000	Q4.1 Forecast £'000	Variance £'000
Income			
SFC Grant Cash & Student Support	24,303	25,503	1,200
Other income	9,121	9,093	(28)
Revenue funding from ALFs	793	567	(226)
Total Income	**34,217**	**35,163**	**946**
Expenditure			
Wages and salaries	23,421	23,727	306
Operating costs	7,071	7,588	517
Student support expenditure	3,579	3,701	122
Total Expenditure	**34,071**	**35,017**	**946**
Under/(overspend) on Resource Budget	**146**	**146**	**0**
Capital DEL			
SFC Capital Grants (Negative)	(403)	(403)	0
Capital additions to non-current assets	403	403	0
Total Capital	**0**	**0**	**0**
Ring Fenced RDEL			
Depreciation	2,123	2,099	(24)
Deferred Capital Grant Release (negative)	(1,515)	(1,491)	24
Total Ring Fenced RDEL	**608**	**608**	**0**

Appendix 2

	2016/17 Fiscal year Outturn		
	Apr - Dec 16 Actual	Jan - March Forecast	Total
Income	**£'000**	**£'000**	**£'000**
SFC Grants	15,211	3,903	19,115
Tuition Fees	1,961	1,827	3,788
Commercial Training Income	704	98	801
Modern Apprentice Income	2,036	101	2,137
Catering and Hospitality Income	753	265	1,018
Other Income	385	91	476
	21,050	**6,285**	**27,336**
Expenditure			
Salary Costs	16,002	6,789	22,791
Staff Related Costs	257	87	344
Learning and Teaching Costs	982	284	1,266
Catering and Hospitality Costs	448	169	617
Property and FM Costs	1,226	591	1,817
Marketing, Communication & Print Costs	281	127	408
Finance & Governance Costs	492	138	630
IT and Telecommunication Costs	494	(55)	439
Other Costs	102	38	140
External Recharges	0	4	4
Internal Recharges	0	0	0
Total Expenditure	**20,284**	**8,171**	**28,455**
Ongoing Operations Cash Surplus/(Deficit)	**766**	**(1,886)**	**(1,119)**
New Falkirk Campus			
SFC Revenue Maintenance Grant	497	0	497
New Falkirk Campus	(1,468)	(534)	(2,003)
Grant from ALF	(26)	370	343
	(997)	**(164)**	**(1,162)**
Operational Cash Surplus/(Deficit)	**(231)**	**(2,050)**	**(2,281)**

Appendix 3

Reconciliation Ledger v Resource Return	£'000	£'000	£'000
Operating Deficit per ledger	(2,281)	0	(2,281)
SFC Accrued Income movement	1,837	0	1,837
ALF	224	0	224
Bad Debt (in year)	(2)	0	(2)
Student Funding surplus	0	369	369
Reversal of switch between GIA / Student Support 15/16	420	(420)	0
Resource Underspend per Resource Return	197	(51)	146

6. Government Banking Service
For Approval

14 March 2017
FINANCE COMMITTEE

1. Purpose

To seek approval from members to proceed with moving to the Government Banking Services to comply with the Scottish Public Finance Manual.

2. Recommendation

That members recommend to the Board of Management the approval of transferring the College's Banking Services to the Government Banking Service so that the College complies with the Scottish Public Finance Manual.

3. Background

As a result of the ONS Reclassification in October 2010, College's became Arms-Length Bodies in 2014, this meant that Colleges would be treated as part of central government for financial budgeting and reporting purposes and as a result had to comply with the Scottish Public Finance Manual (SPFM).

All bodies to which the SPFM is directly applicable, including bodies sponsored by Scottish Government, are required to have their core bank accounts with the Government Banking Service (GBS). Funds held in bank accounts with GBS have the effect of reducing the cost of government borrowing or increasing government income from interest. The Scottish Government Banking contract is part of GBS and is operated in Scotland through the Royal Bank of Scotland and Nat West Bank.

The College's Financial Memorandum with SFC was updated to state that Colleges must follow the requirements of the SPFM, except where any special actions or derogations have been agreed with Scottish Ministers. One of the derogations Scottish Ministers approved was a delay to move to GBS to 2016-17. Colleges were able to extend their existing banking arrangements to Financial Year 2016-17 and any extension beyond this requires the agreement of the Scottish Ministers.

As a result we have to move to GBS and RBS by 1st April 2017. We have had the initial meeting with the team from RBS and are now at a stage where we are ready to complete the relevant account opening forms. These forms state that there is a requirement for Board Resolution for the opening of accounts with RBS.

4. Key Considerations

The move to GBS is required by the SPFM, therefore we must move to the GBS Contract. Appendix one details the Resolution required by Board for the RBS Education Mandate.

There is no plan to change current signatories for our Bank Accounts, they will remain as members of SMT and Irene Andrew, Head of Finance.

RBS will work alongside the College to set up the new accounts and support the switch over. The College will migrate all accounts it currently holds with Barclays Bank over to RBS. These accounts include our Main Account, HE Discretionary Account and Life Assurance Account. We will also have RBS as our sponsored back for our BACS Service User Numbers. We are also moving our Government Procurement Cards from Barclays to RBS.

Once the accounts are opened, staff within the College who are responsible for cash banking will require training on the RBS cash banking process, this training will be delivered from members of the Finance Team and RBS will be provide the relevant banking bags for this. Finance will be responsible for liaising this change with our cash collection company. Finance will also receive training on RBS's online banking system, Bankline.

Finance will also have to contact our Customers to inform them of a change of bank details for future payments and work with Marketing to update both our Sales Invoice templates and Debtor Statements templates.

Our outstanding loan will remain with Barclay Banks. Currently our Merchant for taking Credit and Debit Card Transactions is with Barclaycard and will remain with them for the time being, once the accounts and other services have been moved over to RBS we will investigate whether it would be cost effective to move to RBS Merchant Services.

The College intends to renew the licence, which is due for renewal in May 2017, allowing Barclays Bank to continue to provide the ATM cash machine at the Falkirk campus. This avoids the cost of having to remove the current machine and replacing it with another. There is the added benefit that Barclays machines provide £5 notes from the terminal which goes down well with the students.

RBS have provided a plan of key dates for implementation, however as the move requires Board Resolution, this will required updating and RBS have agreed to take account of our work around the Financial Year end at 31st March 2017.

5. Financial Implications

The College will lose a small amount of income it receives from Bank Interest on cash balances however transactional costs with RBS are lower than our current Banking Provider, this will offset the loss of income.

6. Equalities

Assessment in Place? – No

If No, please explain why – Not required as it's a change in Banking Services

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

7. Risk

	Likelihood	Impact
Very High		
High		
Medium		X
Low	X	
Very Low		

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

The key risk to the College is the moving of our transactional banking away from Barclays while the loan remains with them. Given the current discussions around banking covenants this makes the current loan terms less attractive from Barclay's perspective. Any breach of covenants going forward would afford Barclay's the opportunity to renegotiate the terms of the loan.

Discussions are on-going with Barclay's and SFC regarding covenants with a view to getting these removed.

Risk Owner Alison Stewart

Action Owner Irene Andrew

8. Other Implications

Communications – No

Health and Safety – No

Please provide a summary of these implications

Paper Author Louise Burnett

SMT Owner Alison Stewart

Appendix One

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University/C
signatory
amended

Copy of Board Resolution Required for RBS Education Mandate

Forth Valley College

7. Procurement Update
For Discussion

14 March 2017
FINANCE COMMITTE

1. Purpose

To seek to update members on the outcome of the Procurement and Commercial Improvement Programme (PCIP) assessment.

To seek to update members on savings and efficiencies secured during the 2015-16 Financial Year.

2. Recommendation

That members take note of the content of this paper and support the recommendations for ongoing improvement.

3. PCIP

The PCIP assessment regime was introduced by the Scottish Government in 2016 to replace the Procurement Capability Assessment (PCA).

The College undertook our first assessment in December 2016.

The aim of the PCIP regime is to assess the capability of an organisation's procurement processes and structures in line with best practice and the outcomes being delivered as a result. There is now a greater emphasis on the commercial capability of an organisation's activity as a whole, wider than just the 'procurement department' and also wider than just securing savings and efficiencies.

The PCIP assessment and the results are not comparable to the PCA regime, due to a significant change to assessment methods, broader question set and different scoring methodology. The PCIP regime also places much greater emphasis on producing evidence of best practice than before, therefore it is a tougher regime to achieve a strong result.

The PCIP regime has different categories of assessment (Full, Medium, Lite) depending on an organisation's size and value of non-pay expenditure. Based on the College's spend profile, we fall under the 'Lite' assessment category, which has a score banding from 'Non-Conformance' up to 'Gold' for outstanding performance.

The assessment process is made up of:

- Dashboard of high level quantitative data. *(This information is submitted 6 weeks prior to the internal assessment day for review by assessors)*
- Other sources of information such as procurement strategy and related procedures, sample tender documents, risk registers, job descriptions etc. *(This information is also submitted prior to the internal assessment day for review by assessors)*
- Assessment day questionnaire made up of 14 questions. *(This is assessed on the day by providing evidence in relation to the question set, and discussion of the evidence between the College and the assessor in line with a defined assessment criteria).*

The PCIP assessment is divided into 4 main themes:

- Leadership and Governance
- Development and Tender process
- Contract Management and contract compliance
- Key Purchasing Processes

Each theme contains a number of questions and evidence requirements, and a score is allocated to each theme area to provide an overall score for the assessment.

The College achieved a score of 63% in the 2016 assessment, placing the College in the 'Silver' category – the 2nd highest banding. This was noted as a strong performance given the level of resource and the impact of the new assessment.

The assessor has identified some key areas of focus for ongoing improvement, and has set a projected score of 76% for the 2018 assessment, which would place the College into the 'Gold' category – the highest banding - should the College make suggested improvements.

Some suggested areas for improvement include:

- Evidence of continuous improvement linked to increased engagement with internal stakeholders and suppliers
- Evidence of improved supplier and market analysis in order to secure further benefits, including savings, added value, community benefits and sustainability
- Evidence of increasing procurement engagement to review and challenge specifications to ensure value for money and efficiency
- Evidence of whole life costs and total acquisition costs being evaluated as part of tender processes
- Evidence of an embedded Contract and Supplier Management process in operation to service levels and efficiencies are maximised
- Evidence of technology being used as much as possible in order to automate the day to day purchasing process, with efficient and effective procedures to suit

These suggested improvements, while challenging in some cases, are achievable but will require the support and positive engagement of staff across the College to help implement these improvements.

4. 2015/16 FY savings and efficiencies

A key focus of the Procurement department is to maximise the financial savings and efficiencies (such as streamlining processes and standardisation of approach across the College) while ensuring the required quality and service is delivered by suppliers and contractors.

There are two main ways in which the College procures most goods and services, particularly high value/risk requirements. These are:

- Through use of collaborative Framework Agreements available to the College from APUC and other collaborative procurement bodies
- Through tender processes managed by the College Procurement department in line with policies and procedures ('local' tender)

Financial savings are recorded and measured as follows:

- Savings achieved through the use of collaborative Framework Agreements are reported after financial year end in the form of a 'Benefits Statement' by APUC
- Savings achieved by a local tender are recorded in a spend analysis tool held by the College

The objective for Procurement is to increase the percentage and value of the College non-pay expenditure which is covered by a Framework Agreement or local contract in order to maximise the opportunity for savings and efficiencies and delivery of best value for College budgets

This paper outlines the financial savings and efficiencies secured in the 2015/16 financial year, and highlight an example of the benefits secured within the Hospitality department through a project aimed at standardisation.

In the 15/16 financial year, the total value of non-pay expenditure which was procured either via a collaborative Framework Agreement or a local contract was approximately £2.7million with financial savings of approximately £229,500 with a large majority of this spend through Framework Agreements.

By utilising these Framework Agreements, the College is benefitting in a number of ways:

- Increased buying power and economies of scale as a result of collaboration
- Process efficiencies and cost avoidance benefits by avoiding the need to follow more formal procurement processes (staff time/cost savings)
- Controlled pricing and terms and formal pricing review processes (all managed by APUC)
- Added value benefits

One example from the 15/16 year of the benefits of utilising Framework Agreements was within the Hospitality department where we were able to work together to standardise suppliers, products and pricing across all campuses, as well as implementing new order processes which reduced the time required by staff on stock orders on a daily basis and an issues tracker to allow the College to monitor supplier performance.

In summary the benefits secured by this change project includes:

- Reduction in the number of suppliers used by 50%
- Improved stock control – (reducing waste)
- Standardisation across all campuses
- Controlled pricing and terms
- More efficient and auditable order processes

- Financial savings in first year of £55,000 on a spend of £550,000
- Contract Management process implemented to ensure supplier performance
- Staff development opportunities

The securing of these benefits was as a result of a joint effort between the Hospitality department and the project team led by James Aston and Laura Calder.

The Procurement department will continue to identify opportunities to secure additional savings and efficiencies to deliver best value, and will seek to maximise the use of Framework Agreements where appropriate.

5. Financial Implications

Please detail the financial implications of this item –

PCIP
By committing to make the suggested improvements detailed above it is expected that the College should secure financial savings and efficiencies (such as time and process efficiencies) in some areas.

15/16 FY savings and efficiencies
Increased financial savings and efficiencies can be delivered through increased total of non-pay expenditure being covered by a Framework Agreement or local contract

6. Equalities

Assessment in Place? – Yes ☐ **No** ☒

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

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 – None

Risk Owner – Alison Stewart **Action Owner –** Paul Johnstone

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 –

Paper Author – Paul Johnstone **SMT Owner –** Alison Stewart

9. Forecast Outturn 2016/17 (Q2 January 2017)
For Discussion

14 March 2017
FINANCE COMMITTEE

1. Purpose

To present the first draft of the revised forecast outturn for Academic Year 2016-17 to members for discussion.

2. Recommendation

For members to consider the reforecast outturn for the year to 31 July 2017.

3. Background

A quarterly reforecasting exercise is 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 budget exercise.

This report provides a summary of the College's Income and Expenditure for the Academic Year 2016-17, reforecast at January 2017 compared to the original budget for 2016-17 that was prepared in May 2016 and approved by Finance Committee in June 2016.

4. Key Considerations

The reforecast is showing an operating deficit of £68k against the original surplus of £37k. This figure is slightly misleading as it includes a technical non-cash accounting adjustment at 31 July 2017 of £122k in relation to academic holiday due to the lecturer staff summer holidays starting 3 days later. This is an amount that will never be paid and will reverse in August 2017.

Other points to note are

- **Fundraising** – the original target has been reduced by [redacted].
- **Loss of Commercial Activity** – there has been a loss of contribution of [redacted] mainly as a result of Compex. Business Development is currently carrying out an evaluation of this area.
- **Raploch** – the forecast incorporates the exit from hospitality at Raploch will took place on 10 February 2017 and will generate savings of [redacted] for the current Academic Year.
- **Tuition fees** – evening fees, mainly within the Business, Construction Hospitality & Salon Services and Access & Progression departments, have reduced by [redacted]

Detailed explanations for key variances are noted in Appendix 1.

Net depreciation

SFC has confirmed that for 2016/17 net depreciation cash can be spent to ensure the Resource Return is fully utilised at 31st March 2017. Therefore the net depreciation will be used to support the New Falkirk Campus project and the holiday pay accrual for both support and academic staff which has increased at July 17 due to the summer break starting later in AY 16-17.

	16-17 Budget £'000	Q2 Forecast £'000	Movement Budget vs Q2 £'000
Income	29,736	29,330	(405)
Expenditure	(29,090)	(28,791)	300
	645	540	(105)
Net Depreciation	(608)	(608)	0
Operating deficit	37	(68)	(105)
Falkirk Estates	(526)	(540)	(14)
Student Support Funded by College	(115)	0	115
Operating (deficit) (incl. Estates)	**(603)**	**(608)**	**(4)**

5. Capital Grant – Appendix 2

This grant is awarded on a fiscal year basis i.e. April to March each year therefore this report provides an overview of the period from April 16 to March 17. The balance remaining to spend of £73k will be fully utilised during the remainder of the period to 31 March 2017.

A breakdown of the project and spend is provided in Appendix 2.

6. Financial Implications

In comparison with the original budget, it is clear that the loss of income from Commercial Courses and increase in New Falkirk costs has impacted upon the level of deficit that is expected at July 17. Significant savings have been realised as part of the Q2 reforecast, to bring the reforecast back in line with the original budget.

7. Equalities

Assessment in Place? – N/a

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	x	
Low		
Very Low		

As a result of the loss of commercial income and reduction in fundraising income the College is now forecasting an operational deficit. Unplanned deficits could result in a Resource budget overspend which is not acceptable to SFC/SG. However, in this instance the deficit is due to a technical accounting adjustment at July 17 which will reverse in August 17 and will therefore have no impact on the Resource Budget Outturn.

Risk Owner – Alison Stewart

Action Owner – Irene Andrew

9. Other Implications –

Communications – No

Health and Safety – No

Paper Author – Fiona Lovell

SMT Owner – Alison Stewart

Forth Valley College

9. Forecast Outturn 2016/17 (Q2 January 2017)
For Discussion

14 March 2017
FINANCE COMMITTEE

Appendix 1

	16-17 Original Budget £'000	16-17 Q2 Forecast £'000	Budget vs Q2 Variance £'000
Income			
SFC Grants	21,306	21,304	2
Tuition Fees	3,347	3,337	10
Commercial Training Income	934	756	178
Modern Apprentice Income	2,565	2,621	(57)
Catering and Hospitality Income	1,108	959	149
Other Income	475	353	122
Total Income	**29,736**	**29,330**	**405**
Expenditure			
Salary Costs	(22,843)	(22,831)	(12)
Staff Related Costs	(417)	(339)	(78)
Learning and Teaching Costs	(1,383)	(1,339)	(44)
Catering and Hospitality Costs	(695)	(576)	(119)
Property and FM Costs	(2,079)	(1,995)	(84)
Marketing, Communication & Print Costs	(426)	(417)	(9)
Finance & Governance Costs	(659)	(645)	(14)
IT and Telecommunication Costs	(456)	(468)	12
Other Costs	(133)	(171)	38
Total Expenditure	**(29,090)**	**(28,781)**	**(309)**
External Recharges		(10)	10
Surplus/(Deficit)	**645**	**540**	**105**
Net Depreciation	(608)	(608)	(0)
Operational Surplus/(Deficit)	**37**	**(68)**	**105**
Falkirk Campus			
SFC Revenue Maintenance Grant	0	497	(497)
New Falkirk Campus	(526)	(1,607)	1,082
Grants received from ALF		570	(570)
	(526)	**(540)**	**14**
Student Support Funded by College	(115)	0	(115)
Surplus/(Deficit)	**(603)**	**(608)**	**4**

Income

Tuition fees in total have decreased by £10k in comparison with the original budget. This drop in tuition fees is largely as a result of a reduction generated by the Evening provision of £22k which has been offset by an increase in international income and international tuition fees.

Commercial training income has decreased by £178k in comparison with the originally budgeted income with an overall loss of contribution of £120k. This reduction is primarily due to the loss of commercial course fee income particularly in respect of Compex (£153k) as a result of staffing issues resulting in cancelled courses, a postponement of the new EX14 course until November 2016 as a result of delay in gaining the relevant accreditation. In addition, Business Skills courses and First Aid courses have also decreased by £10k and £7k respectively as a result of cancelled courses. These decreases have been offset by a £6k increase in income generated by CIPD courses. Other VQ income has decreased by £24k.

Apprenticeship income has increased by £57k in comparison with the original budget. Training charges have increased by £106k as a result of work to be completed for Historic Environment Scotland (£5k), income for the ECITB pre-apprenticeship scheme of £50k, and an increase in ECITB 16-17 fees of £17k along with a £14k increase in income from Council Construction MA's. The remainder relates to part funded MA fees that were not included within the original budget. These increases are offset by a drop in milestone income primarily due to the removal of income linked to the SDS Transition Training Fund of £85k. This income has been removed because the rules applied to the scheme are proving too restrictive to employers who have therefore not been keen to participate in the scheme. There is also an increase in SDS income in respect of the Foundation Apprenticeship scheme of approx. £40k, £27k of which relates to the 2017-19 programme. SDS is reviewing the project for all Colleges due to the low numbers recruited so the forecast may be revised at Q3 once the outcome is known.

Catering and hospitality income has decreased by £149k in comparison with the original budget. This decrease is driven by an £86k reduction in refectory income in response to the loss of income from the Falkirk refectory realised in the first five months of the academic year. The reduction in income is directly linked to a new fast food outlet having opened up immediately outside the campus along with a cafe in close proximity. Staff are currently considering suggestions to address this issue e.g. offering meal deals, etc. In addition, contract catering, bistro income and school meals income have decreased by £93k in total as a result of the withdrawal of hospitality from the Raploch Campus. These decreases are offset by a £16k increase in training restaurant income and a £17k increase in commercial catering income. The drop in catering and hospitality income is offset in part by the reduction of catering and hospitality costs.

Other income has decreased by £122k in comparison with the original budget. The most significant decrease is the reduction in fundraising contribution of £200k. This is offset by an increase of £14k for the Integrated Care Health Funding. In addition, funding of £20k has been received from SEStran and TACtran (£9k) for a review of the strategic travel plan, £11k of funding linked to the ERASMUS project and other international trade missions and £15k in respect of secondment income. For the additional grant income noted above, there are corresponding costs that offset the income. Other income has also increased in comparison to the original budget by £28k due to student PVG payments made to the College, this offsets against the increase within learning and teaching costs for Disclosure Scotland costs.

Expenditure

Salary Costs have decreased by £12k in comparison with the original budget.

Academic salaries have increased by £84k partly due to additional courses being delivered after the original budget was agreed, but also due to additional commercial and evening provision.

Support Salaries have a saving of £224k. This is mainly due to the timing of filling vacancies as well as a few vacancies, originally budgeted for, being removed as they were no longer required. The forecast also includes a net saving of £60k as a result of the College exiting the Raploch Campus Hospitality arrangement with Stirling Council which includes the redeployment of the catering assistants.

Academic Holiday Pay has increased by £122k due to the Summer Break starting later this academic year. As a result we now have to accrue 3.5 days Annual Leave for lecturing staff compared with 0.5 days in 2015-2016.

Both the original budget and reforecast take into account the projected cost for the Apprenticeship Levy which comes into force on 1st April 2017, along with a 1% increase in salaries for the cost of living pay increase in line with Scottish Government Policy. A £20k contingency still remains within the reforecast.

Staff related costs have decreased by £78k in comparison with the original budget as a result of savings made in travel miles of £28k as a result of lower spend to December, along with savings made in TQFE of £13k due to there being no requirement for staff to complete any TQFE, savings made in continuing professional development of £20k and recruitment costs of £19k due to the myjobsscotland website being used more frequently. These decreases are offset slightly by an increase in overseas travel of £9k which is in part covered by grant income which sits within the other income category.

Learning & Teaching costs have decreased overall by £44k in comparison to the original budget. This is primarily due to savings made in e-learning expenses of £13k, teaching registration fees of £18k linked to lower Compex income and a saving made in exam fees for City & Guilds of £10k due to the registrations potentially being submitted as a group going forward rather than individual registrations.

Catering and hospitality costs have decreased overall by £119k in comparison to the original budget. £58k of the reduction in costs relates specifically to the withdrawal of hospitality from the Raploch Campus. The remainder of the variance is savings made as a response to the drop in refectory income forecasted.

Property & FM Costs have decreased by £84k in comparison with the original budget. This is primarily due to the reallocation of £35k from property maintenance costs to consultancy fees which sits within other costs to cover the FM tender contract consultancy. In addition, savings of £19k have been made in equipment and equipment maintenance costs due to non-essential spend being halted by departments and a further saving of £14k for Gas. A slight reduction has been made as a result of exiting Raploch.

Marketing, Communication and print costs have decreased by £9k primarily due to savings made in the stationery budget.

Finance & Governance costs have decreased by £14k in comparison with the original budget. This is due to bank charges being reduced by £6k and the financial services contingency budget being reduced by £15k. Insurance costs for the death in service policy have increased by £16k. There is currently a consultation being undertaken to potentially have the policy cancelled from May 17 resulting in a small saving. The insurer has applied retrospective costs of around £20k for the scheme, this is currently in dispute however it is likely this will need to be paid and has therefore been included within the forecast.

IT & telecommunications costs have increased by £12k primarily due to an increase in licences as a result of prepayments which were not taken account of within the original budget.

Other Costs have increased by £38k in comparison with the original budget. This is in part due to the transfer of £35k from the Property & FM costs category in respect of consultancy fees for the FM contract retender resulting in the consultancy fee budget being £40k which reflects the actual cost. This increase is offset by a £9k saving in CPP contributions as Clackmannanshire Council is the only council that has continued with its programme.

Student Support funded by the College has been removed from the Q2 reforecast following the successful award of £450k during the in-year redistribution of student funds by SFC.

External Recharges – an additional cost, due to income for the accommodation charges for the international students with regard to the Sonangol project not being deferred at July 2016.

New Falkirk Campus

Costs relating to the New Falkirk Campus are expected to be £1,607k for 2016/17. This will be funded by the net depreciation of £540k (which excludes the current deficit of £68k) along with the additional revenue maintenance funding of £497k and a request for a grant from the Forth Valley College Foundation for the shortfall of £570k.

9. Forecast Outturn 2016/17 (Q2 January 2017)
For Discussion

14 March 2017
FINANCE COMMITTEE

Appendix 2 – Capital Budget

Forth Valley College

			2016/012	2016/012		

Capital Budget 16-17

			2017/010	2017/008		

Project	Dept	Project	Full Year Budget (F) Per Finance £	Actual Per Finance £	Committed Per Finance £	Left to Spend £
CPCB1701	Care, Health	Gym Equipment	15,000	14,313.60	0 00	686.40
CPCB1702	IT	IT Equipment	71,800	64,511 37	0 00	7,288.63
CPCB1703	IT	Stirling Kildean Suite Display (Upgrade Smartboard)	36,000	26,167 03	0 00	9,832 97
CPCB1704	IT	Skype for Business	19,800	1,704.10	0 00	18,095 90
CPCB1705	IT	Infrastructure	23,667	592.62	0 00	23,074.69
CPCB1706	IT	E-portfolio	12,000	11,976 00	0 00	24 00
CPCB1707	Estates	Extension of Stirling Car Park	210,000	205,057 57	0 00	4,942.43
CPCB1709	ASMME	Hearth and lathe	14,733	6,026 30	8,706 06	0 54
		Total Capital Spend on Current Year Projects	**403,000**	**330,349**	**8,706**	**63,946**

10. Indicative Funding Allocation 2017/18
For Discussion

14 March 2017
FINANCE COMMITTEE

1. Purpose

To inform members of the indicative funding allocations for Academic Year (AY) 2017/18 announced by SFC on 10 February 2017.

2. Recommendation

That members note the indicative funding allocations and how this impacts on the College's finances.

3. Background

The SFC announced indicative funding allocations for AY 2017/18 on 10 February 2017.The figures are indicative only and will not be finalised until April 2017. There are a couple of areas SFC are still working which bring additional activity and funding to the College:

- Increased childcare provision
- the £10m flexible workforce development fund

4. FE Sector position

SFC decisions on funding are in line with the Minister for Further Education, Higher Education and Science's Letter of Guidance of 29 September 2016.

The key points in this indicative funding announcement for the FE sector for AY 2017-18 are:
• Student activity targets remain at the same level as AY 2016-17.
• Teaching funding has increased by £10.2 million, an overall increase of 2.5%.
• Student support funding has increased by £1.2 million (1.45%).
• Capital / maintenance funding has increased by £5.2 million compared to the final AY 2016-17

The draft Budget document stated that in 2017-18 the Scottish Government will "*increase our investment in our college sector to ensure that it continues to add real value to our economy and offer opportunities to adults of all ages*". The Scottish Government also re-stated its commitment to "*maintain at least 116,000 full-time equivalent college places*".

The draft Budget document also stated that the Scottish Government will "*provide capital funding to both the college and university sectors to support research and infrastructure investment*". The capital budget for colleges for FY 2017-18 is £47.4 million, with **£21.5 million earmarked for the Forth Valley College new build project.**

Teaching grants to all Colleges have increased by 1.8%. SFC has continued to phase in the new simplified method of calculating college funding. They previously agreed with the sector that no college would see a reduction in funding in the first three years of introducing the new model. Colleges that would have received additional funds from the full introduction of the new model have received an additional uplift in funding up to an additional 1%.

10. Indicative Funding Allocation 2017/18
For Discussion

14 March 2017
FINANCE COMMITTEE

5. Forth Valley College position

Funding Allocations	17/18 Indicative	16/17 Original	Revisons	16/17 Final	Variance agaisnt 16/17 final	%
GIA	20,700,100	19,964,583	177,902	20,142,485	557,615	2.8%
ESF	535,267	535,267		535,267	0	0.0%
	21,235,367	20,499,850	177,902	20,677,752	557,615	
Student Support	3,984,072	3,551,830	450,000	4,001,830	(17,758)	-0.4%
ESF Student Support	21,469	21,469		21,469	0	0.0%
	4,005,541	3,573,299	450,000	4,023,299	(17,758)	
Capital & Maintenance	1,042,183	783,600	497,274	1,280,874	(238,691)	-18.6%

Grant in Aid Funding (GIA)

Overall GIA funding has increased by 2.8% - 1.8% being the standard increase applied across the sector and an additional 1% in relation to the implementation of the simplified method of funding. While recognising this is a good settlement under the simplified method of funding, Forth Valley is currently underfunded by £312,881. In addition to this the simplified method of funding takes account of historical efficiencies which further reduces FVC's funding by £614,941.

European Social Funding (ESF)

Funding and activity levels remain constant.

Student Support

Student support has decreased by 0.4%. In 2016/17 the College requested additional Student Support of £450k which was funded in full and this has been consolidated into the 2017/18 allocation. [redacted]
On this basis we will believe that the 2017/18 allocation will be sufficient, however if there is any shortfall SFC have held back £2m for in year redistribution which the College could access.

Capital Maintenance

Capital maintenance funding continues to be allocated on the basis of core activity targets. SFC has indicated that in future this may be allocated on a different basis, i.e. one that is more reflective of actual need, and this will be informed by the planned college estate condition survey and consultation with the sector.

While it appears Capital and Maintenance funding is down from 2016/17 levels it should be noted that there was additional one off funding of £497k allocated in year. Ignoring this one off allocation the Capital and Maintenance allocation has increased by £259k. It should be noted that this is line with the minimum level of Capital & Maintenance funding the College requires to support the lifecycle maintenance of all 3 campuses going forward.

6. Financial Implications

The financial implications have been noted in section 4.

7. Equalities

N/a

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		
Medium	X	X
Low		
Very Low		

The risk in terms of the 2017/18 funding allocation is low. However, as SFC look to realign Extended Learning Support (ELS) the college may face future funding cuts. Also the application of historical efficiencies against core GIA funding means the College is underfunded.

Risk Owner – Alison Stewart

Action Owner – Alison Stewart

9. Other Implications –

Communications –No

Health and Safety –No

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

Table 2: Credit targets and indicative funding allocations 2017-18

College/Region	Final core credit targets 2016-17 *credits*	**Indicative core credit targets 2017-18** ***credits***	Final funding allocation 2016-17 *£*	Agreed adjustments for 2017-18 *£*	General uplift in teaching grant (1.8%) *£*	2017-18 allocations after general uplift and agreed adjustments *£*	Results from simplified funding model *£*	Difference between simplified & historic models *£*	Uplift towards credit funding model *£*	**2017-18 indicative grants** *£*	% change from 2016-17 *%*
Ayrshire College	124,252	**124,252**	32,257,055		580,627	32,837,682	31,721,610	-1,116,071		**32,837,682**	1.8%
Borders College	24,521	**24,521**	7,359,726		132,475	7,492,201	7,464,158	-28,043		**7,492,201**	1.8%
Dumfries & Galloway College	30,067	**30,067**	8,591,317		154,644	8,745,960	8,374,928	-371,032		**8,745,960**	1.8%
Dundee & Angus College	103,232	**103,232**	24,285,355		437,136	24,722,492	24,840,001	117,509	117,509	**24,840,001**	2.3%
Edinburgh College	184,028	**184,028**	40,162,091		722,918	40,885,009	41,497,475	612,466	408,850	**41,293,859**	2.8%
Fife College	129,760	**129,760**	30,689,346 *	-175,000	549,258	31,063,604	30,814,602	-249,003		**31,063,604**	1.2%
Forth Valley College	83,984	**83,984**	20,142,485		362,565	20,505,050	21,022,982	517,932	205,050	**20,710,100**	2.8%
Glasgow Region	368,574	**368,574**	79,548,236		1,431,868	80,980,104	82,865,139	1,885,035	809,801	**81,789,905**	2.8%
Highlands & Islands Region	110,967	**110,967**	34,384,121		618,914	35,003,035	35,298,291	295,255	295,255	**35,298,291**	2.7%
Lanarkshire Region	170,967	**170,967**	39,417,850 **	507,091	718,649	40,643,589	40,473,358	-170,232		**40,643,589**	3.1%
Newbattle Abbey College	926	**926**	679,623		12,233	691,856	691,856	0		**691,856**	1.8%
North East Scotland College	134,118	**134,118**	29,231,871		526,174	29,758,044	30,632,455	874,410	297,580	**30,055,625**	2.8%
Sabhal Mòr Ostaig	803	**803**	635,686		11,442	647,128	647,128	0		**647,128**	1.8%
SRUC	22,867	**22,867**	8,384,067 *	350,000	157,213	8,891,280	9,145,990	254,709	88,913	**8,980,193**	7.1%
West College Scotland	159,025	**159,025**	37,860,432		681,488	38,541,920	38,081,536	-460,384		**38,541,920**	1.8%
West Lothian College	42,527	**42,527**	9,535,639		171,642	9,707,281	9,741,588	34,308	34,308	**9,741,588**	2.2%
Scotland	1,690,618	**1,690,618**	403,164,900	682,091	7,269,246	411,116,237	413,313,096	2,196,859	2,257,266	**413,373,504**	2.5%

** agreed transfer of rural premium from Fife College to SRUC*

*** payment for 2012-13 WSUMs that was previously unfunded*

Table 3: Indicative Student Support funding allocations 2017-18

College / Region	2016-17 allocation £	2016-17 ESF student support £	2016-17 in-year redistribution £	**Total adjusted 2016-17 allocation** £	Student support (including ESF), adjusted for increase in volume for, 2017-18[1] £	% share of student support %	Total student support 2017-18 £	ESF student support 2017-18 £	**Core student support 2017-18** £
Ayrshire College	10,364,291	306,939		**10,671,230**	10,671,230	9.2%	10,336,386	306,939	**10,029,447**
Borders College	2,051,169	9,320		**2,060,490**	2,060,490	1.8%	1,995,835	9,320	**1,986,515**
Dumfries & Galloway College	2,096,310	0		**2,096,310**	2,096,310	1.8%	2,030,532	0	**2,030,532**
Dundee & Angus College	6,920,676	75,452	200,000	**7,196,128**	7,196,128	6.2%	6,970,327	75,452	**6,894,874**
Edinburgh College	10,495,590	29,409		**10,524,999**	10,524,999	9.0%	10,194,744	29,409	**10,165,335**
Fife College	8,787,654	44,921	300,000	**9,132,575**	9,132,575	7.8%	8,846,011	44,921	**8,801,090**
Forth Valley College	3,551,830	21,469	562,000	**4,135,299**	4,135,299	3.5%	4,005,541	21,469	**3,984,072**
Glasgow Region	18,751,839	2,611,347	1,114,867	**22,478,053**	22,625,509	19.4%	21,915,562	2,872,640	**19,042,922**
Highlands & Islands Region	8,368,358	192,000	504,478	**9,064,836**	9,064,836	7.8%	8,780,398	192,000	**8,588,398**
Lanarkshire Region	12,295,906	958,135	401,350	**13,655,391**	13,655,391	11.7%	13,226,909	1,086,468	**12,140,441**
Newbattle Abbey College	247,785	0	3,000	**250,785**	250,785	0.2%	242,916	0	**242,916**
North East Scotland College	7,287,638	44,468	1,149,821	**8,481,927**	8,481,927	7.3%	8,215,780	44,468	**8,171,312**
Sabhal Mòr Ostaig	23,818	0		**23,818**	23,818	0.0%	23,071	0	**23,071**
SRUC	1,868,603	0	305,000	**2,173,603**	2,173,603	1.9%	2,105,400	0	**2,105,400**
West College Scotland	10,317,910	742,649	250,000	**11,310,559**	11,310,559	9.7%	10,955,654	742,649	**10,213,005**
West Lothian College	2,800,655	14,086	308,000	**3,122,742**	3,122,742	2.7%	3,024,756	14,086	**3,010,670**
Scotland	106,230,033	5,050,195	5,098,516	**116,378,744**	116,526,201		112,869,821	5,439,821	**107,430,000**

[1] An adjustment has been made to Glasgow Region's student support due to an increase in their total ESF volume (see Table 4).

Table 4: European Social Funding (ESF) and additional activity targets 2017-18

College/Region	2017-18 ESF activity target *credits*	2017-18 ESF Teaching (credit) funding *£*	2017-18 ESF Student Support *£*	**Total ESF funding 2017-18** *£*
Ayrshire College	1,255	306,939	306,939	**613,878**
Borders College	574	150,285	9,320	**159,605**
Dumfries & Galloway College	0	0	0	**0**
Dundee & Angus College	5,101	1,222,965	75,452	**1,298,417**
Edinburgh College	2,000	476,300	29,409	**505,709**
Fife College	3,005	716,813	44,921	**761,734**
Forth Valley College	2,230	535,267	21,469	**556,736**
Glasgow Region	20,383	4,815,398	2,872,640	**7,688,038**
Highlands & Islands Region (for Perth College) [1]	1,200	298,104	192,000	**490,104**
Lanarkshire Region	14,766	3,044,009	1,086,468	**4,130,477**
Newbattle Abbey College	0	0	0	**0**
North East Scotland College	3,035	716,847	44,468	**761,315**
Sabhal Mòr Ostaig	0	0	0	**0**
SRUC	-	-	-	**-**
West College Scotland	7,086	1,732,847	742,649	**2,475,496**
West Lothian College	972	224,639	14,086	**238,725**
OVERALL TOTAL	**61,607**	**14,240,413**	**5,439,821**	**19,680,234**

[1] *- Colleges in the Highlands & Islands transitional region (excluding Perth) will be allocated ESF activity / funding through a separate HE grant to the University of the Highlands & Islands (UHI).*

[2] *- SRUC will be allocated ESF activity / funding through HE funding.*

Table 5: Capital funding 2017-18

Institution/Region	Final core credit targets 2016-17	% share of volume target	**2017-18 Indicative capital grant based on share of volume target £**
Ayrshire College	124,252	7.4%	**1,541,880**
Borders College	24,521	1.5%	**304,288**
Dumfries and Galloway College	30,067	1.8%	**373,114**
Dundee and Angus College	103,232	6.1%	**1,281,037**
Edinburgh College	184,028	10.9%	**2,283,659**
Fife College	129,760	7.7%	**1,610,231**
Forth Valley College	83,984	5.0%	**1,042,183**
Glasgow Region	368,574	21.8%	**4,573,746**
Highlands & Islands Region	110,967	6.6%	**1,377,023**
Lanarkshire Region	170,967	10.1%	**2,121,581**
Newbattle Abbey College[1]			**0**
North East Scotland College	134,118	7.9%	**1,664,311**
Sabhal Mòr Ostaig[1]			**0**
SRUC	22,867	1.4%	**283,763**
West College Scotland	159,025	9.4%	**1,973,389**
West Lothian College[2]	42,527	2.5%	**369,795**
Scotland	1,688,889		**20,800,000**

[1]Newbattle Abbey College and Sabhal Mòr Ostaig do not receive capital / maintenance funding

[2]West Lothian College's Capital funding is adjusted to reflect the repayment of a loan.

11. Decision Point 3 Falkirk Campus Affordability
For Discussion

14 March 2017
FINANCE COMMITTEE

1. Purpose

To update members on the affordability of the new Falkirk Campus prior to submitting the Decision Point 3 report to SFC.

2. Recommendation

That members note that the campus development and future lifecycle maintenance remain affordable subject to the assumptions contained within the financial model.

3. Background

On 25 August 2016 the Board of Forth Valley College approved the Full Business Case for the new Headquarters Campus in Falkirk and their centre for Science, Technology, Engineering and Mathematics (STEM). The document was based on existing full time and part-time student and MA activity and specialist accommodation for STEM.

On 22 December 2016, SFC confirmed that they had received approval from Scottish Government of the Full Business Case for the redevelopment of the Falkirk campus. They also confirmed their in-principle offer of grant (copy attached) was set by reference to the nominal construction costs (including VAT) of the project and capped at £70m. As normal, a final offer of grant will not be issued until the College complete Decision Point 3 and 4.

4. Cost

[redacted]

[redacted]

- [redacted]

[redacted]

[redacted]

[redacted]

[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted] [redacted]	[redacted] [redacted]	[redacted] [redacted] [redacted]	[redacted] [redacted] [redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

		[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	

Following the reclassification, as an arms length public body, the College is unable to hold cash reserves. The College will continue to work to maximise land receipts and generate additional contributions through Fundraising.

However, should any of the above risks crystallise and result in a funding gap which the College cannot fund the final assumption is that SFC will fund this gap.

7. Equalities

Assessment in place **Yes** ☐ No ☒

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	x	
Low		
Very Low		

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

Risks and mitigating actions are included in Section 5.

Risk Owner – Ken Thomson

Action Owner – Tom Gorman

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes ☐ No ☒

Health and Safety – Yes ☐ No ☒

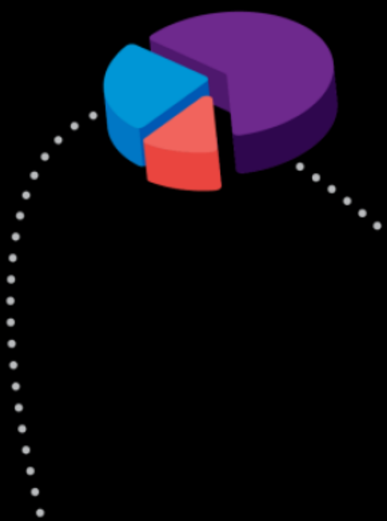
Please provide a summary of these implications

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

Forth Valley College
Programme of Finance Committee Business

	Jun-17	Sep-17	Nov-17	Mar-18
1 Apologies for absence	✓	✓	✓	✓
2 Declarations of interests	✓	✓	✓	✓
FOR APPROVAL				
3 Minutes of previous meeting	✓	✓	✓	✓
4 Maters Arising	✓	✓	✓	✓
Student Association Accounts & Budget		✓		
Accounting Policies		✓		
Resource Return 2016/17 (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				
Business Development Update	✓	✓	✓	✓
Forecast Outturn 2016/17 @ April 2017	✓			
Forecast Outturn 2016/17		✓		
Forecast Outturn 2017/18 @ January 2018				✓
Indicative Funding Allocation 2018/19				✓
Review of Risk	✓	✓	✓	✓
Any other competent business	✓	✓	✓	✓
FOR INFORMATION				
Programme of Committee Business	✓	✓	✓	✓
Budget Monitoring - 2016/17 Qtr 2 (Jan 2017)				✓
Budget Monitoring - 2016/17 Qtr 3(Apr 2017)	✓			
Budget Monitoring - 2016/17 Qtr 1 (Oct 2017)			✓	

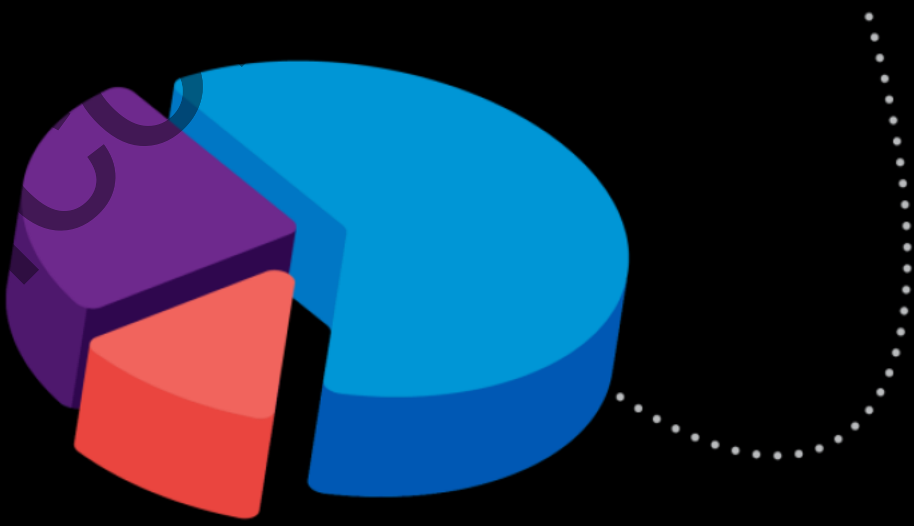


Forth Valley College

Internal Audit Report 2016/17

Non-Pay Expenditures and Creditors

February 2017



For Information

Forth Valley College

Internal Audit Report 2016/17

Non-Pay Expenditure and Creditors

Audit Sponsor	*Key Contacts*	Audit team
Alison Stewart – Director of Finance and Corporate Services	Stephen Jarvie – Corporate Governance and Planning Officer	Gary Devlin, Partner Claire Beattie, Audit Manager Mairi MacMillan, Auditor

Executive Summary

Conclusion

The College has a range of effective controls in place over expenditure and payments, but should improve specific controls over supplier amendments, the raising of purchase orders and the monitoring of system user access rights.

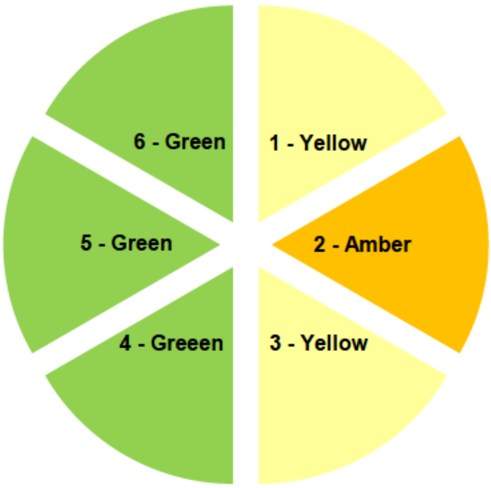
Background and scope

Non-pay expenditure and creditors' systems control and account for payments to suppliers. These systems are closely linked to, but distinct from, procurement and purchasing systems.

In order to ensure the economic, efficient and effective use of money, it is important that Forth Valley College can demonstrate that it has robust processes and procedures in place that will facilitate the achievement of its objectives

We reviewed the key controls in place over the payment, accounting, and monitoring of Forth Valley College non-pay expenditure transactions and creditors balances. We also considered the College's compliance with VAT regulations.

Control assessment



1. Policies and procedures are in place for non-pay expenditure which are aligned to best practice.

2. Payments are made only in respect of valid and approved creditor accounts for goods and services confirmed as received.

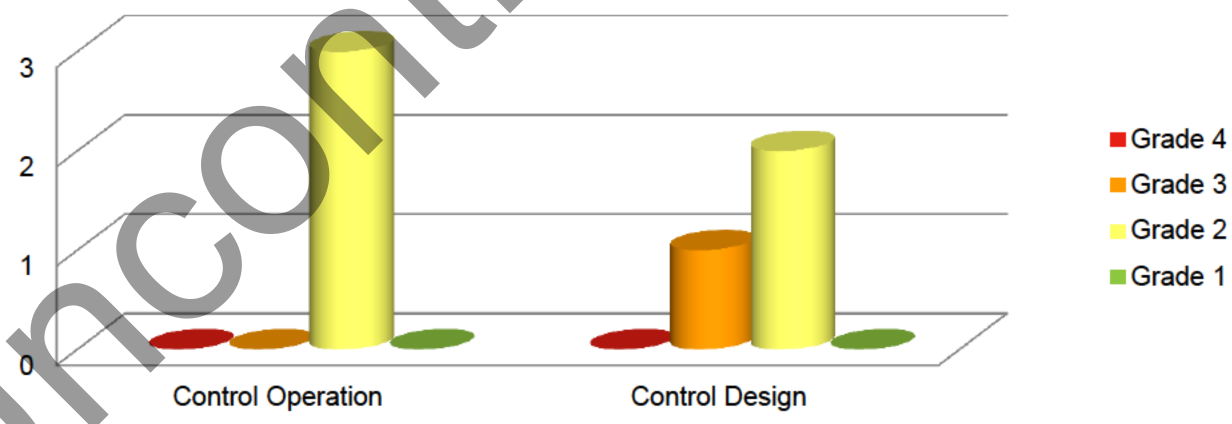
3. Payments are made in accordance with the organisation's payment policy.

4. Non-pay expenditure is accurately reflected in the financial ledger.

5. Timely, relevant and accurate management information is in available and is reviewed on a regular basis.

6. The College is complaint with VAT regulations.

Improvement actions by type and priority



Six improvement actions have been identified from this review, three of which relate to compliance with existing procedures, rather than the design of controls themselves. See Appendix A for definitions of colour coding.

Key findings

Good practice

We have gained assurance that Forth Valley College's procedures reflect good practice in a number of areas:

- The College uses the Purchase to Pay (P2P) purchasing system. Each user requires a unique username and password to access the system. Users are given access to different modules within the system depending on their role.
- VAT processes are clearly documented within the Colleges Financial Memorandum and the document is fully aligned with Scottish Government compliance requirements. VAT amounts are accurately recorded within the finance ledger and quarterly VAT returns are completed, authorised, and submitted to HMRC by the required due date.
- A Management Accounts Pack is produced on a monthly basis and presented at each meeting of the Senior Management Team, Finance Committee and Board. The Management Accounts Pack is produced electronically from the ledger and is reviewed by the Head of Finance and reviewed and approved by the Associate Principal & Executive Director Financial before being circulated at meetings.

Areas for improvement

We have identified a number of areas for improvement which will strengthen Forth Valley College's control framework. These include:

- New supplier and supplier amendment processes must be agreed and documented.
- A formal policy and procedure review schedule should be implemented for non-pay expenditure documentation.
- All invoices must be supported by a valid purchase order prior to payments being released to creditors.
- Purchase system user administration processes should be documented and evidence of system user requests and user access reviews should be retained by the College.
- Aged creditors reviews and control account reconciliations should undergo a secondary review by a senior member of staff and evidence of these reviews should be retained for audit purposes.
- The College's Scheme of Delegation should be updated to reflect current purchasing approval processes and financial authorisation limits.

These are further discussed in the Management Action Plan below.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: Policies and procedures are in place for non-pay expenditure which are aligned to best practice.

Yellow

1.1 Policies and Procedures

The College has a range of non-pay expenditure policies and procedures in place that provide guidance and direction to purchase system users and the Finance Team when processing purchases orders and authorising invoice payments. However new supplier and supplier amendment processes have not been formally documented within a procedure document.

We undertook a review of available policies and procedures and noted that whilst they reflect current practice there are no arrangements in place to review these documents on a regular basis. Policies and procedures were last reviewed in April 2014.

Risk

There is a risk that staff are unfamiliar with new supplier and supplier amendment processes resulting in fraudulent suppliers being set up within the purchase system and payments being made to them. Also, failure to regularly review and update non-pay expenditure policies and procedures may result in staff not adhering to expected working practices.

Recommendation

The College should make arrangements to formally document new supplier and supplier amendment processes and communicate these to relevant staff.

The College should also develop a formal policy and procedure review schedule for non-pay expenditure documentation. Review, revision and upcoming review dates should be captured within the version control table contained within these documents.

Grade 2 (Design)

Management Action

As part of our continuous improvement programme we will formally document the new supplier process detailing the steps that we currently undertake and will publish this within the public section of the finance area in Sharepoint to ensure that all College staff have visibility and understand what steps should be taken when considering using and setting up a new supplier. This will include a checklist to ensure that we have covered all the required steps and align the procedure to procurement guidelines. This procedure will also cover all changes to be made to suppliers that are currently held on P2P.

Action owner: Fiona Lovell **Due date:** 31/07/2017

Control Objective 2: Payments are made only in respect of valid and approved creditor accounts for goods and services confirmed as received.

Amber

2.1 Supplier Amendments

Whilst there are controls over certain aspects of supplier details (eg secondary review to confirm payment information of new suppliers), some aspects of these processes are not as closely controlled. For example, amendments to supplier bank details are reflected within the purchase system following receipt of an amendment request being received on supplier letterhead stationery. No additional follow up and confirmation of amendment requests are sought by the Finance Team.

Risk

Supplier amendment process are insufficient and do not deter the risk of fraudulent payments being made to suppliers.

Recommendation

Forth Valley College must review existing supplier amendment processes and ensure adequate supporting evidence is obtained prior to amendments being reflected within the finance system.

Management Action

Grade 3 (Design)

For any amendment of supplier bank details on the Sun system, an extra verification step will be added which will require the Finance Team to telephone the supplier directly to verify the details of any bank account changes to mitigate the risk of fraud and note this in the new supplier file. This will then be reviewed and evidenced as part of the normal bank changes check which is completed as part of the weekly payment run by the Financial Accountant.

Action owner: Fiona Lovell

Due date: 30/04/2017

2.2 Purchase orders

The Finance Team is required to match all invoices to an appropriately authorised purchase order prior to realising payments to creditors.

We undertook invoice payment testing and from our sample of 24 we identified 11 instances where invoices had been paid by Finance without a supporting purchase order being available. We were advised that purchase orders had not been raised for these purchase requests as the total costs were unknown by budget holders at the time of ordering, for example catering and hospitality costs. We did verify that Finance had confirmed the validity of these suppliers and that the College had received the goods prior to releasing these invoice payments.

Risk

There is a risk that invoices will be approved and paid after agreed budgets have been exceeded putting the College at financial risk.

Recommendation

The College must revise current invoice payment processes to ensure all invoices are supported by a valid purchase order prior to payments being released. Where order amounts are not known at the time of placing orders, budget holders should raise a purchase orders that captures the total budget amount available. Finance will then be able to pay invoices that fall within purchase order budget amounts or seek payment authorisation for amounts greater than the amount stated.

Grade 2 (Operation)

Management Action

The College believes that POs are not appropriate for all non-pay expenditure.

As noted above, the majority of the invoices which did not have any associated Purchase Orders were in relation to catering and hospitality costs. The Hospitality team is currently developing a new process for the requisition and receipt of catering supplies through the Bleep (Hospitality till software). It is hoped that this will be fully implemented around August 2017 and once implemented, the hospitality team will have more visibility between goods delivered and orders placed and the finance team will have access to this to verify the order level and check this to the invoice received.

In the meantime, all catering supplies invoices are checked by the individual Campus and then sent to Finance for entry onto the system. These invoices are still subject to an approval process through P2P and any invoices that cause the budget to be exceeded are directed to the Financial Accountant to be checked.

For the other areas including gas and electricity, postage, broadband, call charges, legal fees and HR expenses where there are usually no PO's due to the full cost of the invoice not being fully known, the invoices are still required to follow the P2P approval process which has a budget check as part of this process. Any invoices which would mean a budget was exceeded are automatically sent to the Financial Accountant to be checked against available budget.

Action owner: Fiona Lovell **Due date:** 31/08/17

2.3 User Access

The purchase system, P2P, is administered by the Finance Team and access is controlled by the Finance Manager. Management advised that system processes are in place to govern new users, user amendments and removal of leavers by requiring line managers to submit system user requests to the Finance Team. We noted that these processes have not been formally documented.

We undertook system user testing and confirmed adequate controls are in place for the removal of leavers from the system, however, limited evidence was available to us to demonstrate the accurate completion of new user and user amendment requests. This was due to user request not being retained by the Finance Team.

The P2P system has the functionality to generate an existing users report. We were advised that the system user report is regularly reviewed by a senior member of the Finance Team to confirm user access rights remain accurate and appropriate. However limited evidence was available to us to demonstrate the regular review and approval of user access reports.

Risk

There is a risk that staff have unauthorised or inappropriate access to the purchasing system leading to inappropriate or fraudulent orders being placed resulting in financial and reputational damage.

Recommendation

The College should implement processes that require the Finance Team to retain an adequate paper trail of all P2P system user requests. Also, arrangements must be made to undertake system user access reviews on a biannual basis and evidence of these reviews must be retained by the College. These processes should be formally documented and communicated to relevant staff.

Management Action

Grade 2 (Operation)

New user requests will be formally documented and saved within a new folder within the finance shared drive.

The review of the existing users report will be saved and evidence of review noted in the same finance shared drive going forward.

A new procedure to document the request for a new user and set up will be drafted and made available to all staff.

Action owner: Louise Burnett

Due date: 31/07/2017

Yellow

Control Objective 3: Payments are made in accordance with the organisation's payment policy.

3.1 Aged Creditor Review and Control Account Reconciliations

The College monitors outstanding creditor accounts and undertakes control account reconciliations during month end finance procedures. The Financial Accountant is responsible for reviewing and analysing outstanding creditor payments and for performing ledger reconciliations.

We reviewed aged creditor review and reconciliations processes and confirmed that these are being completed by the Financial Accountant. However no secondary review and approval of these outputs is being undertaken by another senior member of staff. We were advised that Senior Management review the trade creditors figure within the Management Accounts Pack but the pack fails to provide a detailed analysis of aged creditors.

Risk

There is a risk that errors or issues with creditors are not identified and addressed. Also, there is a risk that the items are incorrectly recorded in the ledger leading to inaccurate management information being produced that will result in poorly informed decision making and potentially financial loss or reputational damage.

Recommendation

The College should review month end processes to include the need for aged creditors reports and ledger reconciliations to be overseen and approved by a senior member of staff. The College should ensure appropriate evidence of secondary reviews is retained for audit purposes.

Management Action

Grade 2 (Design)

A new checklist will be created to ensure the aged creditors and reconciliations are being reviewed by a senior member of staff and evidence of the formal sign off will be documented and retained for audit purposes.

Action owner: Fiona Lovell

Due date: 31/03/2017

3.2 Schedule of Delegated Authority

The College has a Scheme of Delegation in place that was last revised in 2008. We noted that the scheme of delegation fails to capture current purchasing approval processes and financial authorisation limits. We were informed that arrangements are currently in place to revise the Scheme of Delegation.

Management verbally confirmed current purchase approval processes and advised that approval authorisation limits have been reflected within the purchasing system. Without a current Scheme of Delegation we were unable to verify the accuracy of approval limits recorded within the system. However, we did undertake testing and confirmed that all purchase orders, from our sample of 24, had been appropriately approved and authorised in line with current approval processes.

Risk

There is a risk that purchases orders are approved by individuals with inappropriate authorisation leading to inappropriate or fraudulent orders being placed resulting in financial and reputational damage.

Recommendation

We support management's plans to review the College's Scheme of Delegation. The revised document should clearly set out current purchasing approval processes and financial authorisation limits.

Grade 2 (Operation)

Management Action

The College's Scheme of Delegation is currently being reviewed and will be revised to set out the relevant approval processes and authorisation limits. This will be made available to all staff on the public area of the Finance section in Sharepoint.

Action owner: Irene Andrew **Due date:** 31/07/17

Control Objective 4: Non-pay expenditure is accurately reflected in the financial ledger.

Green

No weaknesses identified

The Finance ledger interfaces directly with the P2P purchasing system. This ensures current purchasing information is contained within the financial system to support management decisions. Monthly reconciliations are undertaken by the Financial Accountant to confirm the accuracy and completeness of purchase data contained within the finance system. As noted at 3.1, no secondary review and approval of monthly reconciliations takes place. The College should ensure secondary review processes are undertaken by a senior member of staff.

Control Objective 5: Timely, relevant and accurate management information is in available and is reviewed on a regular basis.

Green

No weaknesses identified

Internal management accounts are produced electronically from the ledger, reducing the risks from significant manual intervention. Once data is extracted from the financial system, the Head of Finance reviews and assesses the data prior to compiling the monthly Management Account Pack. The Management Accounts Pack is reviewed by the Associate Principal & Executive Director of Finance before being distributed to the Senior Management Team on a quarterly basis and to the Finance Committee and Board on a quarterly basis.

Control Objective 6: The College is complaint with VAT regulations.

Green

No weaknesses identified

College VAT processes are set out within the College's Financial Memorandum and the document is easily accessible to staff via the Scottish Government website. Finance staff responsible for authorising invoice payments must also allocate VAT amounts for reclaim or charging within the ledger. The Financial Accountant reviews and authorises all VAT amounts recorded within the ledger and the VAT account is reconciled on a monthly basis. VAT reclaims /charges returns are completed on a quarterly basis and are authorised by the Head of Finance and submitted to HMRC by the required due date.

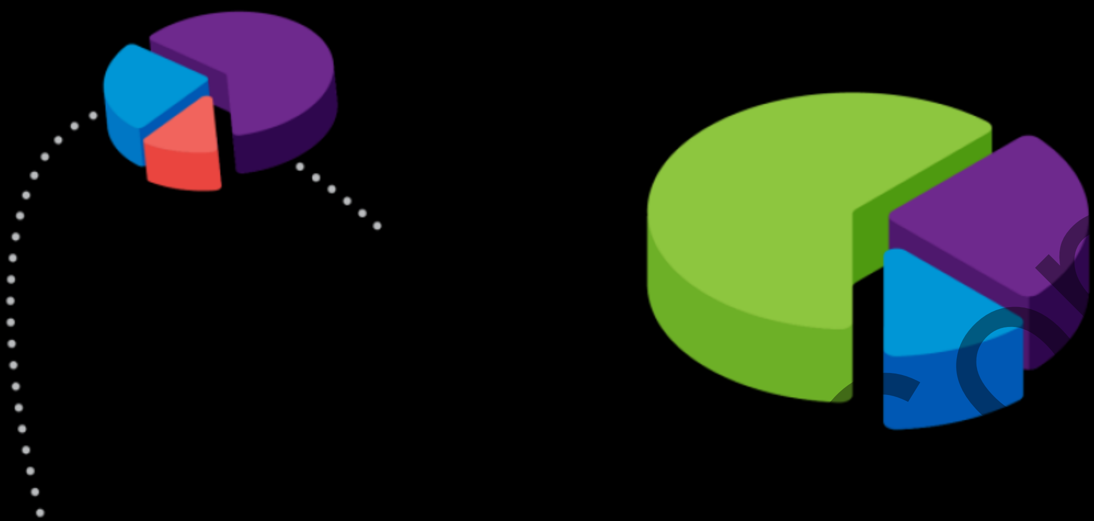
Appendix A – Definitions

Control assessments

R	Critical: fundamental absence or failure of key controls
A	High: control objective not achieved - controls are inadequate or ineffective
Y	Moderate: Control objective achieved - no major weaknesses but scope for improvement
G	Low: Control objective achieved - controls are adequate, effective and efficient

Management action grades

4	• Very high risk exposure - major concerns requiring immediate senior attention that create fundamental risks within the organisation.
3	• High risk exposure - absence / failure of key controls that create significant risks within the organisation.
2	• Moderate risk exposure - controls are not working effectively and efficiently and may create moderate risks within the organisation.
1	• Limited risk exposure - controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house-keeping issues.

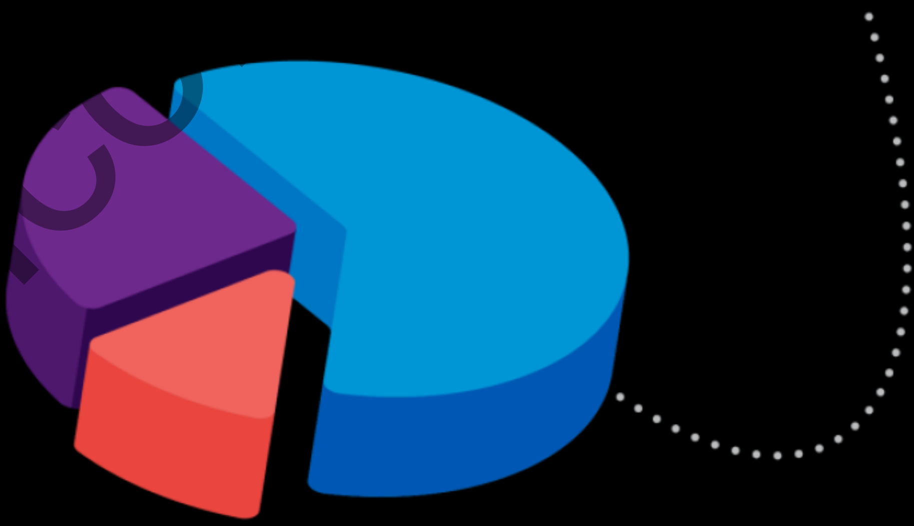


Forth Valley College

Internal Audit Report 2016/17

Budget Setting and Monitoring

February 2017



For Information

Forth Valley College

Internal Audit Report 2016/17

Budget Setting and Monitoring

Audit Sponsor	Key Contacts	Audit team
Alison Stewart, Director of Finance	*Irene Andrew, Head of Finance,* *Fiona Lovell, Financial Accountant*	*Gary Devlin, Partner* *Claire Beattie, Audit Manager* *Andrea Larkin, Internal Auditor*

Executive Summary

Conclusion

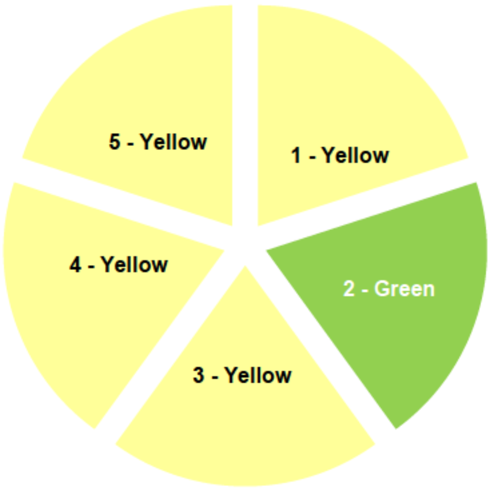
Forth Valley College (FVC) has adequate and effective budget setting and monitoring arrangements in place that reflect good practice. We have identified some opportunities for improvement which will further enhance the design and robustness of controls currently in place.

Background and scope

Budgetary control is fundamental to the financial health and success of any organisation. As a public sector organisation Forth Valley College is accountable for the proper use of public funds. In order to ensure the economic, efficient and effective use of these monies, it is essential that Forth Valley College has robust processes and procedures in place surrounding budgetary control.

We have reviewed the budget setting and monitoring arrangements in place at Forth Valley College to ensure that they are robust and operating effectively. This included an assessment of how the budget is planned, authorised and rolled out, how performance against the budget is monitored and reported and how budget variances are dealt with, including clarity of budget holder responsibilities.

Control assessment



1. There is an appropriate budgeting framework which reflects and supports the structure and operations of the organisation;

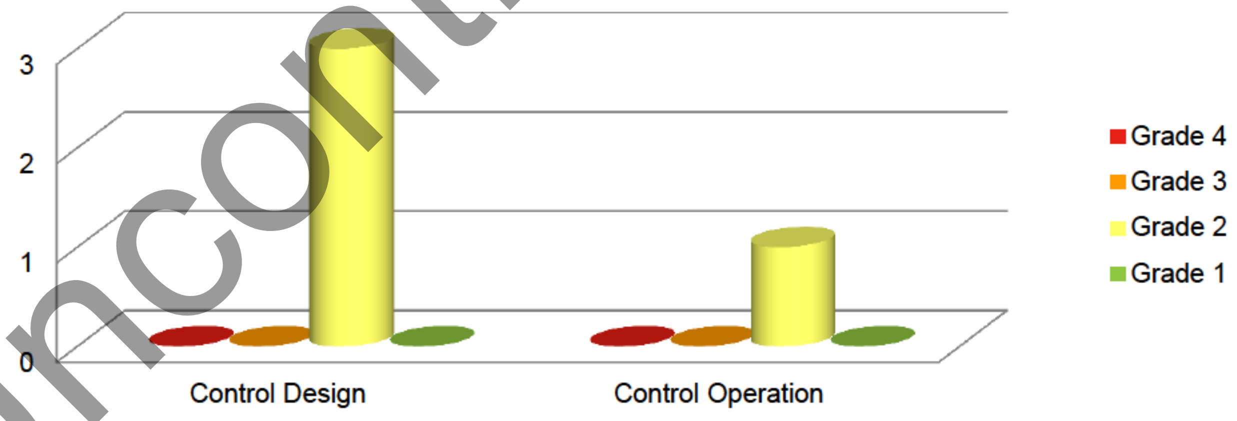
2. The budget planning process has taken account of the financial operating environment, with in-year and future expected reductions in funding being robustly managed and monitored;

3. Budgets are subject to scrutiny prior to the start of the year and authorisation by senior management and the board;

4. Budget performance is monitored against financial targets, with variations from budget promptly identified and investigated;

5. Budget holders and senior management have appropriate means to monitor progress against financial targets.

Improvement actions by type and priority



Five improvement actions have been identified from this review, one of which relate to compliance with existing procedures, rather than the design of controls themselves. See Appendix A for definitions of colour coding.

Key findings

Good practice

We have gained assurance that FVC's procedures reflect good practice in a number of areas:

- The College has implemented a devolved budget framework. Under this framework the responsibility for managing departmental budgets, income budgets and salary budgets has been devolved to individual budget holders who are ultimately responsible for delivery within these areas. The devolved budgeting framework within the College requires budget holders to maintain proper control of allocated budgets and holds the BH accountable for performance against budgets, ensuring ongoing control, management and transparency of budget performance.

- The devolved budget setting framework is clearly linked to the achievement of FVC's strategic objectives with BH's required to reflect Regional Outcome Agreements (ROA) and departmental operational plans within budgets.

- The Finance Team is responsible for issuing monthly budget monitoring reports to budget holders and arranging monthly meetings with them to discuss budget performance and determine reasons for any variances. The process is effective and provides sufficient budget monitoring control with finance regularly reviewing budget allocations, budget performance and obtaining and reflecting suitable variance explanations within the management accounts.

- A Budget Monitoring Reporting Pack is produced on a quarterly basis and presented at each meeting of the Senior Management Team (SMT), Financial Committee (FC) and Board. The pack includes income and expenditure analysis information and provides an overview of the College's financial position against the annual budget. It also highlights and provides budget variance analysis which provides the reasons for variances and what actions the College is taking to address these.

Opportunities for improvement

We have identified a number of areas for improvement which, if addressed, would strengthen FVC's control framework. These include:

- Formally documenting budget setting and monitoring processes and communicate these with relevant staff.

- Budget establishment processes should be reviewed and require budget holders to formally notify the Finance Team when establishment reviews have been completed.

- Budget holders should be required to formally agree and approve proposed budgets prior to their inclusion within the full annual budget.

- Adequate evidence should be retained to demonstrate the review and approval of budget reports by appropriate members of the Finance Team prior to reports being issued to budget holders, SMT, FC and the Board.

- Budget variance actions should be consistently documented and meet SMART (Specific, Measurable, Attainable, Realistic and Timebound) requirements with owners and timescales assigned and regular action updates must be provided by action owners.

These are further discussed in the Management Action Plan below.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Yellow

Control Objective 1: There is an appropriate budgeting framework which reflects and supports the structure and operations of the organisation;

1.1 Budget setting and monitoring process

College budgets are prepared on an annual basis. The budget setting process requires:

- Budget holders to develop a draft budget that reflects their department's needs and requirements in line with departmental operational plan objectives and staffing requirements;
- The Head of Finance along with the Financial Accountant and the Finance Manager attends one to one meetings with budget holders to discuss draft budgets and departmental needs for the year ahead;
- The Head of Finance to review, amend, and agree proposed departmental budgets;
- Finance to issue finalised departmental budgets to budget holders for agreement and approval;
- The Head of Finance to collate approved departmental budgets to form the foundation of the College's overall annual budget; and
- The SMT, Finance Committee and Board to agree ad approve the final budget for the academic year.

Once approved, the College budget is monitored regularly throughout the year. The Finance Team issue monthly Budget Monitoring Reports to budget holders and will attend monthly budget holder meetings to discuss budget performance. Quarterly Budget Monitoring Reporting Packs are also provided to the SMT, Finance Committee and the Board.

While we are satisfied that the College is complying with budget setting and monitoring process these have not been formally documented. As such, the roles and responsibilities of budget holders and other key staff members involved in the process are not clear and there is no formal timetable in place that requires each step of the budget setting process to be performed in a timely manner.

We have also identified that other key documents such as the Financial Regulations, Management Accounts Procedure and reforecasting exercise guidance notes are outdated and misaligned with current working practices.

Risk

There is a risk that staff are unaware of budget setting and monitoring roles, responsibilities and processes resulting in inappropriate budgets being developed and approved that fail to support the achievement of strategic and operational objectives leading to financial mismanagement and reputational damage.

Recommendation

The College should make arrangements to document budget setting and monitoring processes and communicate these to relevant members of staff. Also, the College should consider developing a budget setting timetable that sets out the key steps in the process, responsible owners, and the dates in which these processes should be completed by. Developing a budget timetable will ensure sufficient time is available to enable budget holders to be involved in the budget planning process and will support the completion of budget tasks within the schedule required to allow the Head of Finance to finalise the annual budget for presentation and approval at the SMT, FC and Board.

Finally, the College should make arrangements to review all other budget documentation to ensure these reflect current practice. Once amended, budget documentation must be communicated to relevant staff and arrangements put in place to review these documents on a regular basis to ensure they continue to reflect current working practices.

Grade 2 (Design)

Management Action

The College will update the budget setting guidelines that are currently in place and ensure that the roles and responsibilities of budget holders in the budget setting process are set out clearly. This document will also ensure that the budget review requirements are highlighted to ensure full understanding of budget holders' responsibilities.

A budget and reforecast timetable is currently being developed which will be updated on an annual basis and the timetable made available to all budget holders on the Finance section of Sharepoint. This will ensure full understanding of the budget setting cycle and deadlines of when submissions should be made to align with both internal and external deadlines.

Action owner: Irene Andrew

Due date: 30/04/2017

1.2 Establishment Data

The annual budget setting process requires budget holders to review and agree the establishment data available for their department. Finance ask budget holders to review the accuracy of delivery hours within the Curriculum Planning System (CPS) by a specific date. When the CPS review deadline has passed, the Finance Manager will reconcile departmental data within CPS against the HR establishment information to confirm the College has sufficient staff available to meet current departmental course delivery needs. If the departmental data agrees, the Finance Manager will then email budget holders to confirm that establishment data is correct within their draft budgets.

We noted that budget holders are not required to formally notify Finance when CPS establishment reviews have been completed. As a result, the Finance Manager may undertake reconciliations prior to data being verified by BH resulting in inaccurate establishment figures being agreed and reflected within the annual College budget. We were advised completion of establishment reviews will be clarified during budget planning meetings. However as these meetings are not minuted we have not been able to confirm establishment confirmations took place.

Risk

There is a risk that the College's staffing establishment is inaccurate leading to budgets being approved that fail to support the achievement of strategic and operational objectives which will lead to financial mismanagement and reputational damage.

Recommendation

The College should revise establishment processes to require the budget holders to formally notify Finance when establishment reviews have been completed. This will ensure accurate establishment data is confirmed by the Finance Manager and reflected within the final budget. .

Grade 2 (Design)

Management Action

Finance sets and communicates the date for final CPS adjustments to be completed. This therefore reduces the risk of inaccurate data being used.

However, we do acknowledge that changes often happen after this date so we include a review of the required delivery hours as part of the quarterly reforecast stage.

Going forward, budget meetings will be minuted.

Action owner: Louise Burnett **Due date:** 01/08/2017

Control Objective 2: The budget planning process has taken account of the financial operating environment, with in-year and future expected reductions in funding being robustly managed and monitored.

Green

No weaknesses identified

At the start of the annual budget setting process, future funding scenarios are reviewed by the finance team to identify high risk areas where there is a potential for funding to be reduced. Where it is believed that there is a risk, assumptions will be made in relation to the anticipated reduction and these will be factored into the College's budget. Details of the budget assumptions made during the development of the budget are included within the Annual Budget Submission which is presented to the SMT, Finance Committee and the Board for approval.

Funding allocations are reviewed by the finance team as part of the monthly budget monitoring process. Significant reductions in funding are detailed within Budget Monitoring Reports which are presented to the Senior Management Team (SMT) on a quarterly basis. The resultant impact on the College is formally considered during quarterly reforecasting exercises and where required the budget will be reforecast to reflect changes in income/expenditure identified. A reforecasting report is produced to provide narrative on the issues identified and resultant actions taken and is presented to the SMT, Finance Committee and the Board on a quarterly basis.

Control Objective 3: Budgets are subject to scrutiny prior to the start of the year and authorisation by senior management and the board.

Yellow

3.1 Budget Approval

Budget holders are responsible for setting the annual budgets for their departments. The Head of Finance along with the Financial Accountant and the Finance Manager attend one to one meetings with budget holders to discuss draft budgets and confirm they appear reasonable and accurate to meet annual departmental expectations. Draft budgets are then reviewed and agreed by the Director of Finance and a finalised version is emailed to budget holders asking them to confirm and approve the final draft budget.

We noted that budget holder approval of final drat budgets is not always obtained and where a response is received form the budget holder, there is no formal process in place requiring their approval to be documented.

Risk

There is a risk that budgets are not subject to robust review and scrutiny leading to errors in assumptions or arithmetic not being identified resulting in funds not being available to deliver core objectives.

Recommendation

FVC should ensure that BH formally agree and approve proposed budgets prior to their inclusion within the full annual budget.

Management Action

Grade 2 (Design)

E-mails are currently sent to each budget holder with the proposed final budget/reforecast and a deadline by when responses are to be received, to evidence approval of this budget. However, Finance does not always receive an e-mail confirmation, so going forward the email issued to Budget Holders will make it clear that there will be an implied approval should they not respond by a certain date.

All correspondence re any proposed changes will be held on the relevant department area within the finance section of SharePoint.

Action owner: Irene Andrew

Due date: 30/04/2017

Control Objective 4: Budget performance is monitored against financial targets, with variations from budget promptly identified and investigated.

Yellow

4.1 Budget Monitoring Reports

As noted at 1.1, budget monitoring processes have not been formally documented. However management advised that various budget monitoring report controls have been implemented that require finance staff to routinely review and approve budget monitoring reports prior to their distribution, for example:

- The Financial Accountant is responsible for preparing, reviewing, and approving Monthly Monitoring Reports prior to these being issued to budget holders; and
- The Head of Finance is responsible for reviewing and approving the quarterly Budget Monitoring Reporting Pack prior to its circulation to the Director of Finance, SMT, Finance Committee and the Board.

Although budget report review and approval controls have been implemented, limited evidence was available to us to demonstrate the review and approval of these reports by appropriately authorised staff prior to report distribution.

Risk

There is a risk that budget reports are not formally approved prior to distribution resulting in inaccurate data being reported to budget holders, SMT, Finance Committee and the Board.

Recommendation

The College should ensure adequate evidence is retained to support the review and approval of budget reports by appropriate Finance Team members prior to reports being issued to budget holders, SMT, FC and the Board.

Management Action

Grade 2 (Design)

The monthly budget monitoring reports which are produced for Budget Holders are prepared by the Senior Finance Assistant and reviewed by the Financial Accountant before being issued to Budget Holders via their department area on SharePoint in time for the scheduled meeting. Going forward, this process will be formally documented by way of a checklist for all month end accounting activities.

In respect of formal reports for SMT the checklist will include the review stages and evidence the approval of papers before being issued to the Director of Finance, SMT, FC and the Board

Action owner: Fiona Lovell **Due date:** 31/03/2017

Control Objective 5: Budget holders and senior management have appropriate means to monitor progress against financial targets.

Yellow

5.1 Budget Monitoring Actions

The College operates a £10,000 budget variance threshold. All departmental variances above the threshold will be raised and discussed at monthly budget holder meetings and adequate explanations sought for such variance. Budget holders will be asked to develop a budget action that will help to reduce the variance thought the remaining financial year. Narrative explanations of variances and relevant actions are documented within the budget holder monitoring folder that is held within the finance area of the College Intranet. Owners are assigned to budget actions and, where possible, target timescales will be agreed.

A high-level monthly monitoring report is produced for the College's overall annual budget and this is used to identify significant corporate variances. Where required, budget actions will be agreed to address corporate variances and these will be assigned to relevant staff members to ensure variances are appropriately managed and resolved.

We undertook budget action testing and from our sample of 21 actions we noted the following issues:

- Narrative explanations of variances and resulting actions for departmental budgets are not consistently documented within departmental monitoring folders;
- Actions fail to meet SMART requirements and timescales are not consistently assigned to ensure timely completion;
- Updates are not regularly provided by action owners to give assurance that actions are being implemented/actively pursued; and
- Timescales are not consistently assigned to actions identified via the College's high level corporate budget monitoring report.

Risk

There is a risk that variances are not sufficiently scrutinised and actions are not identified, resulting in failure to meet spending targets and the inability to deliver core functions.

Recommendation

FVC should ensure that narrative explanations and actions are consistently documented for all variances identified above £10,000. Actions must meet SMART requirements with owners and timescales assigned and regular updates must be provided by action owners to give the College assurance that variances and resultant actions are being appropriately managed and implemented.

Grade 2 (Operation)

Management Action

The College currently documents any variances noted as part of the monthly review of finance information that are greater than £10k on the relevant departments SharePoint area in Finance. It is acknowledged that this area is not utilised to its full potential.

To improve our tracking of actions and minutes of meetings, the team will improve communication with Budget Holders on how to utilise this area when actions are assigned to the relevant team members and ensure that assigned actions meet the SMART requirements to ensure there is a dedicated person responsible, the action is specific and that a deadline is given for a response.

Action owner: Fiona Lovell/Budget Holders **Due date:** 31/03/2017

Appendix A – Definitions

Control assessments

R	Fundamental absence or failure of key controls.
A	Control objective not achieved - controls are inadequate or ineffective.
Y	Control objective achieved - no major weaknesses but scope for improvement.
G	Control objective achieved - controls are adequate, effective and efficient.

Management action grades

4	•Very high risk exposure - major concerns requiring immediate senior attention that create fundamental risks within the organisation.
3	•High risk exposure - absence / failure of key controls that create significant risks within the organisation.
2	•Moderate risk exposure - controls are not working effectively and efficiently and may create moderate risks within the organisation.
1	•Limited risk exposure - controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house-keeping issues.