Agenda

21 June 2017
FINANCE COMMITTEE

Project Meeting Room, Falkirk Campus at 4.30pm
(Refreshments available from 4.00pm.)

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 14 March 2017

3. Matters Arising

   a) F/16/023 Tuition Fees and Fee Waiver Policy Session 2017/18
   b) F/16/027 Business Development Quarterly Report
   c) F/16/028 Forecast Outturn 2016/17 (Q2 January 2017)
   d) F/16/029 Indicative Funding Allocation 2017/18
   e) F/16/032 Any Other Competent Business

4. Budget 2017/18 — Irene Andrew

   (Elements of paper 4 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.)

5. Treasury Management Strategy 2017/18 — Alison Stewart

FOR DISCUSSION

6. Q3 Forecast Outturn AY 16-17 — Irene Andrew
   (Elements of paper 6 are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

7. Review of Risk

8. Any other competent business

FOR INFORMATION

Programme of Committee Business
Budget Monitoring Report 9 months to 28th April 2017
(Elements of the Budget Monitoring paper 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.)
National Bargaining

Boardroom, Falkirk Campus (commencing at 4.30pm)

Present:	Mr Liam McCabe (Chair) Mr Andrew Carver Mrs Pamela Duncan Mrs Caryn Jack (Joined at F/16/029) Mr Ken Richardson Ms Trudi Craggs
Apologies:	None
In Attendance:	Mrs Anne Mearns, Chair Mrs Alison Stewart, Associate Principal and Executive Director of Finance Mr Andrew Lawson, Associate Principal and Executive Director HR and Operational Effectiveness Mr David Allison, Associate Principal and Executive Director Information Services and Communication Mrs Colette Filippi, Associate Principal and Executive Director Business Development Mrs Irene Andrew, Head of Finance Mr Paul Johnstone, Procurement Manager (F/16/026 Only) Mr Stephen Jarvie, Corporate Governance and Planning Officer

F/16/020 Declarations of Interest

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

He also declared an interest in relation to item F/16/026 by virtue of being a Board member of APUC.

Trudi Craggs declared an interest owing to her membership of the Board of TACtran, who are listed in the papers as providing grant funding to the College.

F/16/021 Minutes of Meeting held on 29 November 2016.

The minutes of the meeting held on 29 November 2016 were approved, subject to the correction of two spelling errors.

F/16/022 Matters Arising

a)F/16/016 Student Funding 2016/17

The Associate Principal and Executive Director of Finance reminded members that there had been a query as to College contingency should no additional funding be received. She confirmed that the requested level of funding had been allocated in full and there was now no need for the implementation of contingencies.

b) F/16/014 Annual Report and Financial Statements 2015/16

The Chair recorded that members had queried the use of the term ‘exceptional items’ with the external auditors. He confirmed that this had been reviewed and the opinion of the Committee had been confirmed as correct and the accounts had been amended accordingly.

F/16/023 Tuition Fees and Fee Waiver Policy Session 2017/18

The Associate Principal and Executive Director of Information Systems and Communication presented members with the annual update on the College Tuition Fees and Fee Waiver policy and confirmed he was seeking their approval to take this to the Board of Management.

He confirmed that the College was not proposing to increase fee levels and outlined the reasons behind this decision.

Members noted that some fees were reliant upon decisions by SQA and queried whether the College felt these fees may increase.

The Associate Principal and Executive Director of Information Systems and Communication confirmed that the College would not have confirmation until April of SQA fee levels and outlined the reasons why the College felt that an increase was unlikely. He also stated that if the SQA fees should rise the College would absorb this additional cost rather than increase its fees.

He also highlighted a minor amendment to the Fee Waiver section and confirmed that this would have no impact on students

a) Members approved the Tuition Fees and Fee Waiver Policy Session 2017/18 for recommendation to the Board of Management

F/16/024 Resource Outturn 2016/17

The Associate Principal and Executive Director of Finance presented the Resource Outturn paper to members. She highlighted that the paper issued to members covered to the end of January 2017 and that a further paper (Q4/2 resource return) covering to the end of February 2017 had been issued prior to the meeting.

She confirmed that the second paper was required to be submitted to the Scottish Funding Council (SFC) the next day and that she was seeking approval from members to submit this.

She highlighted the main areas of the papers and provided an overview of the reporting schedule required by SFC.

Members noted that the required submission schedule did not take into account the manner and regularity with which College Boards meet. The Associate Principal and

Executive Director of Finance confirmed that, where possible, submissions would be brought to the Committee prior to submission. Where this was not possible, submissions since the last Committee meeting would be brought for information.

a) Members approved the Q4/2 resource return for submission to SFC

F/16/025 Government Banking Service

The Head of Finance presented a paper seeking approval from the Committee to recommend to the Board the adoption of the Government Banking System.

She outlined that, post ONS reclassification, the College sector is required to move their banking to the Government Banking Service, currently provided by RBS. She outlined the high level changes this would mean, including the loss of the ability to generate interest compared to commercial banking but also the overall reduction in fees.

Members noted that they were pleased that the College was seeking to retain a cash line machine at the Falkirk campus as this was a valued service for students.

Members expressed concerns with the open ended nature of the resolution RBS would want the Board to approve. Additional queries were raised in relation to signing rules.

a) Members gave a qualified approval, subject to more clarification being provided for the Board

b) Members also requested that information on authorised signatories and the procedures for signing within the College be provided to the Board.

F/16/026 Procurement Update

The Procurement Manager presented on the College's assessment under PCIP which is the new Scottish Government assessment regime for procurement.

He reported that the College had been rated as 'Silver' and recommendations had been received that would move the College to 'Gold' in the future. He did caution members that the College was unlikely to ever reach a 100% rating under PCIP as the resource the College would have to put into procurement would be disproportionate to their needs.

Members commended the Procurement Manager and the team on a very positive result.

The Procurement Manager then provided an overview of procurement activity within the College for 2015/16. He noted that there had been considerable effort to consolidate suppliers to achieve savings associated with large orders across departments. He also outlined the use of APUC framework agreements to secure greater value.

Members queried whether this would disadvantage local suppliers and whether the College communicated upcoming changes.

The Procurement Manager confirmed that, where there may be a change that would impact a local supplier, this change was communicated in advance to the suppliers. He also noted that support and guidance can be provided for local suppliers looking to get onto a relevant APUC framework

a) Members noted the content of the report

F/16/027 Business Development Quarterly Report

The Associate Principal and Executive Director Business Development presented a report outlining Business Development activity levels. She highlighted that there had been a downturn in commercial income, particularly in relation to electrical safety training. She also confirmed that, following earlier comment from the Committee and an internal review, the College had revised down the anticipated contribution levels from fundraising activity.

She highlighted that the College continued to perform well in relation to Modern Apprenticeships and reported that the College had won a national award in relation to COMPEX.

Members welcomed news of the award and noted that the College should use this award to further promote COMPEX. The Associate Principal and Executive Director Business Development confirmed that the College marketing department were already doing so via social media and that this would also be advertised in relevant trade publications.

The Associate Principal and Executive Director Business Development outlined international activity levels and outlined a recent experience relating to tendering for work in Dubai, the end result of which was the College did not proceed with the tender based on legal advice concerning the risks associated with this potential arrangement. The Committee agreed this was the correct decision. It was also recognised that much would be learned from this experience which could inform the assessment of opportunities in the future.

The Associate Principal and Executive Director Finance noted that the risk workshop with the Board which the Audit Committee is considering would help to develop the Boards appetite towards risk.

The Associate Principal and Executive Director Business Development noted that, in relation to fundraising, the focus was on bids to support College activity, such as addressing the increase in mental health issues and also funding for the new campus.

She confirmed that a fundraising plan for the new Campus would be brought to the June meeting of the Committee.

a) Members noted the content of the report

F/16/028 Forecast Outturn 2016/17 (Q2 January 2017)

The Head of Finance presented the current forecast outturn, noting that this was now showing a deficit of £68k, primarily due to the downturn in commercial and other areas as mentioned in the previous report.

She also noted that holiday pay accrual of £122k, while a non-cash adjustment as a consequence of implementing FRS 102, was having an impact on the projected final outturn.

The Associate Principal and Executive Director Finance informed members that Audit Scotland were looking to remove the impact of holiday pay accruals on the assessment of the underlying surplus/deficits of Colleges when considering the financial health of Colleges as part of their annual review of the sector .

a) Members noted the content of the report

F/16/029 Indicative Funding Allocation 2017/18

The Associate Principal and Executive Director Finance outlined the indicative funding allocations from SFC. Overall, these were positive at this time and there is likely to be some additional funding in terms of childcare provision and the Workforce Development Fund.

She confirmed that the final allocations should be communicated to College's by the end of April.

She outlined the changes in the funding model from SFC which had resulted in the more positive than expected position but noted that there were still historical aspects of the model which were negatively impacting on the College. She also highlighted that SFC are looking at how Extended Learning Support funding is allocated across the sector and the risk associated with this. The Associate Principal and Executive Director of Information Systems and Communication confirmed he had seen sight of three different models which showed the College would receive a cut in funding of upwards of £0.5m. As the situation became clear the College's Executive team will be ready to make representations as it considers appropriate to take forward the College's interests in this matter.

She confirmed the College would be in contact with SFC re these aspects.

a) Members noted the content of the report

F/16/030 **Decision Point 3 Falkirk Campus Affordability**

The Associate Principal and Executive Director Finance provided an update on the affordability of the new Falkirk Campus. She outlined that SFC had not accepted the assumption contained in the full business case where they would meet 50% of lifecycle costs.

She confirmed that further examination of the costs, using the same basis as the calculations for the Alloa and Stirling campuses, had shown that the College could afford the lifecycle costs should capital and maintenance funding levels from SFC remain substantially at the 2017/18 allocation levels.

She noted that the Principal, Associate Principal and Executive Director Estates Development and herself were meeting with SFC later in the week to discuss this and to press the College's case so far as was possible.

She highlighted that these changes had been incorporated into the table of risks and mitigating actions as a new assumption. Members noted that the language used should change from "drops below" to "significantly drops below" to reflect minor fluctuations in funding which may occur without the project being deemed unaffordable.

Ken Richardson, as Chair of the Falkirk Campus Project Board, provided an update on the recent review by that Committee of the decision point 3 documentation which they have recommended to the Board for approval.

a) Members noted the content of the report

F/16/031 **Review of Risk**

Members noted the risks in relation to ELS funding, the drop in commercial activity and the current outturn position. They also noted the discussions with SFC on the maintenance grant in the context of the affordability of the Falkirk Campus redevelopment project.

F/16/032 **Any other competent business**

The Associate Principal and Executive Director Finance noted that two recent Internal Audits relating to the College's finance function had been included with the papers for information.

The Associate Principal and Executive Director Finance provided an update on the Barclays banking covenants associated with the College loan facility. She outlined discussions between the College and Barclays which had been progressing positively however a meeting between Barclays and SFC re SFC's role as a guarantor had not reached a positive outcome. She noted that Barclays would now require that the

College renegotiate the existing covenants. An update would be provided to the Committee in due course.

4. Budget 2017/18
For Approval

21 June 2017
FINANCE COMMITTEE

1. Purpose

To present members with a draft of the Budget for 2017-18.

2. Recommendation

That members consider the approval of both the capital and revenue budgets for 2017-18 and recommend these to the Board of Management for consideration.

3. Background

The College has to report on 2 different year ends based on 2 different accounting regimes. This paper considers the College's revenue budget for the financial year which runs from 1 August 2017 to 31 July 2018 and capital and maintenance budget which runs 1 April 2017 to 31 March 2018.

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

For Forth Valley College the technical deficit is restricted to net depreciation less loan repayments.

4. FVC Funding

Funding Allocations	17/18 Final	16/17 Final	Variance agaisnt 16/17 final	%
GIA	20,710,100	20,142,485	567,615	2.8%
Childcare	93,842	-	93,842	0.5%
ESF	535,267	535,267	0	0.0%
	21,339,209	20,677,752	661,457	3.30%
Student Support	3,984,072	4,001,830	(17,758)	-0.4%
Childcare	21,281	-	21,281	0.5%
ESF Student Support	21,469	21,469	0	0.0%
	4,026,822	4,023,299	3,523	0.1%
Capital & Maintenance	1,043,370	1,280,874	(237,504)	-18.6%

Grant in Aid (GIA)
The SFC announced the final funding allocations on the 5th May 2017 for the Academic Year 17/18. Overall the College's GIA allocation has increased by 3.2% to £20,804k which is as a result of a general uplift applied across the College sector of 1.8%, a 1% increase as a result of the adoption of the new simplified funding approach and a small % increase in respect of Early Years Education activity. Whilst this was a good settlement the College is still deemed to be underfunded by £313k

without taking account of historic efficiencies which reduced the College's proposed funding level by £615k.

An analysis of sector funding will be presented to members at the meeting.

European Social Fund (ESF)
Funding and activity levels remain relatively consistent with regards to ESF.

Student Support
The student support funding has decreased by 0.4% however the additional £450k allocated in year for 2016/17 has been consolidated into the 2017/18 allocation. Accordingly this allocation should be sufficient but if not, then the College may apply for an additional element of the in-year redistribution fund being held centrally by the SFC.

Capital Maintenance
Excluding the one-off funding amount allocated in 16/17 for £497k, the capital maintenance budget has increased by £258k which is in line with the minimum level of funding the College requires to support the lifecycle maintenance of all 3 campuses.

Capital Funding
The current budget allocated by SFC also includes £19.5m in respect of funding for the initial construction of the new Falkirk Campus.

5. Key Considerations

Revenue Budget
The revenue budget for 2017-18, detailed in Appendix 1, shows an operational deficit of £226k. The key assumptions are detailed in Appendix 2.

The reduction in net depreciation due to the impairment of the existing Falkirk campus means the college must deliver an operational surplus of at least £20k to generate sufficient cash to cover loan repayments of £160k. There therefore is a gap of £250k which requires to be resolved.

The main pressure on the budget relates to staff costs which have increased by £1.2m and includes the unavoidable costs of National Bargaining, increased NI charges, a full years cost of the new apprentice levy and annual increments. Appendix 4 details the impact of National Bargaining on the 2017-18 Budget. A copy of a Board of Management paper on National Bargaining has been included within the Finance Committee papers for information to provide members with more detailed information on the implications of National Bargaining for Forth Valley College.

The most significant increase in operational costs is in relation to the FM contract which has seen costs rise by over £80k per annum offset by savings generated by the exit of hospitality at the Raploch campus.

Commercial course fee income is also a major contributor to supporting the additional staffing and operational costs the College is incurring. The key areas where growth in income has been incorporated relate to short term commercial courses such as Compex and Health & Safety along with an increased International delivery included within Tuition fees.

Capital & Maintenance
The Capital and Maintenance grant is allocated on a fiscal year basis of 1 April 17 to 31 March 18. The maintenance element is contained with the revenue budget in Appendix 1 while the capital element is ring fenced with the appropriate capital resource budget (CDEL) being allocated. Work is continuing in relation to the split of the grant between Revenue and Capital.

Net depreciation
Due to the impairment of the existing Falkirk building, the net depreciation figure has reduced in 17/18. However it should be noted that the funding for the new Falkirk Campus assumes the College will fund £400k of costs through the utilisation of net depreciation. Therefore while the net depreciation has changed the level of operating cash surplus must be sufficient to cover the estates project costs and loan repayments.

Revaluation Reserve
Similarly, as the net depreciation figure has reduced so too the release from the revaluation reserve as the impairment had reduced the value of the revaluation reserve which sits within the balance sheet.

6. Banking Covenants

Due to the implementation of FRS102 it is necessary for the College to renegotiate the current banking covenants. These are in place to give the Bank reassurance that the College can generate sufficient cash to meet its obligations in relation to its loan repayments.

In discussions with Barclays bank the College proposed that the most straightforward covenant would be that the College reports a Resource Outturn underspend at 31 March each year greater than or equal to that year's loan repayments. As this is the College's current requirement this should be a covenant which could be easily met. The Resource Outturn at 31 March each year is included within the audited financial statements and can therefore be easily monitored by Barclays together with the signed Resource Return certificate which the College submits to SFC.

7. Financial Implications

Significant savings have already been built into the draft budget, [redacted]

The draft budget has a gap of £250k which needs to be resolved. The Senior Management Team is currently looking at a number of scenarios to resolve this issue and these will be discussed at the finance committee meeting.

It should also be noted that FVC continues to be under funded compared to other Colleges across the sector, is being expected to fund estates costs of £400k from its core budget and if the current negotiations on national bargaining are implemented will be prevented from delivering efficiencies by being bound to retain contact time at 22 hours v 23 hours for the majority of the sector. It will therefore cost Forth Valley College approximately £470k more than other Colleges in the sector to deliver the level of teaching hours included within the 17/18 budget.

8. Equalities

Assessment in Place? – Yes ☐ No ☒

Not applicable given the nature of this report.

9. Risk

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

	Likelihood	Impact
Very High		
High	x	x
Medium		
Low		
Very Low		

If the deficit is not resolved the College would potentially have a resource overspend and would also breech the proposed new covenant.

Given the poor recruitment historically for the Foundation Apprenticeship programmes, a more accurate reflection of the projected income will not be known until a decision has been made regarding the delivery of the programmes for 2017/18.

Following the validation exercise carried out by the new FM contractor, additional costs may be identified which are not currently included within the budget.

The projected Commercial income assumes there will be an increase in demand for additional Compex, First Aid at Work, Nebosh and the new Iosh courses during 2017/18.

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

10. 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 – N/A

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

Appendix 1

Forth Valley College 2017/18 Budget

	17-18 Budget £000's	16-17 Q3 Forecast £000's	16-17 Budget £000's
Income			
SFC Grants	21,601	20,942	20,944
Tuition Fees	3,567	3,312	3,347
Commercial Training Income	856	816	934
Modern Apprentice Income	2,507	2,725	2,565
Catering and Hospitality Income	829	923	1,108
Other Income	402	415	475
	29,762	**29,133**	**29,373**
Expenditure			
Salary Costs	23,789	22,579	22,843
Staff Related Costs	356	335	417
Learning and Teaching Costs	1,317	1,309	1,383
Catering and Hospitality Costs	506	538	695
Property and FM Costs	1,725	1,648	1,716
Marketing, Communication & Print Costs	441	401	426
Finance & Governance Costs	682	671	659
IT and Telecommunication Costs	523	465	456
Other Costs	112	180	133
Student Support Funded by College	0	0	0
External Recharges	2	7	0
	0	0	
Total Expenditure	**29,453**	**28,133**	**28,728**
Ongoing Operations Cash Surplus/(Deficit)	**308**	**1,000**	**645**
Non Cash Expenditure			
Holiday Pay	(6)	127	0
Net Depreciation	141	608	608
Total Non Cash Expenditure	**134**	**735**	**608**
Operational Surplus/(Deficit)	**174**	**264**	**37**
New Falkirk Campus			
SFC Revenue Maintenance Grant	0	497	0
New Falkirk Campus	(400)	(1,747)	(526)
Donation from other Public Body	0	1,038	0
Grant from ALF	0	70	0
New Falkirk Costs	**(400)**	**(142)**	**(526)**
Transfer to ALF	**0**	**(579)**	**0**
Grant for Purchase of Land	**0**	**962**	**0**
Operational Cash Surplus/(Deficit)	**(226)**	**(456)**	**(603)**

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Appendix 3

Capital & Revenue Maintenance Budget	17/18 £000's	16/17 £000's	15/16 £000's
Interest	180	182	187
Maintenance			
Top Slice - Falkirk Estates			200
General Maintenance	350	199	364
Capital			
Staff workroom pilot	500		
Estates		210	31
IT		163	274
Department Equipment	12	30	
	1,042	784	1,056
Additonal Allocation			
New Falkirk Campus	-	497	-
	1,042	1,281	1,056

The Estates team are currently collating information for general maintenance projects.

The Stirling staff workroom pilot includes the refurbishment of the 2 main staff workrooms, a small workroom beside reception and the introduction of soft seating within both the refectory and student association areas. The budget also includes IT equipment to support a more modern and flexible working environment.

Appendix 4 Cost of National Bargaining

Teaching Staff EIS

Pay – lecturers
A new five point scale has been agreed which will take lecturers up to a salary of £40,027 at 1 April 2019. It should be noted that this scale does not include cost of living increases at 1 April 2017. 1 April 2018 and 1 April 2019.

Migration to the new scale points have been agreed on the following basis:
1 April 17 25% x difference between current scale and new scale point
1 April 18 25% x difference between current scale and new scale point
1 April 19 50% x difference between current scale and new scale point

The table below shows the scale points for FVC for the migration period and includes a 1% cost of living increase applied at 1 April 2017, 1 April 2018 and 1 April 2019. This table has been used as the basis for calculating the 2017-18 Budget.

FVC migration to National bargaining			
	25%	25%	50%
Salary at 1st April 2016	New Salary at 1st April 2017	New Salary at 1st April 2018	New Salary at 1st April 2019
29,724	31,609	33,529	37,105
30,850	32,462	34,104	37,105
31,959	33,302	34,669	37,105
33,300	34,825	36,377	39,172
35,121	36,711	38,329	41,240
36,327	37,625	38,944	41,240

The budget for 2017-18 therefore reflects
8 months 1% cost of living increase effective from 1 April 2017, 25% migration to National Bargaining scale points effective from 1 April 2017 and increments due at 1 August 2017 - £205,571

4 months a further 1% cost of living increase effective from 1 April 2018 and a further 25% migration to National Bargaining scale points effective from 1 April 2018 - £205,571.

Support Staff Unison

Pay
No agreement has been reached with Unison regarding the cost of living pay award for 2017/18. Unison has submitted a proposal for a flat rate of £1,000.

In line with the public sector pay policy the College has budgeted a 1% increase effective from 1 April 2017 and a further 1 % increase effective from 1 April 2018.

5. Treasury Management Strategy 2017/18
For Approval

21 June 2017
FINANCE COMMITTEE

1. Purpose

To seek approval from members for the Treasury Management Strategy for 2017-18.

2. Recommendation

That members approve the Treasury Management Strategy 2017-18.

3. Background

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

4. Key Considerations

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

An additional consideration following on from the implementation of the reclassification is that the College is in the process of moving to the Government Banking System (GBS) which will be completed by July 2017. The implications of this is that the College is switching banks from Barclays to RBS for our day to day banking and will no longer have the ability to generate interest.

The Treasury Management Strategy for 2017-18 covers:

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

5. Financial Implications

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

6. Equalities

Assessment in Place? – Yes ☐ No ☒

N/A due to as content due to nature of Strategy.

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	x	x

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

Risk Owner – Alison Stewart

Action Owner – Alison Stewart

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

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes ☐ **No** ☒

Health and Safety – Yes ☐ **No** ☒

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

Treasury Management Strategy 2017/18

Status:	Awaiting Finance Committee Approval
Date of version:	June 2017
Responsibility for Strategy:	Director of Finance
Responsibility for implementation:	Director of Finance
Responsibility for review:	Director of Finance
Date for review:	June 2018

TREASURY MANAGEMENT STRATEGY 2016/17

Introduction

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

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

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

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

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

Treasury Management Strategy 2017/18

6. This treasury management strategy covers:

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

Current Treasury Position

7. A summary of the College's debt and investment position as at 02 June 2017 is outlined in Appendix 3 and Appendix 4.

Treasury Management Performance

8 The headline performance indicator for Treasury Management is the interest rate payable on long term borrowings. For 2017/18 this is estimated at 4.30%, based on the strategy set out in this paper. The strategy for 2017/18 and future years is to sustain the rate at this level. In addition, the return for investments is expected to be around 0.0% until the College moves to the Government Banking System. Thereafter all interest will be received centrally by Scottish Government.

Estimated Borrowing Requirement

9. The estimated new borrowing requirement for 2017/18 is £nil. Existing borrowings will be £4,064,387 at 31 July 2017 and the financing costs arising from this level of borrowing have already been included within the 2017/18 budget.

Prospects for Interest Rates

10. The College's financial advisor has provided the following view of probable interest rates for the financial year 2017/18 based on the Bank of England quarterly Inflation Report published on 10 May 2017:

(a) Long term

Swap rates - 20 year swap rate is currently at 1.44% (May 2016 – 1.76%)

(b) Short term

Short-term interest rates (Bank Rate, the official Bank of England rate paid on commercial bank reserves), currently at 0.25%, are not expected to increase in the immediate future with the first increase now being forecast early 2018. When interest rates do start to increase this will be gradual with rates being unlikely to reach the pre-financial crisis normal level of 5%.

Borrowing Strategy 2016/17

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

Investment Strategy

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

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

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

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

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

18. The College will continue to limit exposure to credit risk by ensuring that investments are placed with the highest rated bodies from a monthly credit list of UK clearing banks. The investment criteria to be adopted from 1 August 2017 are outlined in Appendix 4.

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

20. Bank Rate, currently at 0.25% is not expected to increase during 2017/18. Given that investment rates are down at historically low levels, the College will avoid locking into longer term deals unless more attractive rates are made available.

21. The Director of Finance will continue to monitor the economic environment and adopt a pragmatic approach to changing circumstances. A balanced view of risk against return will be taken in respect of all investments. It is anticipated that return on investments will be limited in 2017/18 as a result of Bank Rate forecasts and the over-riding principal of risk aversion. Investment activity will be reported upon at the end of the financial year, as part of the Annual Treasury Report.

Financial Issues

22. The financial implications of this report are reflected in the draft budget for 2017/18.

Appendix 1

Revised CIPFA Treasury Management Code of Practice 2009

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

a) The College will introduce and maintain:

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

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

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

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

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

Appendix 2

Revised Treasury Management Policy Statement

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

The College defines its treasury management activities as:

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

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

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

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

Appendix 3

Current Debt Position

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

The projected balance at 31 July 2017 is £4,064,387. Loan repayments of £159,621 will be made during the year. Total interest payable for 2017/18 is £170,510.

Forth Valley College
Debt position and interest calculation

1 August 2017 - 31 July 2018				Loan Interest			IR Swaps						
Date	Maturity date	Type	Loan Value	Libor rate	Margin	Total interest rate	We pay fixed rate	Receive floating	No. of days	Loan Interest due	IR swap payable	receivable	in period
		Opening Balance	4,064,386.71										
01/08/2017	31/10/2017	Rollover/IR swap	4,025,577.65	0.3231%	1.3500%	1.6731%	2.9500%	0.3231%	92	16,976.04	29,932.65	3,278.04	43,630.64
31/10/2017	31/01/2018	Rollover/IR swap	3,986,303.96	0.4684%	1.3500%	1.8184%	2.9500%	0.4684%	92	18,271.09	29,640.63	4,706.73	43,204.98
31/01/2018	28/04/2018	Rollover/IR swap	3,945,003.75	0.6788%	1.3500%	2.0288%	2.9500%	0.6788%	87	19,076.66	27,739.32	6,382.39	40,433.59
28/04/2018	31/07/2018	Rollover/IR swap	3,904,765.37	0.6788%	1.3500%	2.0288%	2.9500%	0.6788%	94	20,401.33	29,665.52	6,825.58	43,241.26
		Loan Repayment	**159,621.33**						**365**	**74,725.11**	**116,978.12**	**21,192.75**	**170,510.48**

Appendix 4

Investment Criteria

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

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

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

Maximum Investment period 1 year

Current Investment Position

The College main banker is with Barclays Bank where £2.9m, as at 26th May 2017, is held on instant access, at a rate of 0.35%.

Current Investment Rates have been obtained from four banks and an analysis of interest rates as at 2 June 2017 is included below for information.

Term	Barclays	Clydesdale	Bank of Scotland	Santander
Instant Access	0.25%	0.25%	0.01%	0.10%
30 day	0.25%			
90 day notice	0.70%			
3 months	0.19%	0.35%	0.40%	
6 months	0.33%	0.55%	0.55%	
12 months	0.57%	0.90%	0.80%	0.35%
24 months		1.15%		

6. Q3 Forecast Outturn AY 16-17
For Discussion

21 June 2017
FINANCE COMMITTEE

1. Purpose

To present 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 May 2017 compared to the Q2 reforecast, prepared in January 2017 and 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 surplus on the College's day to day activities of £264k against the Q2 deficit of £68k.

	16-17 Budget £'000	Q2 Forecast £'000	Q3 Forecast £'000	Movement Q2 vs Q3 £'000
Income	29,373	28,968	29,133	(165)
Expenditure	(28,728)	(28,306)	(28,133)	(173)
	645	662	1,000	(338)
Net Depreciation	(608)	(608)	(608)	0
Holiday Pay	0	(122)	(127)	6
Operating surplus/ (deficit)	37	(68)	264	(332)
Falkirk Estates	(526)	(540)	(142)	(398)
Donation to ALF	0	0	(579)	579
Student Support Funded by College	(115)	0	0	0
Operating surplus/(deficit) (incl. Estates)	**(603)**	**(608)**	**(456)**	**(151)**
Release of Grant - Purchase of Land (FRS 102)	0	0	962	(962)
Total Surplus/(Deficit)	**(603)**	**(608)**	**506**	**(1,113)**

The most significant changes within the Q3 reforecast are;

Income: overall income is forecast to increase by £165k as a result of increased Modern Apprenticeship income, commercial income and other income such as project funding and student payments for PVG checks. This has been offset by a loss of international income and a reduction in catering income.

Expenditure: The main savings are within salaries. This has been achieved through strike pay deductions and a recruitment freeze following the Q2 reforecast. Other savings in Learning & teaching costs and catering are linked to the reduced income from international work and catering income.

Falkirk Estates/ Donation to Forth Valley College Foundation: At the end of March the College received a donation of £2m from Glasgow Kelvin College towards the new Falkirk Campus. £962k was used to buy the additional land at Middlefield and the remaining £1.038m used to fund the project management / technical advisors costs. As this donation funded costs previously anticipated to be covered by the College's in year surplus and "net depreciation" the College generated a surplus at March 2017 which SFC approved could be donated to Forth Valley College Foundation.

Detailed explanations for key variances are noted in Appendix 1.

5. Financial Implications

In comparison to Q2, the operating surplus has increased mainly due to additional income from back dated invoices in relation to Modern Apprenticeships, cost savings made throughout the period [redacted] The impact of accounting adjustments in respect of the treatment of grants under FRS102 will result in overall in an operating surplus which again distorts the true underlying position.

6. Equalities

Assessment in Place? – 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		x
Medium		
Low	x	
Very Low		

As a result of various savings, the College is in a better operational position that previously expected. However, there is a risk that when the financial statements are published the surplus may be mis-interpreted by external stakeholders.

Risk Owner – Alison Stewart

Action Owner – Irene Andrew

Paper Author – Fiona Lovell

SMT Owner – Alison Stewart

6. Q3 Forecast Outturn AY 16-17
For Discussion

21 June 2017
FINANCE COMMITTEE

Appendix 1

	16-17 Original Budget £'000	16-17 Q2 Forecast £'000	16-17 Q3 Forecast £'001	Q2 vs Q3 Variance £'000
Income				
SFC Grants	20,944	20,942	20,942	(0)
Tuition Fees	3,347	3,337	3,312	25
Commercial Training Income	934	756	816	(60)
Modern Apprentice Income	2,565	2,621	2,725	(104)
Catering and Hospitality Income	1,108	959	923	36
Other Income	475	353	415	(62)
Total Income	**29,373**	**28,968**	**29,133**	**(165)**
Expenditure				
Salary Costs	(22,843)	(22,710)	(22,579)	(131)
Staff Related Costs	(417)	(339)	(335)	(4)
Learning and Teaching Costs	(1,383)	(1,339)	(1,309)	(30)
Catering and Hospitality Costs	(695)	(576)	(538)	(39)
Property and FM Costs	(1,716)	(1,632)	(1,648)	16
Marketing, Communication & Print Costs	(426)	(417)	(401)	(15)
Finance & Governance Costs	(659)	(645)	(671)	27
IT and Telecommunication Costs	(456)	(468)	(465)	(3)
Other Costs	(133)	(171)	(180)	9
Total Expenditure	**(28,728)**	**(28,297)**	**(28,126)**	**(171)**
External Recharges	0	(10)	(7)	(2)
Total Expenditure	**0**	**(10)**	**(7)**	**(2)**
Surplus/(Deficit)	**645**	**662**	**1,000**	**(338)**
Non Cash Expenditure				
Net Depreciation	(608)	(608)	(608)	0
Holiday Pay Adjustment	0	(122)	(127)	6
Total Non Cash Expenditure	**(608)**	**(729)**	**(735)**	**6**
Operational Surplus/(Deficit)	**37**	**(68)**	**264**	**(332)**
Falkirk Campus				
SFC Revenue Maintenance Grant	0	497	497	0
New Falkirk Campus	(526)	(1,607)	(1,747)	140
Grants Received from ALF	0	570	70	501
Donations from Other Public Bodies	0	0	1,038	(1,038)
	(526)	**(540)**	**(142)**	**(398)**
Donation to Forth Valley College Foundaiton	0	0	(579)	579
Student Support Funded by College	(115)	0	0	0
Surplus/(Deficit)	**(603)**	**(608)**	**(456)**	**(151)**
Release of Grant - Purchase of Land (FRS 102)	0	0	962	(962)
Total Deficit	**(603)**	**(608)**	**506**	**(1,113)**

[redacted]

[redacted]

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Forth Valley College
Programme of Finance Committee Business

		Sep-17	Nov-17	Mar-18	Jun-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 2017/18 (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	✔			
	Forecast Outturn 2017/18 @ January 2018			✔	
	Forecast Outturn 2017/18 @ April 2018				✔
	Indicative Funding Allocation 2018/19			✔	
	Review of Risk	✔	✔	✔	✔
	Any other competent business	✔	✔	✔	✔
FOR INFORMATION					
	Programme of Committee Business	✔	✔	✔	✔
	Budget Monitoring - 2016/17 Qtr 1 (Oct 2017)		✔		
	Budget Monitoring - 2017/18 Qtr 2 (Jan 2018)			✔	
	Budget Monitoring - 2017/18 Qtr 3(Apr 2018)				✔

Budget Monitoring Report 9 months to 28th April 2017
For Information

21 June 2017
FINANCE COMMITTEE

1. Purpose

To present the Budget Monitoring Report to members for the 9 months ending 28th April 2017.

2. Recommendation

That members consider the year to date actual versus projected financial position of the College and the projected impact this has on the 2016/17 overall budget.

3. Background

The purpose of this report is to provide a summary of the College results for the 9 months ended 28th April 2017 and to highlight the key variances between actual outturn and the Q2 reforecast.

4. Key Considerations

Income and Expenditure – Actual vs Q2 Reforecast Outturn – Appendix 1

There is an operational deficit of £28k as opposed to the projected deficit of £588k. The significant variance is primarily due to the donation received for the New Falkirk campus of £2m, £1,038k of which was revenue funding and used to cover some of the New Falkirk costs to date and not included within the Q2 reforecast. Due to the unexpected donation, the College no longer required to utilise the in-year cash surplus and net depreciation to support the new Campus costs. Both the Board of Management and SFC approved a donation could be made to the ALF.

Other significant variances (greater than £10k) to note are:

Income

- **International income**
  Overall, International income is £13k lower than the projected forecast. This is largely as a result of Erasmus funding for the 3E's and Memory Media project being £2k and £7k respectively lower than the reforecast. The remainder of the funding is not expected to be received in the current academic year, but instead has been reflected within the 2017/18 budget. This income will therefore be removed during the Q3 reforecasting exercise.

- **Commercial Income**
  Overall, commercial training income is £41k higher than the Q2 reforecast.

  [redacted]

  Other VQ income has also increased by £10k in comparison with forecast as a result of the receipt of part time fee grants from SAAS of £5k which was only confirmed in January 17 and therefore not included within the original budget along with £5k in respect of PDA educational support which were not included within the forecast.

- **Modern Apprentice Income**
  Overall, MA income is £49k higher than the Q2 reforecast. This is due to an overall £48k increase in milestone income driven by the SDS main MA contract. April was the start of the new SDS contract year for FY 17-18 and more claims than forecast were processed during April. This income stream will be re-phased as part of the Q3 reforecast but is not expected to be higher than the Q2 reforecast for the academic year, however a detailed review will be undertaken to ensure that no additional SDS income is drawn down that would impact upon the 17/18 Academic year budget.

- **Catering and hospitality income**
  Catering and hospitality income is £12k behind Q2 reforecast. This variance is primarily due to a drop in refectory income of £18k. Both Falkirk and Stirling refectories have experienced lower than expected income to April 17 of £12k and £10k respectively. This is partly due to the recent strike day in April which is estimated to have resulted in lost income of £5k and £2k in Falkirk and Stirling respectively. These reductions however have been offset by a £6k increase in training restaurant income which has remained open during strike days and also a £7k increase in school meals. There is no overall impact on the College's budget as costs have also reduced.

- **Other Income**
  Other income is £54k ahead of Q2 reforecast. Funded project income includes £12k Digital Xtra grant received in February which was not included within the Q2 reforecast. Due to strike action, £6k of this income will be deferred at July 17 as the second tranche of teaching will now be delivered in August 17. The costs associated with this project are primarily staffing costs so no corresponding reduction in expenditure.

  Fundraising income is also £9k higher than forecast as a result of the first invoice for the Integrated Care Fund project being £6k higher than originally forecasted.

  Other income includes an additional £13k of PVG fees received from students, which is not normally budgeted for, the income for which is fully offset directly against Disclosure Scotland costs within other learning and teaching costs.

  The remainder of the variances that comprise the total £54k variance are not individually significant.

Expenditure

- **Staff Costs**
  The slight underspend relates to the timing of vacancies to date.

- **Staff related costs**
  Staff related costs are £12k below Q2 reforecast which is in part is due to a £7k variance in overseas travel costs as a result of phasing of the reforecast being different to actual costs incurred and a £7k variance in recruitment costs which is intended for the recruitment of the IT Operations Coordinator post.

- **Learning & Teaching - Other**
  Learning and teaching other costs are £48k lower than Q2 reforecast. This variance is largely driven by a £40k underspend in other teaching costs; the majority of this underspend relates to costs expected to be incurred for the Erasmus 3E's and Memory Media projects which costs are lower than the original projection and actual costs incurred have been posted to other categories of costs e.g. salaries, travel and subsistence. As shown in appendix one the costs for these projects have been removed as they will not be incurred in the current Academic Year.

- **Catering and hospitality costs**
  Catering and hospitality cost are £26k less than the Q2 reforecast. This underspend is in respect of lower spend on catering supplies which is to be expected given the lower income recognised in catering and hospitality income and the timing of invoices received to end April. An adjustment for £12k has been included which relates to the under spend within Falkirk catering supplies to date.

- **Equipment costs**
  Overall, equipment costs are £17k below YTD Q2 reforecast. This is in part due to the phasing of the reforecast and will be reviewed as part of the Q3 reforecast exercise in early May 17.

- **Finance costs**
  Overall, finance costs are £12k ahead of the Q2 reforecast. This is largely as a result of an increase in the level of the bad debt provision of £13k during March which was not originally forecast and is as a result of the number of student debtors where an increased level of uncertainty exists around recoverability of their tuition fee debt.

- **Summary of I&E Position**
  Overall, the College is £561k ahead of the Q2 reforecast at the end of April 2017. This is largely as a result of income received from Glasgow Kelvin College in late March which was used to cover New Falkirk costs, offset by an accrual made for a £741k donation to the ALF.

  A Q3 reforecast will be undertaken in May to assess the forecasted year end position and whether any additional savings are required.

Balance Sheet – Appendix 2

- **Fixed assets**
  There have been additions of £1,316k to fixed assets, £355k of which were funded by way of Capital Grant awarded by SFC. The remainder of the additions balance reflects the purchase of Middlefield land for the New Falkirk Campus in late March 2017 for a total of £962k. This was funded by a donation from Glasgow Kelvin College as part of the £70m SFC grant for the

New Falkirk Campus. These additions have been offset by the cumulative depreciation charge for the current academic year.

Current Assets

- **Trade debtors – Appendix 3**
  Trade debtors have increased by £201k in comparison to the year end. The increase falls mainly within the 0-30 days ageing. The variance is as a result of the timing of sales invoices being raised and payments received in comparison to year end.

- **Prepayments and accrued income**
  Prepayments and accrued income have decreased by £717k in comparison to the year end. This is simply as a result of movements throughout the year in respect of income and costs.
- **Bank and cash**
  The receipt of additional revenue funding of £1,038k has resulted in an increase in cash in comparison to the year-end position coupled with the fact that the donation to the ALF has not yet been made.

Current Liabilities

- **Trade creditors**
  Overall trade creditors have increased by £343k in comparison with the year end. This is largely as a result of the timing of creditor invoices received.

[redacted]

- **Deferred income**
  Overall, the deferred income balance has decreased by £206k in comparison to the year end as a result of the release of deferred income into the current academic year.

- **Other Creditors**
  The other creditor's balance of £1,867k includes £1,198k for the deferred capital grant due within one year, along with the portion of the Barclays loan due within one year of £157k, student funding of £376k and various other accounts making up the balance of other creditors.

- **Long Term Liabilities**
  The movement relates to the increase in the deferred capital grant and the reduction of the provision for the loan.

Revenue maintenance – Appendix 4

This grant is awarded on a fiscal year basis i.e. April to March each year.

The revenue maintenance budget for Fiscal Year 17/18 has not yet been approved by SMT.

Appendix 4 shows the final outturn position for the fiscal year ended 31st March 2017.

Capital Grant – Appendix 5

This grant is awarded on a fiscal year basis i.e. April to March each year.

The capital grant budget for Fiscal Year 17/18 has not yet been approved by SMT.

Appendix 5 shows the final outturn position for the fiscal year ended 31st March 2017.

New Falkirk Costs – Appendix 6

The costs incurred in the current academic year in respect of New Falkirk total £1,397k [redacted]

The transfer of funding received in late March 17 has also been used to cover the costs incurred to date on the project.

5. Financial Implications

These have been noted within the report.

6. Equalities

Assessment in Place? – 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		x
Medium		
Low	x	
Very Low		

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

Risk Owner – Alison Stewart

Action Owner – Irene Andrew

Any additional unplanned losses of revenue or expenditure which would result in a further unplanned deficits could result in a Resource budget overspend which is not acceptable to SFC/SG.

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – No

Health and Safety – No

Paper Author – Fiona Lovell

SMT Owner – Alison Stewart

Budget Monitoring Report 9 months to 28th April 2017
For Information

21 June 2017
FINANCE COMMITTEE

Appendix 1

Income and Expenditure — Forth Valley College — Forth Valley College

	Y-T-D Actual £'000	YTD Budget £'000	Y-T-D Variance £'000	Q2 Reforecast £'000	Impact on budget £'000	2016/17 Revised budget £'000
Income						
SFC Grants	14,956	14,963	(7)	20,763		20,763
Loan Grant Release	133	133	0	178		178
Tuition Fees	1,486	1,496	(10)	1,497		1,497
HEI Tuition Fees	1,021	1,017	3	1,465		1,465
International Income	129	141	(13)	192	(9)	183
Evening Provision	194	184	10	184		184
Commercial Training Income	697	656	41	756	8	764
Modern Apprentice Income	2,205	2,156	49	2,621		2,621
Catering and Hospitality Income	793	805	(12)	959	(22)	937
Other Income	300	247	54	348	25	373
Bank Interest	5	5	(0)	5	0	5
Total Income	**21,918**	**21,803**	**115**	**28,968**	**2**	**28,970**
Expenditure						
Salary Costs	(16,803)	(16,819)	16	(22,710)		(22,710)
Staff Related Costs	(261)	(273)	12	(339)		(339)
Learning and Teaching Materials	(521)	(520)	(1)	(637)		(637)
Learning and Teaching Exams and Registration Fees	(208)	(209)	1	(486)		(486)
Learning and Teaching Student Support	(21)	(28)	7	(28)		(28)
Learning and Teaching Other	(94)	(142)	48	(188)	36	(152)
Catering and Hospitality Costs	(455)	(482)	26	(576)	12	(564)
Property and FM Costs	(1,044)	(1,053)	9	(1,470)		(1,470)
Equipment Costs	(123)	(140)	17	(162)		(162)
Marketing and Communication Costs	(140)	(148)	7	(196)		(196)
Printing Costs	(149)	(152)	3	(221)		(221)
Finance Costs	(401)	(389)	(12)	(477)		(477)
Governance Costs	(128)	(135)	7	(168)		(168)
IT Costs	(407)	(412)	5	(375)		(375)
Telecomms Costs	(72)	(77)	5	(93)		(93)
Other Costs	(130)	(128)	(2)	(171)		(171)
Total Expenditure	**(20,957)**	**(21,107)**	**150**	**(28,297)**	**48**	**(28,249)**
Recharges						
External Recharges	(5)	(7)	2	10		10
Total Expenditure	**(5)**	**(7)**	**2**	**10**	**0**	**10**
Surplus/**(Deficit)**	**956**	**689**	**268**	**662**	**50**	**712**
Non Cash Expenditure						
Net Depreciation	456	456	0	608	0	608
Holiday pay adjustment	(88)	(88)	0	122	0	122
Total Non Cash Expenditure	**367**	**367**	**0**	**729**	**0**	**729**
Operational Surplus/(Deficit)	**588**	**321**	**267**	**(68)**	**50**	**(18)**
New Falkirk Campus						
SFC Revenue Maintenance Grant	497	497	0	497	0	497
New Falkirk Campus	(1,411)	(1,407)	(4)	(1,607)	0	(1,607)
Donations from Other Public Bodies	1,038	0	1,038	0	1,038	1,038
Grants received from ALF				570	(570)	0
	125	**(909)**	**1,034**	**(540)**	**468**	**(72)**
Donations made to ALF	(741)	0	(741)	0	(741)	(741)
Operational Surplus/(Deficit)	**(28)**	**(588)**	**561**	**(608)**	**(223)**	**(831)**

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21 June 2017
FINANCE COMMITTEE

Appendix 2

Balance Sheet

At 28th April 2017

	Balance at 28th April 2017 £'000	Balance at 31st July 2016 £'000	In Year Movement £'000
Fixed Assets			
Tangible Assets	**57,167**	**57,405**	**238**
Current Assets			
Stocks	34	30	(4)
Trade Debtors	648	447	(201)
Prepayments & Accrued Income	456	1,173	717
Cash	2,393	926	(1,467)
Total Current Assets	**3,531**	**2,576**	**-955**
Current Liabilities			
Trade Creditors	594	251	(343)
Other taxation & social security	517	506	(12)
Accruals	1,301	1,214	(87)
Deferred income	78	284	206
Other Creditors	1,867	1,682	(186)
Total Current Liabilities	**4,358**	**3,936**	**-422**
Net current assets/(liabilities)	**(827)**	**(1,360)**	**(533)**
Long term Liabilities			
Pension Provision	7,317	7,317	
Loan Provision	3,945	4,065	120
Interest rate SWAP Creditor	843	843	
Net Pension Asset/Liability	16,804	16,804	
Deferred Capital Grants	30,054	29,612	(442)
Total Long term Liabilities	**58,963**	**58,640**	**(323)**
TOTAL	**(2,622)**	**(2,595)**	**28**
Reserves			
Pension Reserve	(16,804)	(16,804)	
General Reserve	(4,354)	(2,771)	1,583
Current year (surplus)/deficit	349	(1,583)	(1,932)
Revaluation Reserve	18,186	18,563	377
Total Reserves	**(2,622)**	**(2,595)**	**28**
TOTAL	**(2,622)**	**(2,595)**	**28**

Appendix 3

Trade Debtors								
As at 28th April 2017								
	At 28th April 2017				At 29th April 2016			
	Organisation	Student	Total		Organisation	Student	Total	
Age of Debt	£	£	£	%	£	£	£	%
0 - 30 days	533,497	(951)	532,545	77%	513,821	(3,745)	510,076	81%
31 - 60 days	54,273	3,737	58,010	8%	37,421	7,009	44,430	7%
61 - 90 days	7,586	6,889	14,475	2%	21,866	2,951	24,817	4%
91 - 120 days	33,128	74	33,202	5%	341	3,256	3,596	1%
121+ days	12,993	36,796	49,789	7%	10,290	39,907	50,197	8%
	641,477	46,545	688,022		583,739	49,378	633,117	
Bad Debt Provision		(38,201)	(38,201)		(643)	(41,820)	(42,463)	
UnitE Unallocated payments		(2,305)	(2,305)			(568)	(568)	
Total Trade Debtors	641,477	6,039	647,516		583,096	6,990	590,086	

Notes:

The credit balances within the 0 – 30 days category reflect payments which have been received but for which no invoice has been raised as yet.

The bad debt provision includes debtors over 90 days as well as student withdrawals who have not fully paid their tuition fees. However no provision has been made for the organisational debt over 90 days as the terms and conditions for certain organisations are longer than the normal 30 day period.

Appendix 4

Forth Valley College				
		Period From		2016/012
SFC Revenue Maintenance Budget April 16 - March 2017				
		Period To		2017/010
Project	**Project**	**Finance Committee Budget**	**Amended 29th July 16**	**Actual Per Finance**
		£		£
CPRB1702	Alloa Boardroom curtains	20,000.00	26,711.28	26,711.28
CPRB1704	Room 4W - Develop new CAD and Lab (freeing up space in 10W where stations are currently not compliant)	20,000.00	23,201.20	23,200.99
CPRB1705	HR room alterations	16,000.00	13,613.83	13,613.83
CPRB1707	Room 82 - Print Studio Drying Cabinet	8,000.00	7,217.00	7,216.41
CPRB1708	Compex - Additional workshop/Commercial Testing	25,000.00	0.00	0.00
CPRB1709	Flexible spaces (desk heights)	5,000.00	0.00	0.00
CPRB1710	Pilot for new Campus classroom	10,000.00	0.00	0.00
CPRB1711	Circulation areas - decoration and remedial works	15,000.00	20,279.90	20,279.90
CPRB1712	Service Yard - install cages for Oxygen	5,200.00	5,112.00	5,112.00
CPRB1713	FFE - 100 classroom chairs for Falkirk & others	20,000.00	20,978.40	20,978.40
CPRB1714	Student lockers requested by Student Council	2,000.00	2,074.00	2,073.60
CPRB1715	Repair windows, leaks and decoration West Block	35,000.00	13,426.25	13,426.25
CPRB1716	Replacement Beauty Therapy Beds	0.00	7,215.00	7,214.40
CPRB1717	Estates Repairs	0.00	58,740.03	58,741.75
CPRB1799	Contingency	20,532.00	0.00	0.00
310043	New Falkirk Costs		497,274.00	497,274.00
	Total for Maintenance Projects	**201,732.00**	**695,842.89**	**695,842.81**
CPRB1701	Interest on Borrowings	178,868.00	182,031.11	182,031.19
	Total for Maintenance Projects and Interest on Borrowings	**380,600.00**	**877,874.00**	**877,874.00**

Notes:

The above revenue maintenance outturn is for the fiscal year April 2016 to March 2017 as the April 2017 to March 2018 budget is yet to be approved by SMT.

Appendix 5

Forth Valley College

2016/012 2016/012

Capital Budget 16-17

2017/010 2017/010

Project	Dept	Project	Full Year Budget (F) Per Finance £	Actual Per Finance £
CPCB1701	Care, Health	Gym Equipment	15,000	14,313.60
CPCB1702	IT	IT Equipment	71,800	64,511.37
CPCB1703	IT	Stirling Kildean Suite Display (Upgrade Smartboard)	36,000	26,167.03
CPCB1704	IT	Skype for Business	19,800	17,534.38
CPCB1705	IT	Infrastructure	23,667	48,707.65
CPCB1706	IT	E-portfolio	12,000	11,976.00
CPCB1707	Estates	Extension of Stirling Car Park	210,000	205,057.57
CPCB1709	ASMME	Hearth and lathe	14,733	14,732.90
		Total Capital Spend on Current Year Projects	**403,000**	**403,001**

Notes:

The above capital outturn is for the fiscal year April 2016 to March 2017 as the April 2017 to March 2018 budget is yet to be approved by SMT.

Appendix 6

[redacted]				
	[redacted]		[redacted]	
[redacted]				
	[redacted]		[redacted]	
	Academic Year			
	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
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[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

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National Bargaining
For Information

21 June 2017
FINANCE COMMITTEE

1. Purpose

To inform members of the current position in relation to National Bargaining.

2. Recommendation

That members consider the current position and the implications for Forth Valley College.

3. Background

As part of the Scottish Governments reform of the FE sector they stated in their 2013 manifesto that the sector would move to National Bargaining. An Employers Association was set up on behalf of the sector to lead the negotiations for both the teaching staff and the support staff.

Teaching staff – In March 2016 an agreement with EIS was reached as follows

16/17 – Flat payment of £450

17/18 – Phased migration to a top salary scale point of £40,027, this being the highest salary in the sector at that time. The Employers Association were clear that the move to a national salary scale would need to be linked to Terms and Conditions. Work has been on-going since March 2016 with the EIS negotiating team however no agreement has been reached in relation to terms and conditions.

The first phase effective from 1 April 2017 would be 25% of the difference between College's current scale points and the agreed national bargaining scale points.

Appendix 1 details the current position noted to the Employers Association. Agreement has been reached with the EIS negotiation team on the position of staff in employment at 31 July however this has still to be ratified by both the Employers Association and the EIS membership. For new employees employed from 1 August 2017, to date there has been no agreement with the EIS negotiating team.

Support Staff – In March 2016 agreement with Unison was reached as follows

16/17 – Flat payment of £450 in line with lecturers.

17/18 – Negotiations on going – Unison have requested £1,000 flat payment versus employers offer of 1% or £450 if earnings less than £22k in line with the public sector pay policy.

Work is on-going in terms of agreeing holidays, overtime, shift allowances and move to paying the living wage – all of which will have no impact for FVC staff. Work is also on-going on implementation of job evaluation.

4. Key Considerations

4.1 Cost of National Bargaining

Colleges Scotland and SFC have agreed that the cost of implementing National Bargaining for the sector is around £100m over the next 3 years.

For Forth Valley College the cost of implementing national bargaining for teaching and promoted teaching staff will be:

16/17	April17 to July 17	£101,285
17/18	August 17 to July 18	£405,142
18/19	August 18 to July 19	£810,284

4.2 Funding

It is clear that the cost of national bargaining is not affordable unless Scottish Government and the SFC provide the funding to cover this. While reassurance is being given that SG will seek to allocate funds in the next spending review there is no firm commitment as to how much this will be. The Deputy First Minister (DFM) has written to the Chair of Colleges Scotland to confirm this. (Copy of letter is attached).

On 12 June, SFC has confirmed £2m will be made available across the sector to cover part of the 2016/17 cost. At this time, the amount Forth Valley College will receive is unknown.

4.3 No detriment to existing staff terms and conditions

The sector norm for teaching contact hours is 24 hours whilst Forth Valley College have maintained 22 hours. In anticipation of the norm being adopted, Forth Valley College were budgeting the increase in teaching hours as efficiency. Unfortunately, the agreement drawn up on the 19 May 2017, although still to be ratified, indicated there would be no detriment to existing staff terms and conditions for holidays, teaching contact hours and salary conservation. In real terms, this means that FVC cannot increase lecturers contact time or remove holidays. In the SFC and Colleges Scotland costing model, colleges moving from 24 to 23 hours, are likely to be provided with increased funding for the additional staff they will require to employ to accommodate the reduction in teaching hours. Forth Valley College however, will not receive any additional funding as the status quo will be retained. Consequently, our hourly rate will be higher than colleges who drop to the 23 hour position as a result of the no detriment to existing staff. This is not the efficiency we had planned for.

5. Financial Implications

Two options are currently being considered by the Employers Association.

1 Pay the 25% due from April 2017 in July and take everything which has been agreed to date back off the table and start again with an agreed management position as a starting point.
2 Pay the 25 % due from April 2017 in July and keep the terms and conditions for current staff as noted in appendix 1.

Option 1 is Forth Valley College's preferred option. Option 2 is not affordable without efficiencies unless additional funding is agreed and appropriately distributed to all colleges.

It is recognised by all Colleges and the Employers Association that without SG/SC funding the cost of national bargaining is neither affordable in the short term nor sustainable in the long term. This is recognised by Scottish Government hence the promise of £2 million to cover April to July and the promise from the DFM that funds will be made available through the Spending Review. This then leaves a shortfall in 17/18 although SG and SFC insist this can be covered from the existing grant in aid and will have to be found from efficiencies. Forth Valley College have been working on a number of scenarios which will involve restructure in order to present a sustainable budget.

It is likely the College sector will not be funded on an equitable basis in order to satisfy national bargaining and it Forth Valley College will continue to be underfunded with no account taken of the restrictions of national bargaining which prevents the College making efficiencies without restructure

6. Equalities

Assessment in Place? – Yes ☐ **No** ☒ N/A due to as content due to nature of paper.

7. Risk

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

	Likelihood	Impact
Very High		x
High	x	
Medium		
Low		
Very Low		

- Cost of national bargaining is unaffordable without funding from SFC/SG.
- Impact on staff morale
- Negative profile of the College sector has unintended consequences in terms of relationships with partners.

Risk Owner – Ken Thomson

Action Owner – Ken Thomson

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes ☐ **No** ☒

Health and Safety – Yes ☐ **No** ☒

Paper Author – Alison Stewart

SMT Owner – Andrew Lawson

NJNC Agreement – Friday 19th May 2017

The undernoted are agreed by both sides of the NJNC Side Table Lecturers, subject to reporting and ratification by their respective constituencies. Both sides agree to recommend acceptance of this Agreement to their respective constituencies.

The EIS agrees to immediately suspend the current industrial action relating to the March 2016 NJNC Agreement.

The Management side agrees to immediately implement the pay elements of section 5 of the March 2016 NJNC Agreement.

This NJNC Agreement gives effect to all NJNC agreements in principle on pay migration and harmonisation as agreed at the NJNC meeting on 15 December 2016.

This NJNC Agreement further gives effect to all NJNC agreements in principle on terms and conditions as agreed at the NJNC meeting on 16 March 2017.

Agreed changes to Terms and Conditions will take effect from 1 August 2017.

Both sides acknowledge that some elements remain to be jointly finalised, however, these elements do not affect the implementation of this Agreement as set out above. This will be completed by 1 June 2017.

Terms and Conditions		**Staff in post at 31 July 2017**	**New Employees from 1 August 2017**
Salary Conservation*		Where a member of staff is currently in receipt of existing local salary conservation arrangements these will be retained.	To be agreed Management position – 3 years cash conservation EIS position – 6 years cash conservation
Annual Leave	**Unpromoted Lecturers***	Retain existing local terms. (No Detriment)	To be agreed Management position - 60 days per annum EIS position – 63 days per annum
	Promoted Lecturers*	Retain existing local terms. (No Detriment)	To be agreed: Management position: • Level 1 - 60 days per annum. • Level 2 - 55 days per annum. • Level 3 - 50 days per annum. EIS position – no differential (63 days)
Class Contact	**Unpromoted Lecturers**	Retain existing local terms (no detriment) OR migrate to 23 hours plus 1 hours (maximum of 8 hours within any 12 consecutive teaching week period), with annual hours of 860, from 1 August 2017	23 hours plus 1 hours (maximum of 8 hours within any 12 consecutive teaching week period), with annual hours of 860
	Promoted Lecturers	• Level 2 - Up to 12 hours per week. • Level 3 - Up to 9 hours per week.	To be agreed

		(Note – from 1 August 2017 or date of appointment through matching process if differs)	Management position: • Level 1 - Up to 18 hours per week. EIS position: • Level 1 - Up to 15 hours per week.

Note:

* Any voluntary contractual move to (another post) and or college/employer means that existing local arrangements would cease. [wording to be agreed]

Deputy First Minister and Cabinet Secretary for
Education and Skills
Leas Phrìomh Mhinistear agus Rùnaire a' Chaibineit
airson Foghlam agus Sgilean
John Swinney MSP/ BPA

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Riaghaltas na h-Alba
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Ken Milroy MBE
Chair Colleges Scotland
Argyll Court
Castle Business Park
Stirling
FK9 4TY

kenm@aberdeenfoyer.com

09 June 2017

Dear Mr Milroy

I wanted to take this opportunity to write to you, as Chair of Colleges Scotland, to set out the Government's commitment both to the college sector and to national bargaining, during what has undoubtedly been a challenging time for the sector.

Firstly, I want to reaffirm the Government's long-term commitment to the sector. We are committed to creating a vibrant college sector that is well suited to our national priorities, including the delivery of skills and opportunities, particularly for our young people, to meet their needs and those of our economy. I am in no doubt that our college sector is now better placed than ever to enable students to flourish and succeed, and to build the workforce that Scotland's employers need—now and in future. Our colleges must continue to develop and innovate to deliver the type of learning that society, the economy and individuals need, both now and for the future.

I would like to acknowledge the commitment shown by all college staff and leaders to our ambitious programme of change and improvement and to thank all of your colleagues for their contribution to this process that is vital to our economic future. There has been significant restructuring of the sector and college staff have played a full part in securing those necessary and beneficial changes, and I commend them for their commitment.

I would also like to reaffirm the Government's absolute commitment to securing national bargaining. Given the negative impact on learners and on staff/management relationships of the recent industrial action, I would encourage both sides to continue to engage constructively and to seek resolution through national bargaining.

I recognise the significant effort and energy invested by the Employers Association over recent weeks and months in trying to secure agreement on this matter. I welcome that and am happy to engage in discussions in understanding the lessons that we can all – including Government - collectively learn from the current round of negotiations by way of improvement going forward.

Finally, I am very aware of the financial pressures any settlement reached will place on individual colleges and, as I have previously indicated, we will seek to reflect these in future budget settlements.

I hope this gives you the assurance that I am very aware of the efforts being made by management to progress the current round of negotiations and of the budgetary consequences of any settlement for the sector. My officials will continue to work closely with the SFC and Colleges Scotland as we move forward.

I have copied this letter to Ian McKay in his role as Chair of the Employers Association.

JOHN SWINNEY

CC: Ian McKay, Chair of the Employers Association

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