

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

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 21 June 2017
3. Matters Arising
 - a) F/16/036 Budget 2017/18
 - b) F/16/038 Q3 Forecast Outturn AY 16-17
4. Student Association Outturn for 2016-17 and Student Association Budget for 2017-18 Alan Buchan
5. Accounting Policies for year ended 31 July 2017 Alison Stewart
6. Resource Return 2016/17 Alison Stewart
7. Financial Forecast Return 2017/18 – 2021/22 (To follow) Alison Stewart

FOR DISCUSSION

8. Forecast Outturn 2016/17 Alison Stewart
9. Review of Risk
10. Any other competent business

FOR INFORMATION

Programme of Committee Business

Project Meeting Room, Falkirk Campus (commencing at 4.30pm)

Present: Mr Liam McCabe (Chair)
Mrs Pamela Duncan
Mrs Caryn Jack
Mr Ken Richardson

Apologies: Mr Andrew Carver
Ms Trudi Craggs

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

F/16/033 Declarations of Interest

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

F/16/034 Minutes of meetings of 14 March 2017

The minutes of the meeting held on 14 March 2017 were approved.

F/16/035 Matters Arising

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

The Associate Principal and Executive Director Information Systems and Communications informed members that no further update had been received from SQA on fee levels at this time.

b) F/16/027 Business Development Quarterly Report

The Associate Principal and Executive Director of Finance noted that, at the last meeting, it had been discussed that a fundraising report be brought to the Committee. She informed members that, following a review and given the input of fundraising on the new estates, it had been decided to take this report to the Falkirk Campus Project Board instead. She highlighted that Ken Richardson, as a member of both committees, was in a position to highlight relevant information to the Finance Committee where necessary.

Members commented that it would be of use to Board Members if they were aware of what information could be shared in relation to the new estates to help promote

the development and also to help sure that confidentiality on commercial matters is maintained as required.

The College will review the information available to members as part of the overall Estates Communication plan.

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

The Associate Principal and Executive Director of Finance noted that the issue of holiday pay accruals had been raised at the last meeting.

She reported that Audit Scotland had reviewed this and do not consider this to be an adjustment in terms of calculating the underlying surplus of a College..

d) F/16/029 Indicative Funding Allocation 2017/18

The Associate Principal and Executive Director of Finance noted that the issue of historic inefficiencies would be addressed under the Budget paper.

e) F/16/032 Any Other Competent Business

The Associate Principal and Executive Director of Finance noted that this issue of Barclays covenants would also be covered under the Budget paper.

F/16/036

Budget 2017/18

The Associate Principal and Executive Director of Finance presented the paper on the budget for 2017/18. She provided an overview of how the College's funding is comprised and noted the ongoing impact of historic inefficiencies which from part of the SFC model and which, relative to many other colleges, disproportionately affect the College. Even allowing for the historic efficiencies remaining in the model the College is still on a recurrent basis underfunded by approximately £500k per annum compared to some other Colleges who are in terms of the model actually significantly overfunded.

She also reported on a change in position from SFC regarding the funding increases notified to Colleges earlier in the year. Despite previously published SFC guidance on what the funding increases were for, Colleges were informed that week that this funding is now to be used to fund additional staff costs arising from National Bargaining.

Members noted with some surprise the significant shift in position by SFC in terms of what the settlement was intended to fund and that this material change was only intimated latterly. Members also expressed concerns that the College was already facing disproportionate challenges as a result of historic inefficiencies used in the SFC model. Members also expressed concern that the move to the new funding model was on hold.

The Principal also highlighted to members that the College did benefit from a high level of Extended Learning Support funding to support students and that there were also concerns that this funding may be reduced in the future.

The principal also informed members that he intended to raise these issues with SFC in conjunction with the new Chair once he took up post.

Members agreed that the figures provided showed anomalies across the funding model for College which appears to penalise the College and that these should be highlighted to SFC.

The Associate Principal and Executive Director of Finance reported that, given these and other recent changes, the budget had been amended to remove the assumed top slicing of funding of £400k for new estates costs as per the new Falkirk Campus funding model. She highlighted that the College was aware that SFC had available funding and that the College would ask SFC to fund the estates costs removed from the budget.

The Associate Principal and Executive Director of Finance also updated members on a recent meeting with Barclays in relation to the existing covenants. She highlighted that the College's Resource Returns, as per SFC guidance, must include an underspend to the value of the loan repayments and, as this is reported on the audited financial statements, it had been suggested that this could replace the current covenants which would give Barclays assurances they require around the College's ability to repay the loan as it falls due..

She reported that the Barclays representatives seemed to think this was a good idea and had taken the information away to progress this further.

- a) Members endorsed the budget, incorporating the changes outlined above re estates funding levels being removed

F/16/037 Treasury Management Strategy 2017/18

The Associate Principal and Executive Director of Finance highlighted that the Treasury Management strategy was a historic holdover as the College can no longer have surpluses to invest in treasury management activity.

- a) Members agreed to recommend to the Board that the Treasury Management strategy not be continued

F/16/038 Q3 Forecast Outturn AY 16-17

The Head of Finance presented the Q3 forecast to members. She reported that this was showing a surplus at this time and outlined the major changes since the last report.

Members queried whether the College was pursuing any new commercial avenues. The Principal reported that a full review of the Business Development department was currently underway to look at efficiencies and new opportunities.

a) Members noted the content of the report

F/16/039 Review of Risk

Members noted that changes to ILA funding was a potential risk to some students.

F/16/040 Any other competent business

The Associate Principal and Executive Director of Finance informed members of a report by Audit Scotland which will be released the following day and that this report will require College's to undertake 5 year long term funding. She highlighted the difficulties in doing this given the inability of SFC to commit to funding levels for a similar period of time.

Uncontrolled Copy

1. Purpose

To present the Student Association Outturn for August 2016 to July 2017 and the Budget for August 2017 to July 2018.

2. Recommendation

That the contents of this report be reviewed and approved.

3. 2016-2017 Outturn

2016-2017 has seen the Student Association hold a Freshers' and Re-Freshers' fair, a Healthy Body Healthy Mind Event and a number of health & wellbeing awareness events. FVSA delivered a number of Scottish Mental Health First Aid training sessions and represented FVC students at the NUS UK Conference in Brighton. The Student Association were awarded 3 stars for the Healthy Body, Healthy Mind Initiative that is run by Scottish Student Sport and National Union of Students.

Appendix 1 shows the Student Association Outturn for Academic Year 2016-17. There is a surplus of £5k for the current academic year, which gives the Student Association an overall surplus of £11k.

Student Association Salaries are showing a saving of £5k. This is due to the Vice President (Education, & Learner Engagement) becoming vacant from December 2016 and the decision not to replace for the remaining part of the academic year. There is also a £5k shortfall in income, which offsets this saving.

The Student Association also made savings within Conferences and Courses, Materials and Miscellaneous Expenditure.

4. 2017-2018 Budget

Appendix 1 shows the Student Association Budget for 2017-18

The Student Association received a grant of £150k from the Forth Valley College Foundation to fund salary costs for both Academic Year 2016-17 and 2017-18. £69k of this funding has been released in 2016-17 to cover the salary costs.

As mentioned above, the Student Association did not replace their Vice President and have restructured to add a new Student Activities and Volunteer Co-ordinator for 2017-18, part of their responsibility is to work with students to develop clubs and societies within the College. As a result, salary costs will be higher in 2017-18 and the balance of £81k from the foundation will be utilised in the upcoming academic year.

The Student Association have also budgeted an initial start-up costs of £300 associated with this post, however once established fundraising will offset any expenditure.

A grant of £18k will be provided by the College to fund operational costs. There is a budget of £4k for representing students at conferences and officer/staff training courses and £6k has been budgeted for spend on events, including Fresher and Refresher Fayres.

5. Financial Implications

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

6. Equalities

Assessment in Place? – Yes No Non-Applicable

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium	x	x
Low		
Very Low		

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

Risk Owner – Andrew Lawson

Action Owner – Alan Buchan

8. Other Implications – NA

Communications – Yes No Health and Safety – Yes No

Paper Author – Alan Buchan/Lisa Penman

SMT Owner – Andrew Lawson

Appendix One

Forth Valley College Student Association

	2016-17 Budget	2016-17 Actual	Variance	2017-18 Budget
SUIN0001 Grant Income	18,000	18,000	0	18,000
SUIN0003 Miscellaneous Income	0	318	318	0
SUIN0004 Entertainment Income	1,000	1,020	20	800
SUIN0005 NUS Income	300	473	173	400
SUIN0007 Fundraising	0	0	0	0
SUIN0008 Donation from ALF	74,177	69,157	-5,020	80,843
SUIN0009 Clubs and Societies Fund Income	0	0	0	200
Student Union Income	93,477	88,968	-4,509	100,243
SUEX0001 Conferences and Courses	3,739	2,564	1,175	4,000
SUEX0002 Entertainment Functions	6,000	5,715	285	6,000
SUEX0004 Materials	4,000	3,147	853	4,500
SUEX0005 Membership Fees	2,500	1,379	1,121	2,500
SUEX0006 Miscellaneous Expenditure	1,500	81	1,419	700
SUEX0007 Salaries	74,177	69,157	5,020	80,843
SUEX0008 Travel Costs	1,000	961	39	1,000
SUEX0009 Class Rep Incentives	500	560	-60	500
SUEX0010 Marketing	0	0	0	760
SUEX0011 IT Equipment	61	61	0	0
SUEX0012 Expenditure funded by Donations	0	0	0	0
SUEX0013 Fundraising	0	0	0	0
SUEX0014 Clubs and Societies Fund	0	0	0	500
Student Union Expenditure	93,477	83,624	9,853	101,303
Academic Year Surplus/Deficit	0	5,343	5,343	-1,060
Previous Year Surplus	6,102	6,102	0	11,446
Total Previous Year Surplus	6,102	6,102	0	11,446
Overall Surplus/Deficit	6,102	11,446	0	10,386

1. Purpose

To present to the committee the proposed accounting policies to be applied to the Annual Accounts for the year ended 31 July 2017.

2. Recommendation

That members approve the accounting policies for application to the Annual Accounts for the year ended 31 July 2017.

3. Background

The College has reviewed the accounting policies to ensure that they remain the most appropriate to its particular circumstances.

The College's accounting principles are based on the current Statement of Recommended Practice: Accounting for Further and Higher Education (SORP).

4. Key Considerations

The proposed accounting policies are attached for consideration. A change has been made to remove all reference to the first year adoption of FRS 102 including the FRS 102 requirements note which has been highlighted in Appendix 1.

5. Equalities

Assessment in Place? – Yes No

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

6. Risk

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	X	X

Risk Owner – Alison Stewart

Action Owner - Alison Stewart

7. Other Implications –

Communications – Yes No

Health and Safety – Yes No

Paper Author – Irene Andrew

SMT Owner – Alison Stewart

Appendix 1

Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2015-16 Government Financial Reporting Model (FRM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

Basis of accounting

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

The financial statements do not include the income and expenditure of the Students' Union as the College does not exert control or dominant influence over policy decisions.

Going Concern

The Board of Forth Valley College has no reason to believe that future funding will not be forthcoming. It has accordingly been considered appropriate to adopt a going-concern basis for the preparation of these financial statements.

FRS 102

The accounts have been prepared incorporating the requirements of the accounting standard FRS 102.

Recognition of income

Income

Income from grants, contracts and other services rendered is included in proportion to the extent of completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Scottish Funding Council (SFC) are recognised in the period in which they are receivable.

Grant Funding

Government revenue grants including Funding Council block grants are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital Grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Tangible fixed assets

In line with FReM all tangible assets must be carried at fair value.

Land and Buildings

Land and buildings are measured using the revaluation model and accordingly, assets are revalued to fair value. Where appropriate Depreciated Replacement cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used. The land at Branshill, Alloa and the Middlefield site have been valued on the basis of Open Market value.

The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. In line with the FReM this will be supplemented by an interim professional valuation in year 3.

Depreciation and impairment losses are subsequently charged on the revalued amount.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

If a building is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months that the asset was in use.

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

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2016 and are not depreciated until they are brought into use.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives.

The expected useful life of buildings can vary from 20 to 50 years as determined by professional opinion and valuation.

Equipment

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

Depreciation

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

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

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Leased assets

Finance Leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over their useful life.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The lease rentals are treated as consisting of capital and interest. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Statement of Comprehensive Income in proportion to the reducing capital element outstanding.

Operating Leases

Leases not meeting the criteria of a finance lease are treated as an operating lease. Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Revaluation reserve

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

Stocks

Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Cash and cash equivalents

Cash and cash equivalents include sums on short-term deposits with recognised banks, building societies and government securities.

Taxation

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

Provisions, contingent liabilities and contingent assets

Provisions are recognised when the College has a present or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Agency arrangements

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

Foreign currency translation

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

Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Retirement benefits

The two principal pension schemes for the College are the Local Government Pension Scheme (LGPS) and the Scottish Teachers' Superannuation Scheme (STSS).

Local Government Pension Scheme (LGPS)

The LGPS is a pension scheme providing benefits based on final pensionable pay, prior to 1 April 2015 and a career average scheme from 1 April 2015. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Projected Unit Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme, after making allowances for future withdrawals. The amount charged to the Statement of Comprehensive Income represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme (STSS)

The College participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the year.

Pension Provision

The College has made provision for the enhanced pensions, payable to former employees who have taken early retirement, for which it is liable. This provision is calculated based on the actuarial tables which take account of the enhancement payable, the age, sex and marital status of the former employee. The annual cost of the enhancement is funded from the provision. The provision is made in accordance with FRS 102 and any movements are adjusted through the Statement of Comprehensive Income.

Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Surplus or Deficit.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

1. Purpose

To present the final Resource Return for Fiscal Year April 2016 to March 2017 to members.

2. Recommendation

Members note the final Resource Return Outturn for FY 2016-2017 and approve that the Resource Return and Review Certificate be submitted to SFC by the Director of Finance.

3. Background

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

A draft resource return (Q4/3) covering the 12 months to 31 March 2017 was submitted to the Scottish Funding Council in April. Due to the close proximity of the submission deadline to the yearend date, a further final submission (Q4/4) is due in September and includes transactions that were unknown at the time of the Q4/3 submission.

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

4. Resource Outturn

After adjusting for loan repayments the College is reporting that it has fully utilised its revenue resource budget. The College has also fully utilised its capital resource budget.

The final resource outturn for 2016/17 is summarised below.

RDEL reconciliation	£'000
Cash available per allocation	25504
less Loans/Lennartz/provisions	146
Net cash for RDEL	25358
Total RDEL expenditure	25358
Net underspend/(overspend)	0

CDEL reconciliation	£'000
Cash available per allocation	403
Total CDEL expenditure	403
Net underspend/(overspend)	0

5. Movement between Q4/4 and Q4/3 Submission

In relation to the RDEL the only variance between the Q4/3 submission in April 2017 and the final submission in September 2017 is an adjustment to the holiday pay accrual of £162k and a corresponding adjustment to the donation to the Arm's Length Foundation. The overall net effect on the reported resource outturn is nil.

Annually Managed Expenditure (AME) - The impairment of Middlefield land at 31 July 2016, which was included in the 2016/17 Financial Statements, was omitted from the Q4/3 submission in error. Pension valuation has been included based on the 31 July 17 valuation reports.

6. Equalities

Assessment in Place? – Yes No Non-Applicable

7. Risk

	Likelihood	Impact
Very High		
High		
Medium		x
Low		
Very Low	x	

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

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

Risk Owner – Alison Stewart

Action Owner – Irene Andrew

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes No

Health and Safety – Yes No

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

Appendix 1

Resource Budget Control - College Quarter 4(3) Resource Return for 1 April 2016 to 31 March 2017

College Name: Forth Valley College
 College Contact: Irene Andrew, irene.andrew@forthvalley.ac.uk, 01324 403270
 Enter YTD Actual and Forecast outturn in blue shaded cells

Checklist Line No.	HMT Resource Classification	Year to Date				Check	Comment (Where red)
		Budget £000	Actual £000	Variance £000	%		
Resource DEL							
1	Other income	9084	10419	1335	15		Additional £1.038m revenue donation from Glasgow Kelvin
2	Revenue funding from ALFs	724	343	-381	-53		Transfer was lower due to the donation from Glasgow Kelvin
3	UHI HE Funding (UHI colleges only)	0	0	0	0		
Total trading and other resource income		9808	10762	954			
4	Wages and salaries	23384	24227	843	4		
5	Operating costs	6992	7609	617	9		New Falkirk campus costs were higher than projected, increased holiday pay accrual.
6	Student support expenditure	3579	3702	123	3		
7	Donations to ALFs	0	579	579	0		Donation to ALF required due to non utilisation of net depreciation resulting from the late receipt of funding from Glasgow Kelvin College.
8	Bad debts	10	3	-7	-70		
9	Utilisation of pre 31 March 2014 provisions (negative)	0	0	0	0		
10	(Profit) or loss on disposal of assets	0	0	0	0		
Total Resource DEL		24157	25358	1201	5		
Ring Fenced RDEL							
11	Depreciation	2088	2123	35	2		
12	Deferred Capital Grant Release (negative)	-1480	-1515	-35	2		
13	Amortisation	0	0	0	0		
14	Impairment (where not classed as AME)	0	0	0	0		
Total Ring Fenced RDEL		608	608	0	0		
AME							
15	Provisions (where agreed as AME)	0	0	0	0		
16	Accruing pension liability	0	115	115	0		Pension liability per the valuation report at 31 July 17.
17	Investment fair value adjustment	0	0	0	0		
18	Depreciation on assets funded by capital grants from ALF/Private sector/donations/lottery	0	0	0	0		
19	Impairments (where agreed as AME)	0	1650	1650	0		Impairment of Middlefield land at 31 July 2016.
Total AME		0	1765	1765	0		
TOTAL NET EXPENDITURE		24765	27731	2966	5		
Capital DEL							
20	Income from disposal of non current assets (negative)	0	0	0	0		
21	Other external income (negative)	0	-962	-962	0		Additional capital income - donation from Glasgow Kelvin
22	Receipt from ALF (negative)	0	0	0	0		
23	Capital additions to non-current assets	403	1365	962	239		Purchase of Land for New Falkirk campus
Total Capital DEL		403	403	0	0		

TOTAL NET EXPENDITURE (AS RECOGNISED BY HMT)	25168	28134	2966	5
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Repayment of Loan Principal/Lennartz		146		
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Completed by: I Andrew
 Date: 4/9/17

Resource Return Review Certificate to the Scottish Funding Council

2016 – 2017: Assurance Statement for the Resource Return

I can confirm that I have reviewed the required assurances within my college in accordance with the schedule of review at Annex 2.

Based on that review, there are matters which require the resource return to be adjusted as detailed below and which have been incorporated in the revised 31 March 2017 resource return attached to this document

A list of the items to be adjusted using the same description as used on the resource return should be entered here together with the value (£).

Operating Costs:	Increased holiday pay accrual of £162k
Donation to ALF:	Reduced by £162k to reflect increased holiday pay accrual
Impairment:	Relates to the impairment of the Middlefield land at 31 July 2016. Impairment relating to existing Falkirk campus of £15m has been removed. See below.
Pension Valuation:	Figures are based on valuation from actuaries at 31 July 2017.

Other information

Revaluation of Assets: Valuation report is outstanding at this date, however as at 31st March 2017 there was nothing to indicate any impairment of assets other than noted above. The impairment of existing Falkirk site will take effect once the Decision Point 4 approval has been received for the new Falkirk Campus and will be reflected in the 2017/18 Resource Return.

Name	Alison Stewart
Job title	Director of Finance
Date	12 September 2017
College	Forth Valley College

Return to gmap-returns@sfc.ac.uk by 15 September 2017

1. Purpose

To present the Forecast Outturn for 2016/17 to members.

2. Recommendation

That members consider forecast outturn versus projected financial position of the College.

3. Background

The purpose of this report is to provide a summary of the College results for 2016/17 and to highlight the key variances between actual outturn and the Q3 reforecast completed in May 2017.

4. Key Considerations

Income and Expenditure – Actual vs Q3 Reforecast Outturn (Appendix 1)

There is an operational surplus of £307k as opposed to the projected surplus of £264k

Significant variances, greater than £10k to note are:

Income

- **HEI Tuition Fees**

HEI Tuition Fees are £17k lower than the projected forecast. The forecast did not reflect the 3% reduction in the Unit of Teaching Resource that was announced by SFC. The University of Stirling identified the error when carrying out their yearend reconciliation process. Overall the income should have been reduced by £34k however the College and the University agreed to equally share the impact of the reduction as neither organisation had picked this up when the payment schedules for 2016/17 were agreed.

- **International Income**

Overall, International income is £29k lower than the projected forecast. This is mainly due to the Sonangol activity (£21k) being delayed to academic year 2017/18.

- **Commercial Training Income**

The income is lower than projected (£14k) mainly due to the year end adjustment for deferred income with regard to the CIPD and CMI course, this was forecast at £14k however the actual deferral is £26k.

- **Modern Apprentice Income**

Overall, MA income is £48k higher than the Q3 reforecast. £13k of this relates to SDS Milestone Claims as a result of the timing of the claims and the funding being paid to Ineos. £18k relates to Part Funded Modern Apprentice Fees and there is a further yearend adjustment of £3,350 to be deferred into Academic Year 2017/18.

The balance of £17k relates to training charges, we received final confirmation of our CITB Contract for Academic Year 2016/17 on 24th July 2017, the estimate for the final payment in the Q3 forecast had been prudent due to not receiving this document.

Expenditure

- **Salary Costs**

Salaries are £24k lower than the Q3 Forecast, £20k of this relates to the Salary Contingency not being utilised.

- **Staff related costs**

Staff related costs are £17k higher than the Q3 reforecast which is in part is due to a £9k variance in travel miles as claims relating to January to March were submitted after the Q3 Reforecast. With the introduction of the new travel policy we will continue to encourage claims to be made more regularly in future. Management Development is £9k higher than forecast which relates to the Business Development Review costs.

- **Learning & Teaching Materials**

Learning and Teaching Materials are £13k lower than Q3 reforecast as a result of savings across the departments.

- **Catering and Hospitality Costs**

Catering and Hospitality Costs are £20k higher than the Q3 reforecast, partly due to the cost of sales being slightly higher than projected mainly within the Stirling campus for events such as the Making Learning Work Dinner and the Creative Industries Exhibition, along with some of the evening provision courses which are included as cost. This has been offset in full by the recharge income.

- **Property & FM Costs**

Property and FM costs are £41k below the Q3 reforecast. £7k relates to Utilities and £12k relates to the new FM contract the costs, however the final 16/17 invoice is still an estimate at this stage. Otherwise the variances are made of up several smaller savings across cost lines.

- **Print Costs**

Overall, equipment costs are £26k lower than the Q2 reforecast. The final cost for the Danwood contract was £10k less than projected and the click charges within the new contract are £16k less than projected within the forecast.

- **Finance costs**

Overall, Finance Costs are £14k lower than the Q2 reforecast. This is largely as a result of the £15k Finance Contingency not being utilised.

Non Cash Expenditure

- **Holiday Pay**

Holiday pay costs are £107k higher than projected due to the Q3 Forecast. An adjustment was made in year to exclude public holiday entitlement from the accrual however no adjustment was made to the opening 2015-16 amount which accounts for the movement of £95k. The remainder of the variance is as a result of the difficulty in predicting the actual number of days being carried over to the new academic year.

Balance Sheet (Appendix 2)

- **Fixed assets**

There have been additions of £1.507m to fixed assets, £545k 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**

Trade debtors have increased by £97k in comparison to last year. The increase falls mainly within the 31-60 days and the 151+ days ageing bands. The increase in the 31-60 days ageing is as a result of the BEST invoice for £80k that has been raised for previous year fees, BEST make payment after 60 days. The balance is made up of a higher Student Debt, these Students have had their qualification withheld and been referred to our Debt Agency.

- **Prepayments and accrued income**

Prepayments and accrued income have decreased by £434k in comparison to last year. This is largely due to a reduction in accrued income. We have accrued less grant from the Foundation this year due to receiving the donation from Glasgow Kelvin, this accounts for

£300k of the movement. There has been no requirement to accrue income relating to Student Support, this academic year, as it has been drawn down from SFC in full and this accounts for £113k.

- **Bank and cash**

The receipt of additional revenue funding of £1.038m has resulted in an increase in cash of £1.684m in comparison to the year-end position coupled with the fact that the donation to the ALF of £579k has not yet been made.

Current Liabilities

- **Trade creditors**

Overall Trade Creditors have increased by £382k in comparison with last year. This is due to the payments to LGPS, SPPA and some other payroll deductions not being made until after the 31st July this year due to our payment processing date for Creditors being the 2nd August 2017.

- **Accruals**

Overall accruals have increased by £626k since last year. The most significant accruals are £490k for the retention for Miller Construction in respect of Alloa and Stirling Campuses, the accrual for the donation to the ALF of £579k, £323k for the Holiday Pay Accrual, £72k for Falkirk Council Pension Charges and £111k in FM Costs for both FES and Servest.

- **Deferred income**

Overall, the deferred income balance has increased by £39k in comparison to the year end.

- **Other Creditors**

Other Creditors have increased £665k to £2,346m and includes £1,662k for the deferred capital grant due within one year, along with the portion of the Barclays loan due within one year of £159k, student funding of £339k and various other accounts making up the balance of other creditors.

- **Long Term Liabilities**

The movement relates to the reduction in deferred capital grant and the reduction of the provision for the loan.

Revenue maintenance (Appendix 3)

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 now been approved by SMT. Appendix 3 shows the current position from 1st April 2017 to 31st July 2017.

Capital Grant (Appendix 4)

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 now been approved by SMT. Appendix 4 shows the current position from 1st April 2017 to 31st July 2017.

New Falkirk Costs

Work is ongoing to develop a new report for the New Falkirk Campus Costs which will be available for the 2017/18 reports. The 2016/17 costs are £1,638m which relate to the Design and Project Costs, excluding salary costs. A further £962k relates to the purchase of the land on the Middlefield Site. To date the overall costs are £4,655m which includes Salary Costs.

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		
Medium		
Low		
Very Low	x	x

At this stage of the year the risk is low as the forecast outturn is actually ahead of the latest forecast.

Risk Owner – Alison Stewart

Action Owner – Irene Andrew

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – No

Health and Safety – No

Paper Author – Louise Burnett

SMT Owner – Alison Stewart

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Appendix 1

Income and Expenditure		Forth Valley College		
	2016/17	2016/17	2016/17	
	Actual	Budget	Variance	
	£'000	£'000	£'000	
Income				
SFC Grants	20,766	20,763	3	
Loan Grant Release	0	0	0	
Tuition Fees	1,490	1,486	4	
HEI Tuition Fees	1,447	1,465	(17)	
International Income	139	168	(29)	
Evening Provision	192	194	(1)	
Commercial Training Income	802	816	(14)	
Modern Apprenticeship Income	2,773	2,725	48	
Catering and Hospitality Income	928	923	5	
Other Income	420	410	10	
Bank Interest	7	5	2	
Total Income	28,965	28,954	10	
Expenditure				
Salary Costs	(22,555)	(22,579)	24	
Staff Related Costs	(352)	(335)	(17)	
Learning and Teaching Materials	(635)	(648)	13	
Learning and Teaching Exams and Registration Fees	(480)	(485)	4	
Learning and Teaching Student Support	(29)	(30)	1	
Learning and Teaching Other	(139)	(147)	8	
Catering and Hospitality Costs	(558)	(538)	(20)	
Property and FM Costs	(1,452)	(1,493)	41	
Equipment Costs	(149)	(155)	6	
Marketing and Communication Costs	(186)	(192)	6	
Printing Costs	(184)	(209)	26	
Finance Costs	(316)	(330)	14	
Governance Costs	(160)	(163)	3	
IT Costs	(363)	(373)	10	
Telecomms Costs	(99)	(92)	(6)	
Other Costs	(154)	(180)	26	
Total Expenditure	(27,810)	(27,947)	138	
Recharges				
External Recharges	(6)	(7)	2	
Total Expenditure	(6)	(7)	2	
Surplus/(Deficit)	1,149	1,000	150	
Non Cash Expenditure				
Net Depreciation	608	608	0	
Holiday pay adjustment	234	127	107	
Total Non Cash Expenditure	842	735	107	
Operational Surplus/(Deficit)	307	264	43	
New Falkirk Campus				
SFC Revenue Maintenance Grant	497	497	0	
New Falkirk Campus	(1,791)	(1,747)	(44)	
Donations from Other Public Bodies	1,038	1,038	0	
Grants received from ALF	70	70	0	
	(185)	(142)	(44)	
Donations made to ALF	(579)	(579)	0	
Operational Surplus/(Deficit)	(457)	(456)	(1)	
Grant for Purchase of Land	962	962		

Appendix 2

Balance Sheet			
At 31 July 2017			
	Balance at 31st July 2017 £'000	Balance at 31st July 2016 £'000	Year End Movement £'000
Fixed Assets			
Tangible Assets	56,790	57,405	615
Current Assets			
Stocks	24	30	(6)
Trade Debtors	545	447	97
Prepayments & Accrued Income	739	1,173	(434)
Cash	2,610	926	1,684
Total Current Assets	3,918	2,576	1,342
Current Liabilities			
Trade Creditors	633	251	382
Other taxation & social security	533	506	27
Accruals	1,840	1,214	626
Deferred income	323	284	39
Other Creditors	2,346	1,682	665
Total Current Liabilities	5,675	3,936	1,739
Net current assets/(liabilities)	(1,757)	(1,360)	(397)
Long term Liabilities			
Pension Provision	7,317	7,317	
Loan Provision	3,905	4,065	(160)
Interest rate SWAP Creditor	843	843	
Net Pension Asset/Liability	16,804	16,804	
Deferred Capital Grants	28,325	29,612	(1,287)
Total Long term Liabilities	57,193	58,640	1,447
TOTAL	(2,160)	(2,595)	(1,228)
Reserves			
Pension Reserve	(16,804)	(16,804)	
General Reserve	(4,354)	(4,354)	(0)
Current year (surplus)/deficit	937		937
Revaluation Reserve	18,061	18,563	(502)
Total Reserves	(2,160)	(2,595)	435
TOTAL	(2,160)	(2,595)	435

Appendix 3

Forth Valley College SFC Revenue Maintenance Budget April 17 - March 2018							
Project	Project	Finance Committee Budget	Budget Movements	Current Budget	Actual Per Finance	Committed Per Finance	Remaining Spend based on revised budget
		£			£	£	£
CPRB1801	Landscaping Works - Stirling	15,000.00	(10,410.00)	4,590.00	4,590.00	0.00	0.00
CPRB1802	External Repairs & Maintenance for all Campuses	65,000.00	26,672.00	91,672.00	15,730.56	59,860.80	16,080.64
CPRB1803	Internal Repairs & Maintenance for all Campuses	45,000.00	1,513.00	46,513.00	18,943.23	27,424.59	145.18
CPRB1804	Asbestos Management - Falkirk Campus	15,000.00	(5,052.00)	9,948.00	0.00	0.00	9,948.00
CPRB1805	Statutory Repairs/replacement (LEV's, Hydrants, Fire, Risers)	30,000.00	0.00	30,000.00	4,963.69	0.00	25,036.31
CPRB1806	FF&E	25,000.00	0.00	25,000.00	8,417.40	0.00	16,582.60
CPRB1807	Lifecycle Maintenance across all Campuses	45,000.00	0.00	45,000.00	0.00	0.00	45,000.00
CPRB1808	Equipment Re-loaction and Installation	15,000.00	0.00	15,000.00	7,373.87	1,993.55	5,632.58
CPRB1809	Consultancy	0.00	14,760.00	14,760.00	14,760.00	0.00	0.00
CPRP1899	Contingency	70,000.00	(27,483.00)	42,517.00	0.00	0.00	42,517.00
	Total for Maintenance Projects	325,000.00	0.00	325,000.00	74,778.75	89,278.94	160,942.31
CPRB1898	Interest on Borrowings	180,000.00	0.00	180,000.00	0.00	0.00	180,000.00
	Total for Maintenance Projects and Interest on Borrowings	505,000.00	0.00	505,000.00	74,778.75	89,278.94	340,942.31

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Appendix 4

Forth Valley College Capital Budget 17-18						
Project	Dept	Project	Full Year Budget (F) Per Finance £	Actual Per Finance £	Committed Per Finance £	Left to Spend £
CPCB1801	Estates	Staff Workroom Pilot - Stirling	500,000	183,508.45	182,697.82	133,793.73
CPCB1802	IT	Departmental Equipment	37,183	17,419.63	0.00	19,763.37
					0.00	0.00
		Total Capital Spend on Current Year Projects	537,183	200,928	182,698	153,557

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Forth Valley College
Programme of Finance Committee Business

	Nov-17	Mar-18	Jun-18	Sep-18
1 Apologies for absence	✓	✓	✓	✓
2 Declarations of interests	✓	✓	✓	✓
FOR APPROVAL				
3 Minutes of previous meeting	✓	✓	✓	✓
4 Maters Arising	✓	✓	✓	✓
Annual Accounts	✓			
Resource Return 2017/18 (Q4/2)		✓		
Donation to Forth Valley College Foundation		✓		
Tuition Fees & Fee Waiver Policy		✓		
Budget 2018/19			✓	
Financial Forecast Return			✓	
Student Association Accounts & Budget				✓
Accounting Policies				✓
Resource Return 2017/18 (Q4/4)				✓
FOR DISCUSSION				
Business Development Update	✓	✓	✓	✓
Forecast Outturn 2017/18 @ January 2018		✓		
Forecast Outturn 2017/18 @ April 2018			✓	
Indicative Funding Allocation 2018/19		✓		
Forecast Outturn 2017/18				✓
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)			✓	

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