Agenda

4 December 2018
FINANCE COMMITTEE

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

Items 4 and 5 are joint items with the Audit Committee and will be considered at the end of the meeting.

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 11 September 2018
(Elements of paper 2 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.)

3. Matters Arising

   a) F/17/042 Any Other Competent Business

4. Annual Report and Financial Statements 2017/18 — Senga McKerr
   (Joint item with Audit Committee)
(Elements of paper 4 are withheld from publication on the Forth Valley College website under Section 25 Information Otherwise Accessible of the Freedom of Information (Scotland) Act 2002 - https://www.forthvalley.ac.uk/about-us/)

5. Draft External Audit Annual Report to the Board of Management — Ernst and Young
   (Joint item with Audit Committee)
(Paper 5 is withheld from publication on the Forth Valley College website under Section 25 Information Otherwise Accessible of the Freedom of Information (Scotland) Act 2002 - https://www.forthvalley.ac.uk/about-us/)

6. Procurement Annual Report — Ester Vasallo
(Elements of paper 6 are withheld from publication on the Forth Valley College website under Section 25 Information Otherwise Accessible of the Freedom of Information (Scotland) Act 2002 - https://www.forthvalley.ac.uk/about-us/)

FOR DISCUSSION

7. Student Funding Outturn for 2017/18 and Forecast for 2018/19 — Louise Burnett

8. Budget Monitoring - 2018/19 Qtr 1 (Oct 2018) — Senga McKerr
(Elements of paper 8 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.)

9. CORE/RAK International Opportunity (to follow) — Alison Stewart / Ken Thomson

(Paper 9 is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

10. Review of Risk

11. Any other competent business

2. Minutes of Meeting of 11 September 2018
For Approval

4 December 2018
FINANCE COMMITTEE

Principal's Office, Falkirk Campus (commencing at 4.30pm)

Present: Mr Liam McCabe (Chair)
Mrs Caryn Jack
Mr Andrew Carver
Ms Trudi Craggs

Apologies: Mrs Pamela Duncan
Mr Ken Richardson

In Attendance: Dr Ken Thomson, Principal
Mrs Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)
Mrs Senga McKerr, Head of Finance
Ms Moira France, Finance Manager
Mr Stephen Jarvie, Corporate Governance and Planning Officer
Mr Liam Williams, Student Association President (For item F/18/004 only)

F/18/001 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/18/002 Minutes of meetings of 14 June 2018

Members approved the minute of the meeting of 14 June 2018

F/18/003 Matters Arising

a) F/17/034 Matters Arising

The VPFACA informed members that she had been appointed to the new SFC Funding Model subgroup.

Members welcomed the news, as they were keen for the College's perspective to be represented.

b) F/17/035 Procurement Strategy and Policies

The Chair asked for an update on when the Procurement annual report would be presented to the Committee.

The VPFACA confirmed this report would be presented to the November meeting of the Committee.

c) F/17/042 Any Other Competent Business

The Chair requested an update on whether there had been any meetings with Barclays on revisions to the covenants.

The VPFACA informed members that there had not been any discussions since the last meeting of the Committee. She also assured members however that the existing covenant was still applicable to the 2017/18 accounts.

d) F/17/038 International Financial Overview

[redacted]

[redacted]

[redacted]

[redacted]

F/18/004 Student Association Outturn for 2017-18 and Student Association Budget for 2018-19

The Student Association President presented a paper outlining the financial outturn for the last academic year and requesting operational funding for the current year.

He highlighted the work of the Student Association to date and informed members that the Forth Valley Arm's Length Foundation had recently approved funding to cover Student Association staffing costs.

Members queried whether the Student Association sought additional funding from grant bodies or other sources.

The Student Association President confirmed that he was keen to see an increase in commercialisation to support their activities and provided members with information on some potential sources for this.

The Principal noted that the College would be keen to work in partnership with the Student Association on increasing their commercialisation.

Members queried whether the travel costs in the budget were sufficient for the year. The Student Association President noted that it was hard to predict this as the number of events/conferences that they may attend during the year is unknown but that the figure had been based on past expenditure.

Members queried why the budget for marketing materials had decreased. The Student Association President informed members that this was a combination of marketing stock left over from last year and that the College's Communications and Marketing team did not charge the Student Association for their services.

a) Members approved the Student Association Budget for 2018-19

F/18/005 **Resource Return Outturn 2017-18**

The VPFACA presented members with the final resource return for 2017-18 which covered up to March 2018.

She noted that the final return has to be submitted to SFC by the end of September and was seeking approval to do so.

She outlined the content of the paper and the manner in which SFC required the information to be submitted.

She also informed members that the College was able to reconcile the resource return to the College ledger so there was an audit trail for the submission if required.

a) Members approved the submission of the Resource Return Outturn 2017-18 to SFC

F/18/006 **Financial Forecast Return 2017-18 to 2022-23**

The Head of Finance presented members with the draft FFR developed to comply with SFC's request for Colleges to undertake medium term forecasting.

She outlined the scenarios contained within the paper and the assumptions within the paper required to achieve these scenarios.

She highlighted to members that these models demonstrated that the current funding model was not a sustainable one for the College.

Members discussed the scenarios in depth and agreed that two scenarios should be taken forward to the Board of Management. The first being the baseline forecast if no corrective action is taken and the second being the baseline line scenario with corrective actions.

Members discussed a number of issues around the levels of SFC funding and the requirement to deliver 3% efficiencies year on yearMembers noted that the SFC's simplified funding model which recognises the College is underfunded will now not be implemented and that a new funding model was being developed with implementation delayed until 2020/21. Members also noted that no funding is being provided to cover the cost of "no detriment" to current terms and conditions which prevents the College from moving to the agreed sector norm for lecturer contact time. This is an inefficiney which is being imposed on the college through the national bargaining process.

The VPFACA informed members that the updated paper would be shared with the Chair before being issued to the wider Board of Management.

a) Members approved the submission of the FFR to the Board once the suggested changes had been incorporated
b) Members agreed that the Chair could review and approve the new paper on behalf of the Committee prior to its issue to the Board of Management

F/18/007 Management Accounts 2017/18 Forecast Outturn

The Head of Finance presented the forecast outturn for 2017/18. She highlighted that this report had still to reach finalisation but that there were no significant changes expected.

She informed members that this would be used to support the work of the External Auditors who were commencing their audit in early October.

a) Members noted the content of the report

F/18/008 Review of Risk

Members noted that the FFR had highlighted significant risks to the long term sustainability of the College without significant corrective action.

F/18/009 Any other competent business

Members queried where the College was in relation to tendering for insurance services following the approval in June 2018 to extend the current provider by a year. The Head of Finance confirmed that the tendering process would commence in the New Year and that an update would be brought to a future Committee meeting.

1. Purpose

To present to members the draft Annual Report and Financial Statements for the year to 31 July 2018.

2. Recommendation

Members discuss the financial position of the College for the year ended 31 July 2018 and approve the Annual Report and Financial Statements for the year ended 31 July 2018.

3. Background

The Office for National Statistics (ONS) reclassification of FE Colleges came into effect from 1 April 2014. There are a number of significant implications resulting from this reclassification not least the inability to retain surplus cash without this in effect being frozen due to government resource budgeting restrictions.

The Annual Report and Financial Statements have been prepared in accordance with the Accounts Direction issued by the Scottish Funding Council in August 2015 which requires the College to comply with the Statement of Recommended Practice: Accounting for Further and Higher Education issued in July 2015 (2015 SORP), the Scottish Public Finance Manual (SPFM) and the Scottish governments Financial Reporting Manual (FReM).

The SPFM and FReM both require additional disclosures.

The financial statements are noted as draft as we are waiting for final partner comments from the auditors, Ernst & Young.

4. Key Considerations

The adoption of the Financial Reporting standard (FRS) 102 and the 2015 SORP, combined with the government accounting restrictions on the ability to retain cash surpluses due to resource budgeting restrictions, means it is difficult to present the College's financial position in a way which informs readers of the true underlying financial sustainability of the College.

The key consideration for members is the long term financial sustainability of the College. This is referred to within the Annual Report and Financial Statements as the College continuing to operate on a "going concern" basis. Under the current reporting regime previous indicators such as reporting an operating surplus and having a strong Balance Sheet with net assets are no longer achievable. This does not however mean that the College is financially unsustainable.

The key measures going forward is the College's ability to generate cash from its day to day operational activities, and evidence that it can meet its liabilities as they fall due. The impact of non-cash technical accounting adjustments, while they are relevant to some extent, should be excluded when assessing the College's financial strength.

The Financial Performance section of the Performance Report provides a detailed review of the College's financial performance for the year ended 31 July 2018 and its financial position at 31 July 2018. The key points to note are:

- The College generated an underlying operational surplus of £652k excluding non-cash adjustments, funding from the Forth Valley College Foundation, the estates development costs and the loan repayments. This surplus demonstrates that the College is operating sustainably within its funding allocation.
- The net liability position in the Balance Sheet is distorted due to the technical accounting adjustments in relation to the treatment of government capital grants and pension liabilities. Also, the impact of reclassification where surplus cash has been donated to an arm's length foundation or spent to support the estates development programme impacts on the net liabilities.
- The sale of land at Middlefield generated cash of £2.1m and an accounting surplus of £700k. This cash was used towards the New Falkirk main contract build costs.
- £146k is receivable within 2017/18 from the Forth Valley College Foundation in relation to capital IT spend for the new Falkirk Campus.
- The external auditors are content there are no going concern issues as the underlying financial position has been clearly demonstrated.

5. Financial Implications

SFC guidance states that for the financial period ended 31 July 2018 Colleges are permitted to report deficits equivalent to the spend on cash budget for priorities, FRS 17 pension charges and FRS 102 adjustments. The reported financial position falls within the guidelines.

Reporting a deficit does have implications however, and to counter any queries or concerns by the users of the Financial Statements, SFC have issued a statement of assurance for Colleges to incorporate into their Financial Statements for the financial period ended 31 July 2018. This statement stated the deficit should be viewed as a "technical" deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. The full Statement is on page 12 of the Accounts.

6. Banking Covenants

A covenant is in place with Barclays, which is linked to the resource outturn. The College has met this covenant for 2017/18. SFC have removed the requirement for resource returns for fiscal year 2018/19. Discussions are ongoing with Barclays as how to satisfy the covenant using the Cash flow information now provided to SFC and Alison Stewart will provide a further update at the meeting.

7. Equalities

Assessment in Place? – N/A

8. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		x
Low	x	
Very Low		

Due to the adoption of FRS 102 in terms of the accounting treatment of certain items and the associated presentational changes, the College's underlying financial health is being masked. There is a risk that those not familiar with the technical aspects of Financial Statements will misinterpret the state of the College's financial health. In mitigation of this, it needs to be stressed that both the Board of Management, SFC and the external auditors are in agreement that there is no going concern issue.

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

6. Annual Procurement Report For Approval

4 December 2018
FINANCE COMMITTEE

1. Purpose

To seek approval from members on the Annual Procurement Report covering the reporting period 1st January 2017 – 31st July 2018.

2. Recommendation

That members approve the content of the Annual Procurement Report.

3. Background

The Procurement Reform (Scotland) Act 2014 ("the Act") introduced a regulatory duty on public contracting authorities with over £5m procurement expenditure to publish an Annual Procurement Report (APR) reflecting on the relevant reporting period of its procurement strategy.

The attached APR covers the period of 1st January 2017 to 31st July 2018 and addresses performance and achievements in delivering Forth Valley College's procurement strategy 2016-2018.

4. Key Considerations

Section 18(2) of the Act states that the APR must include as a minimum:

- A summary of the regulated procurements that have been completed during the year covered by the report.
- A review of whether those procurements complied with the contracting authority's procurement strategy.
- To the extent that any regulated procurements did not comply, a statement of how the contracting authority intends to ensure that future regulated procurements do comply.
- A summary of any community benefit requirements imposed as part of a regulated procurement that were fulfilled during the financial year covered by the report.
- A summary of any steps taken to facilitate the involvement of supported businesses in regulated procurements during the year covered by the report.
- A summary of the regulated procurements the authority expects to commence in the next two financial years.

The Act requires that the APR is published on the internet and that Scottish Ministers must be notified when publishing it.

All APRs published within four months of the end of the authority's financial year will be included in an analysis that will inform the Scottish Ministers annual report on procurement activity in Scotland.

5. Financial Implications

Please detail the financial implications of this item – Not Applicable

6. Equalities

Assessment in Place? – No

If No, please explain why – Not applicable to this item. This is not a policy/decision. Assessment was completed for the approval of the procurement strategy 2016-2018.

Please summarise any positive/negative impacts (noting mitigating actions) – Not applicable to this item.

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		
Low	x	x
Very Low		

Please describe any risks associated with this paper and associated mitigating actions - Failure to publish the APR as soon as reasonably practicable (considered 4 months as per Scottish Government guidance) after the financial year end means that College would be in breach of the Procurement Reform (Scotland) Act 2014 – **Mitigate by having the APR approved and published by 30th November 2018.**

Risk Owner – Alison Stewart

Action Owner – Ester Vasallo

8. Other Implications

Please indicate whether there are implications for the areas below.

Communications – Yes

Health and Safety – No

Please provide a summary of these implications - The APR requires to be published on the College website by 30th November 2018.

Paper Author – Ester Vasallo

SMT Owner – Alison Stewart

7. Student Funding Outturn for 2017-2018 and Forecast for 2018-19

For Approval

4 December 2018

FINANCE COMMITTEE

1. Purpose

To update members on the final position for Student Funding in Academic Year 2017-2018 and an update on the position for 2018-2019.

2. Recommendation

That members note the underspend for 2017-18 and the forecasted outturn for 2018-19 and approve the request for additional funding in 2018-2019.

3. Background

SFC issue allocations for Student Support around April and then in November Colleges have the opportunity through the in-year re-distribution process to either request further funding for Student Support or relinquish funding based on the demand from Students.

4. Key Considerations

a. 2017-18

The Outturn for 2017-18 is detailed in Appendix 1. When we received our initial allocation for 2017-18 Student Support Budget of £4,176k, we discovered that SFC had included a prior year adjustment in our calculation. We notified SFC as part of the in-year redistribution that we could relinquish £100k of our funding. However, they advised FVC to keep the funds to be used as part of the 2018-19 in-year redistribution process. The College was therefore working to a Budget of £4,076k for 2017-18. For AY 2017-18 the Student Support Budget was underspent by £444k.

FE Bursary is underspent by £373k. This is made up of £244k in weekly Maintenance, £118k in Travel and £11k in Study Materials, as shown in Appendix 2.

We had 20 less January Starts than forecast for weekly Maintenance Payments, which accounts for approximately £104k, £116k relates to Students who withdrew and £24k relates to the assumption that we pay 90% of our commitment, when in 2017-2018 we actually paid 89%. In 2017-18 we had 177 less Students apply for support with Travel compared with a Forecast of 1,246 Students. The 1,246 estimate was based on 1,188 Student in 2015-16 and 1,380 in 2016-17. This accounted for approximately £61k of the underspend, with the balance of £57k relating to the assumption that we pay 90% of our commitment, when in 2017-2018 we paid 87%.

Childcare is underspent by £62k. For the Forecast we assumed for FE Childcare we would have the same number of Students as 2016-17 (176), however we only had 149 which at an average spend of £2,125 per student accounts for the variance.

Discretionary Funding is underspent by £9k, £8k in FE and £1k in HE. This is due to us holding some funding in the event that Students requested support with unforeseen financial circumstances, such as rent arrears, car repairs etc. This part of the Budget is difficult to predict on an annual basis.

b. 2018-2019

Student Support has had 2 major changes that will impact on the funds for 2018-19, as a result of the Student Support Review that was carried out. The first is the introduction of the Care Experienced Bursary. Students who are Care Experienced are entitled to a £202.50 a week Bursary compared with a Higher Rate Bursary, this means an additional £4,355 per annum in weekly maintenance per student for 2018-2019.

The other change is in regards to attendance. SFC has updated the policy to state that "Colleges are not expected to operate a 100% attendance requirement. Bursary awards should be made on the basis that students appropriately engage in their studies. The expectation is that, usually, students should attend all their classes and colleges should monitor student attendance on a regular basis. However, it is recognised that students may need to have periods of absences." Before any deductions are made to Student Support Payments, Colleges should ensure that Students are engaging with their studies.

As a result of this change, the College is operating a 3 strike rule with Student Support Payments, whereby students will receive full payments unless they have had 3 periods of absence. Where students hit a 4th period of absence, payment will be made on a % basis unless there has been clear engagement. Engagement is being recorded by Academic Staff and is being rated as Very Satisfactory, Satisfactory, Unsatisfactory or Very Unsatisfactory. For Student Funding those ranked as Unsatisfactory or Very Unsatisfactory will be deemed as not engaging with their studies. For the Academic Staff, when they mark progress as either Unsatisfactory or Very Unsatisfactory, they will be shown a list of comments and they must mark the main reason for their choice. This process was the preferred option from the Curriculum Manager Forum and there has been a lot of positive support for recording progress.

There is additional funding available from SFC to fund additional costs due to the changes and we have been asked for details on these within the In-Year Redistribution exercise. Our 2018-19 allocation for Student Support is currently £3,946k. Appendix 3 details the Budget and the Forecast Outturn for 2018-19.

For FE Bursary our weekly maintenance rates have been increased by 1.5% for session 2018-19.

Weekly Maintenance	2017-18	2018-19
Parental Supported	£77.01	£78.17
Self-Supporting	£97.33	£98.79
Care Experienced	£97.33	£202.50
Universal Credit	£28.00	£28.00

Currently the College has committed to pay 833 Students £2,645k in FE Maintenance. This includes approx. 46 Students on the new Care Experienced bursary. Based on our 17-18 January Start Applications we are estimating a further commitment of £101k, this assumption includes awarding 2 Care Experienced bursaries within the January Starts. . Based on 17-18, we are assuming a reduction of 3% for withdrawals, which equals a reduction of £82k and based on the new attendance rules we are assuming we pay approx. 93% of our committed award. Taking all of this in to account our forecast spend on FE Maintenance is £2,478k.

The College pay Students their FE Travel based on the cost of a weekly bus ticket and the number of zones a student has to travel. These rates have on average increased by 4.26% from 2017-18

	Zone 1	Zone 2	Zone 3
2017-18	18.20	23.50	33.00
2018-19	19.20	24.80	36.80
% Increase	5.49%	4.26%	3.03%

Currently the College has committed to pay 1,034 Students £779k in FE Travel. We are estimating a further £23k commitment for January Starts and assuming 5% withdrawals, which equals a reduction of £40k and are assuming we will pay 90% of our committed award. Therefore our Forecasted Spend on FE Travel is £685k.

For Study Materials we are estimating a small increase on our 2017-2018 spend giving a Forecast Spend on Study Materials of £75k.

Overall we are predicting spend of £3,238k against a budget of £2,951k, which means a £287k overspend, which we will request through in-year redistribution.

For Childcare we have accepted applications from 179 Students, which is currently 123 FE Students and 56 HE Students. Based on 2017-18 we paid an average of £2,432 for FE Student's Childcare and £2,264 for HE Student's Childcare.

We estimate we will receive a further 26 applications from FE Students and 18 from HE Students. We have also increased the capped rates and taking this into account alongside the attendance changes, we are forecasting spend of £583k for Childcare, which is a £20k underspend.

For both FE & HE Discretionary we always assume we will spend the full budget.

Overall there is a predicted over spend of £267k in FE Spend, which means we will submit an in-year redistribution request for this value.

5. Financial Implications

If we are not successful in the in-year redistribution allocation, core College budget could be impacted by up to £267k.

6. Equalities

Assessment in Place? – Yes ☐ **No** ☒

If No, please explain why –

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

7. Risk

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

	Likelihood	Impact
Very High		
High		x
Medium	x	
Low		
Very Low		

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

The main risk to the College is having insufficient funds to cover all required student support. However there has been additional funding made available for the changes to Student Support for 2018-19 so we are confident that we will be successful in our request for additional funding.

Risk Owner – Alison Stewart

Action Owner – Louise Burnett

Paper Author – Louise Burnett

SMT Owner – Alison Stewart

Appendix One

Student Support Spend 2017-18					
Fund	2017-18 Budget	In Year Redistribution	2017-18 Forecast Spend	2017-18 Spend	Variance
FE Bursary	3,085,108	(30,000)	3,055,108	2,682,076	373,032
FE, HE & ESF Childcare	662,155	(70,000)	592,155	529,917	62,238
FE Discretionary	279,559	0	279,559	271,469	8,090
HE Discretionary	148,683	0	148,683	147,980	704
Totals	**4,175,505**	**(100,000)**	**4,075,505**	**3,631,442**	**444,063**

Appendix Two

FE Bursary			
Fund	2017-18 Forecast	2017-18 Spend	Variance
Maintenance	2,285,023	2,040,849	244,174
Travel	688,126	569,858	118,268
Study Materials	81,959	71,369	10,591
Totals	**3,055,108**	**2,682,076**	**373,032**

Appendix Three

Student Support Spend 2018-19				
Area	2017-18 Spend	2018-19 Allocation	2018-19 Forecast Spend	Variance
FE Maintenance	2,040,849	2,276,060	2,477,675	(201,615)
FE Travel	569,858	600,000	685,439	(85,439)
FE Study Mats	71,369	75,000	75,000	0
Childcare	529,917	603,121	582,894	20,227
FE Discretionary	271,469	253,500	253,500	0
HE Discretionary	147,980	138,366	138,366	0
Total	**3,631,442**	**3,946,047**	**4,212,874**	**(266,827)**

8. Budget Monitoring – 2018/19 Qtr 1 (Oct 2018)
For Discussion

4 December 2018
FINANCE COMMITTEE

1. Purpose

To present the management accounts for the 3 months to 26th October 2018.

2. Recommendation

That members consider the year to date actual versus budgeted financial position of the College and the projected impact this has on the 2018/19 overall budget.

3. Background

The purpose of this report is to provide a summary of the College results from 1st August 2018 to 26th October 2018 and to highlight the key variances between actual outturn and the budget.

4. Key Considerations

Income and Expenditure as set out in Appendix 1

There is an operational deficit before New Falkirk campus costs and non-cash items of £324k compared to a projected deficit of £23k. Many of the variances are a matter of timing, where the phasing of the income or expenditure is different to that forecast, but where the phasing is anticipated to fall back in to line during the year. This report does not detail these variances as there is no impact on the expected closing financial position.

The more significant variances after the first 3 months of the year, which are expected to impact the final outturn for the year are noted below. Due to a number of unknowns at this time, it is not possible to quantify the overall position with any certainty. We will provide an update in December, by which time more robust information should be available.

International income and associated costs – the net impact of projects which have not come to fruition in the period amounts to a net loss of £66k to the overall budget. It is worth noting the CNPC project is expected to make a greater contribution by £5k. There will also be salary savings from 1st December 2018 which will bring the full year International position in line with budget.

Commercial income – reduction of £23k due to courses being cancelled for First Aid, Business Skills and one Comp'Ex14 Responsible Persons course.

Other Income – £11k was received in relation to the College's involvement in the FUTUREquipped project, which was not in the budget.

Although Evening provision looks lower than budget, there are unallocated payments in October that contribute to this. After accounting for these, Evening provision appears on target at present. It is worth noting that the stretch target for Evening provision is budgeted in block 2.

Departments are looking in to a number of areas of lower than budgeted income, including CMI, School College Partnerships and Modern Apprenticeship training income. However, at this time it is precipitous to indicate that these will be shortfalls on budget. A clearer picture will be formed when the full Q2 forecast exercise is carried out in January.

We have, as yet, received no income in the year for HEI tuition fees or Foundation Apprenticeship income as the payment schedules for these are still being finalised. Finance is following up both of these with the departments.

Although not impacting the 3 months to October operating result, we have been made aware that there will be an adjustment to our Grant in Aid allocation for the year. This is expected to be a reduction of £147k.

Salary costs are £526k below budget. A large element of this is timing as it relates to the back pay from April 2018 onwards, which will be paid in November salaries. However, we estimate that £180k is a saving from staff vacancies in the period. Although we might expect much of this saving to unwind in block 2, an element of this will be a permanent saving in the year. All staffing will be reviewed as part of the Q2 reforecast exercise.

Balance Sheet as set out in Appendix 2

The balance sheet as at 26th October 2018 is attached for information. There are significant movements from 31st July 2018 as we prepare yearend financial statements on an accruals basis and include yearend adjustments. The balance sheet at 26th October 2018 does not include these equivalent adjustments.

Revenue Maintenance / Capital Grant as set out in appendix 3

This grant is awarded on a fiscal year basis i.e. April to March each year. Appendix 3 summarises the expenditure to date from April 2018 to October 2018. There are no issues to report at present.

5. Financial Implications

Between the variances noted above and the reduction in our Grant in Aid funding of £147k, the College breakeven budget for the year could be under pressure. Until the invoice scheduling for the major income streams of HEI tuition fees and Foundation Apprenticeships are finalised, we should remain cautious as regards the full year outturn.

A full reforecasting exercise to be completed in January will highlight the extent of any concern and will review for areas of potential saving in expenditure, should that be necessary.

6. Equalities

Assessment in Place? – Not applicable given the nature of this report.

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	x	
Low		
Very Low		

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

Unplanned losses of revenue or increased expenditure which would result in a budget overspend which is not acceptable to Scottish Funding Council.

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – No

Health and Safety – No

Paper Author – Moira France

SMT Owner – Alison Stewart