Agenda

18 September 2019
FINANCE COMMITTEE

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

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 18 June 2019
(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/17/031 Matters Arising

4. Student Association Outturn for 2018-19 & Budget for 2018-19 — Andrew Smirthwaite

5. Resource Return Outturn 2017-18 — Alison Stewart

6. Financial Forecast Return 2017-18 to 2022-23 — Senga McKerr
(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.)

FOR DISCUSSION

7. Management Accounts 2018/19 Forecast Outturn — Senga McKerr
(Elements of paper 7 are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

8. Review of Risk

9. Any other competent business

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

Present:	Mr Liam McCabe (Chair) Mrs Caryn Jack (Via telephone) Mr Andrew Carver Ms Trudi Craggs Mrs Pamela Duncan
Apologies:	Mr Ken Richardson
In Attendance:	Dr Ken Thomson, Principal Mrs Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA) Ms Ester Vasallo, Procurement Manager (For item F/17/035 only) Mrs Jennifer Tempany, Head of Business Development (For item F/17/038 only) Mrs Senga McKerr, Head of Finance Mr Stephen Jarvie, Corporate Governance and Planning Officer

F/17/032 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/17/033 Minutes of meetings of 13 March 2018

The Chair noted his thanks to Ken Richardson for chairing the last meeting in his absence.

The minutes of the meeting held on 21 June 2017 were approved.

F/17/034 Matters Arising

a) F/17/026 Resource Outturn 2017/18 (fiscal year)

The VPFACA informed members that SFC had changed the methodology for handling net depreciation and outlined the new approach. She noted that the External Auditors would see this change as part of the resource returns made to SFC.

b) F/17/028 Indicative Funding Allocation 2018/19

The VPFACA reported on the ongoing matter of historic efficiencies which negatively impacted the College compared to other Colleges. She reported that SFC was establishing a sub group to look at a new model which aimed to be transparent. She informed members she had volunteered to be part of the sub group to help ensure the new model allocated resources in a fair as well as transparent method.

Members noted the content of the updated and supported the VPFACA's efforts to be part of the sub group.

F/17/035 Procurement Strategy and Policies

The Procurement Manager, Ms Vasallo, who is seconded to the College from APUC presented members with an updated Procurement Strategy and associated policy documents to reflect recent changes in regulations. The Committee was asked to endorse the revised documents and recommend them to the Board for approval.

She informed members that by 30 November and annually thereafter the College is required to report on procurement performance. The form and content of this annual report was currently under development.

Members queried environmental sustainability and community benefits that could be secured through the procurement process. More specifically they asked how the College ensured organisations the College contracted with were compliant in those respects. The Procurement Manager confirmed that these issues were included in the framework agreements produced by APUC for College's use and that, for spend below framework thresholds, she would be engaging with and training College budget holders.

The Procurement Manager discussed the benchmarking of College compliance against other organisations. Members agreed that this was important and asked that APUC figures be used to benchmark Forth Valley against other Colleges. The Procurement manager in the context of the overall spend and pro-rata was asked to consider a target level of compliance that it could expect to achieve in the knowledge that there will inevitably some activity that will not follow a compliant process.

a) Members approved the associated policy documents
b) Members endorsed the Procurement Strategy and recommended it for full Board of Management approval

F/17/036 Budget 2018-19

The Head of Finance presented members with the budget for 2018-19, noting that a small surplus was expected. She outlined expected savings for next year to ensure the College does not end in a deficit position.

Members queried the underlying assumptions particularly those associated with gap savings on salaries. The Head of Finance explained that all roles were budgeted for a full year but, when recruiting, the gap provided a level of saving for the College. It represented the salary saving from the time when a post becomes vacant until a post is filled.

Members noted the increase in the triennial valuation of the pension scheme and asked what this equated to for the College. The VPFACA confirmed this was a 0.5% rise each year for three years which equates to approx. £35k p.a.

Members noted the budget was tight for the College and that, despite past performance of managing tight budgets, concern was expressed that the College will have to compromise and make difficult choices on priorities in order to achieve this budget.

The Principal agreed that the budget was tight and that, under the current funding model, the pressure on the College was higher that other Colleges. He emphasised the importance of commercial activity in achieving the budget.

He referred to the VPFACA's previous update on how the College is engaging with SFC on this.

a) Members endorsed the budget and recommended it be approved by the Board of Management

F/17/037 Accounting Policies for year ended 31 July 2018

The Head of Finance presented the Accounting Policies for year ended 31 July 2018. She informed members that there had not been any changes since the last year's accounting policies.

a) Members approved the accounting policies for year ended 31 July 2018

F/17/038 International Financial Overview

The Head of Business Development presented members with a paper on international activity within the College.

She informed members of the excellent opportunities which had been provided to staff and students as part of the EU's Erasmus funding.

She noted that there had been significant international interest in the College but that these leads had not always led to commercial activity and as such the international aspect had run at a deficit in recent years.

She outlined plans that had been developed to reverse this trend and move to a small surplus.

Members expressed concern that the financial goal underpinned by the associated activity was not more ambitious. Against that it was broadly recognised that the College was relatively new to this activity and that that to a degree it was like a business start-up that may need some nurturing intensive support before and to help ensure that it is firmly established, worthwhile and sustainable. Members noted that they would like to see more information on the proposed budget and income for the next 3-5 years of international activity.

The Principal informed members that international work created links that could take time to come to fruition for the College. [redacted]

The VPFACA confirmed that this would happen and a report brought back to a future meeting of the committee with further detail.

a) Members noted the content of the paper

F/17/039 Q3 Forecast Outturn AY 17-18

The Head of Finance presented the Q3 forecast, noting the position had improved since the Q2 report, in part owing to the College being able to fully utilise its Flexible Workforce Development Funding allocation.

She also reported on an increase in value of the SDS modern apprenticeship contract with the College and some salary related cost savings.

She informed members that, as a result of the current position, this would be directed toward the new Falkirk campus and that the College would not need to request this funding from the ALF.

a) Members noted the content of the report

F/17/040 5 year Financial Forecast Return (verbal)

The VPFACA updated members on the requirement from SFC for the College to complete 5 year financial forecasts. She highlighted that new guidance was due to be issued by SFC the day following the Finance Committee meeting. It was hoped that the revised guidance would provide more clarity where necessary from the previous year's guidance.

She also confirmed that the submission date had been changed from June to September and that she would highlight this at the Board of Management meeting. The return will require Board approval in September prior to being submitted to SFC.

a) Members noted the content of the update

F/17/041 Review of Risk

Members noted that there were risks with the sector's overall financial situation, the impact of the SFC funding model and also in relation to internationalisation.

F/17/042 Any other competent business

The Chair highlighted the paper on fundraising which had been attached to the papers for information, noting that there was a lot of good activity happening in this area

a) It was agreed to bring an update to a future meeting of the Committee and this was welcomed by members.

The VPFACA informed members of the decision by Scottish Government in March 2018 which allowed Colleges to continue to utilise commercial insurance and not to 'self-insure' i.e. bear the risk and deal with adverse events on a rolling basis as they emerged. She highlighted that, owing to the timing of this and the upcoming expiry of the College's current insurance policy, procurement had recommended a one year extension to the current insurance be requested. There would follow next year a full tender for insurance services. SFC's approval for this approach has been sought in line with the requirements of the Financial Memorandum.

a) Members agreed with the proposed approach and noted that it was subject to SFC approval which was pending.

The VPFACA also informed members that the recently revised banking covenants with Barclays would need to be renegotiated as SFC have indicated they would be removing the need for resource returns from Colleges and that resource returns were the basis of the new covenant in place with Barclays. While this was less than ideal Members agreed that this is not something over which the college or the bank has any control.

a) Members noted the content of the update

4. Student Association Outturn for 2017-2018 and Student Association Budget for 2018-2019
For Approval

11 September 2018

FINANCE COMMITTEE

1. Purpose

To present the Student Association Outturn for August 2017 to July 2018 and the Budget for August 2018 to July 2019.

2. Recommendation

That members note and approve the contents of this report.

3. 2017-2018 Outturn

2017-2018 has seen the Student Association shortlisted for a number of awards. At NUS Scotland FVSA were shortlisted for three awards, in the Campaign category, College SA of the Year and Student of the Year category. At NUS UK FVSA were also shortlisted for three awards, and won two awards in the Campaign category and Best Student Association of the Year.

During the academic year FVSA trained 73 students in the Scottish Mental Health First Aid Training. 211 Class Representatives have been trained and FVSA launched a Carers Charter in partnership with FVC. FVSA also held their annual Freshers' and Re-Freshers' with a number of events raising awareness throughout the year.

Appendix 1 shows the Student Association Outturn for Academic Year 2017-18. There is a surplus of £8.4k for the academic year, which gives the Student Association an overall surplus of £20k, as detailed below.

Previous Year Surplus	11,446
17-18 Unrestricted Surplus	2,952
17-18 Restricted Surplus	5,430
Overall Surplus	**19,828**

Student Association Salaries are showing a saving of £5k. This is due to the Vice President finishing her sabbatical in April 2018. This means within the £20k being carried forward to 2018-2019, £5k of this is ALF Funding and will be used against Salaries as per the agreement with the Foundation.

The Student Association also made savings within Conferences and Courses, Entertainment Functions and Membership Fees.

4. 2018-2019 Budget

Appendix 1 shows the Student Association Budget for 2018-19.

The Student Association has applied for a grant of £172k from the Forth Valley College Foundation to fund salary costs for both the Academic Years 2018-19 and 2019-20. £79k of this funding will cover 2018-19 salary costs, the remaining £5k will be covered by the balance from the 2016-2018 funding.

Salary Costs for 2018-2019 have been based on a starting salary for the new President and Vice President and a 3% increase for both the Administration Assistant and Student Activities & Volunteer Co-ordinator.

A grant of £18k will be provided by the College to fund operational costs. There is a budget of £4k for team development at conferences and training courses. The entertainment and functions budget of £7k is primarily spent on Freshers and Re-Freshers Fair.

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
Low	X	
Very Low		

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

Risk Owner – Andrew Lawson **Action Owner –** Liam Williams/Lisa Penman

8. **Other Implications –** NA

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

Paper Author – Liam Williams/Lisa Penman **SMT Owner –** Andrew Lawson

Appendix 1

Forth Valley College Student Association

		2017-18 Budget	2017-18 Actual	Variance	2018-19 Budget
SUIN0001	Grant Income	18,000	18,000	0	18,000
SUIN0003	Miscellaneous Income	0	40	40	0
SUIN0004	Entertainment Income	800	680	-120	1,000
SUIN0005	NUS Income	400	543	143	500
SUIN0007	Fundraising	0	0	0	0
SUIN0008	Donation from ALF	80,843	80,843	-0	78,992
SUIN0009	Clubs and Societies Fund Income	200	627	427	600
SUSP0001	SPARQS Funding	0	0	0	0
Student Union Income		**100,243**	**100,732**	**489**	**99,092**
SUEX0001	Conferences and Courses	4,000	3,317	683	4,000
SUEX0002	Entertainment Functions	6,000	4,776	1,224	7,000
SUEX0004	Materials	4,500	4,231	269	4,500
SUEX0005	Membership Fees	2,500	1,233	1,267	2,500
SUEX0006	Miscellaneous Expenditure	700	646	54	550
SUEX0007	Salaries	80,843	75,413	5,430	84,422
SUSP0001	SPARQS Salaries	0	0	0	0
SUEX0008	Travel Costs	1,000	1,368	-368	1,000
SUEX0009	Class Rep Incentives	500	266	234	500
SUEX0010	Marketing	760	832	-72	500
SUEX0011	IT Equipment	0	0	0	0
SUEX0012	Expenditure funded by Donations	0	0	0	0
SUEX0013	Fundraising	0	0	0	0
SUEX0014	Clubs and Societies Fund Expenditure	500	269	232	500
Student Union Expenditure		**101,303**	**92,351**	**8,952**	**105,472**
Academic Year Surplus/Deficit		**-1,060**	**8,382**	**9,442**	**-6,380**
Previous Year Surplus		11,446	11,446	0	19,828
Total Previous Year Surplus		**11,446**	**11,446**	**0**	**19,828**
Overall Surplus/Deficit		**10,386**	**19,828**		**13,448**

5. Resource Return 2017/18
For Approval

11 SEPTEMBER 2018
FINANCE COMMITTEE

1. Purpose

To present the final Resource Return for Fiscal Year April 2017 to March 2018 to members.

2. Recommendation

Members note the final Resource Return Outturn for FY 2017-2018 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 transferred.

A draft resource return (Q4/3) covering the 12 months to 31 March 2018 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 it revenue resource budget. The College has also fully utilised its capital resource budgetwith an overspend of £2,097m which is offset by a capital receipt of £from the sale of Branshill, Alloa..

The final resource outturn for 2017/18 is summarised below.

RDEL reconciliation	£'000
Cash available per allocation	25,214
less Loans/Lennartz/provisions *	156
Net cash for RDEL	25,058
Total RDEL expenditure	25,058
Net underspend/(overspend)	-

CDEL reconciliation	£'000
Cash available per allocation	7,645
Total CDEL expenditure	9,742
Net underspend/(overspend)	(2,097)
Capital Receipt	2,100

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

In relation to the RDEL and CDEL there is no variance between the Q4/3 submission in April 2018 and the final submission in September 2018.

Annually Managed Expenditure (AME) - Pension valuation has been included based on the 31 July 18 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 –** Senga McKerr

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

![Forth Valley College]

5. Resource Return 2017/18
For Approval

11 SEPTEMBER 2018
FINANCE COMMITTEE

Appendix 1

Resource Budget Control - College Quarter 4(M3) Resource Return for 1 April 2017 to 31 March 2018

College Name Forth Valley College
College Contact Senga McKerr; Senga.McKerr@forthvalley.ac.uk; 01324 403270
Enter YTD Actual and Forecast outturn in blue shaded cells

Checklist Line No.		HMT Resource Classification	Year to Date Budget £000	Actual £000	Variance £000	%	Check	Comment (Where red)
	Resource DEL							
1	Other income		8924	8782	-142	-2		
2	Revenue funding from ALFs	RDEL	0	131	131	0		
3	UHI HE Funding (UHI colleges only)	**RDEL**	0	0	0	0		
	Total trading and other resource income		8924	8913	-11			
4	Wages and salaries	RDEL	24018	23931	-87	0		
5	Operating costs	RDEL	6375	6551	176	3		
6	Student support expenditure	RDEL	4371	3489	-882	-20		
7	Donations to ALFs	RDEL	0	0	0	0		
8	Unitary charges NPD (paid by college)	RDEL	0	0	0	0		
9	Bad debts		10	0	-10	-100		
10	Utilisation of pre 31 March 2014 provisions (negative)	RDEL	0	0	0	0		
11	(Profit) or loss on disposal of assets	RDEL	0	-700	-700	0		
12	Surrender of proceeds	RDEL	0	700	700	0		
	Total Resource DEL		**25850**	**25058**	**-792**			
	Ring Fenced RDEL							
13	Depreciation		1655	1927	272	16		
14	Deferred Capital Grant Release (negative)		-1359	-1567	-208	15		
15	Amortisation	Ring-fenced RDEL	0	0	0	0	0	
16	Impairment (where not classed as AME)	Ring-fenced RDEL	0	0	0	0	0	
	Total Ring Fenced RDEL	Non Cash Resource	**296**	**360**	**64**			
	AME							
17	Provisions (where agreed as AME)	AME	0	2841	2841	0	0	
18	Accruing pension liablity	AME	0	0	0	0	0	
19	Investment fair value adjustment	AME	0	0	0	0	0	
20	Depreciation on assets funded by capital grants from ALF/Private sector/donations/lottery	AME	0	0	0	0	0	
21	Impairments (where agreed as AME)	AME	0	12768	12768	0	0	
	Total AME		**0**	**15609**	**15609**		0	
	TOTAL NET EXPENDITURE		**26146**	**41027**	**14881**	**0**		
	Capital DEL							
22	Income from disposal of non current assets (negative)	CDEL	0	-1400	-1400	0	0	
23	Other external income(negative)	CDEL	0	0	0	0	0	
24	Receipt from ALF (negative)	CDEL	0	0	0	0	0	
25	Capital additions to non-current assets	CDEL	538	9742	9204	1711		NF spend per SFC cashflow April 17 - Mar 18 £7,667k plus accrual for Mar 18 (share of val 6) £1,566k not due to be invoiced until April
26	Surrender of proceeds	CDEL	0	1400	1400	0	0	
	Total Capital DEL	CDEL	**538**	**9742**	**9204**			
	TOTAL NET EXPENDITURE (AS RECOGNISED BY HMT)		26684	50769	24085			
	Repayment of Loan Principal /Lennartz / pre 31/3/14 provisions							

Table1

CASH DRAW DOWN	Resource	Capital	Total	
QUARTER 1 - Actual	7388	0	7388	Resouce drawdown actuals per SFC cashflow differ to pre-popu
QUARTER 2 - Forecast	6294	100	6394	
QUARTER 3 - Forecast	6431	375	6806	Q3 cap drawdown excludes £2m re NF, so adj in Q4
QUARTER 4 - Forecast	5101	7170	12271	
Total drawdown	25214	7645	32859	
Cash available per Allocation letter	25214	7645	32859	
Variance	0	0	0	
Explanation				

Alastair MacDonald:
£512,126 Capital Grant
£7,132,924 Falkirk Campus

Completed by : Senga McKerr
Date: 10 september 2018

Appendix 2

Resource Return Review Certificate to the Scottish Funding Council

2017-18: 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.

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 2018 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(£) .

AME Line 17 provisions for pensions per the July valuation report £2,841k

Table 4 Cash Budget for Priorities amended to reallocate in order to - loan repayment, 2015/16 pay award (increased by £40k from £25k to £65k) and the balance to estates related revenue costs (£394k). This therefore removed our previous allocation to early retirement payments which was £434k.

ALISON STEWART
Vice Principal Finance & Corporate Affairs

14 September 2018

Forth Valley College:

Return to isg-returns@sfc.ac.uk **by 14 September 2018**

6. Financial Forecast Return 2017/18 to 2022/23
For Approval

11 September 2018
FINANCE COMMITTEE

1. Purpose

To present members with the Financial Forecast Return (FFR) 2017/18 – 2022/23 and commentary for discussion and approval to submit to Scottish Funding Council (SFC).

2. Recommendation

That members consider the forecast and the challenges this represents in relation to the College's financial sustainability in the medium term. That members recognise that fundamental action is required to close the financial gaps anticipated beyond 2018/19.

That members, subject to any changes discussed at the Finance Committee, endorse submitting the FFR 2017/18 – 2022/23 to the Board of Management for consideration and approval to submit to SFC.

3. Background

A key recommendation from recent Audit Scotland reports on the College sector is for the sector to prepare medium to long term financial plans.

The Financial Forecast Return (FFR) is an established part of SFC's financial health monitoring framework. The FFR covers the 6 year period 2017/18 to 2022/23, and enables SFC to monitor and assess the financial planning and health of colleges. To assist with this process SFC has provided forecast funding figures for the period. SFC has taken this approach because funding in the next few years will be heavily influenced by harmonisation/job evaluation costs associated with national bargaining, and later in the period, the transition back to a volume-based funding allocation. The information provided is set out at Appendix 7.

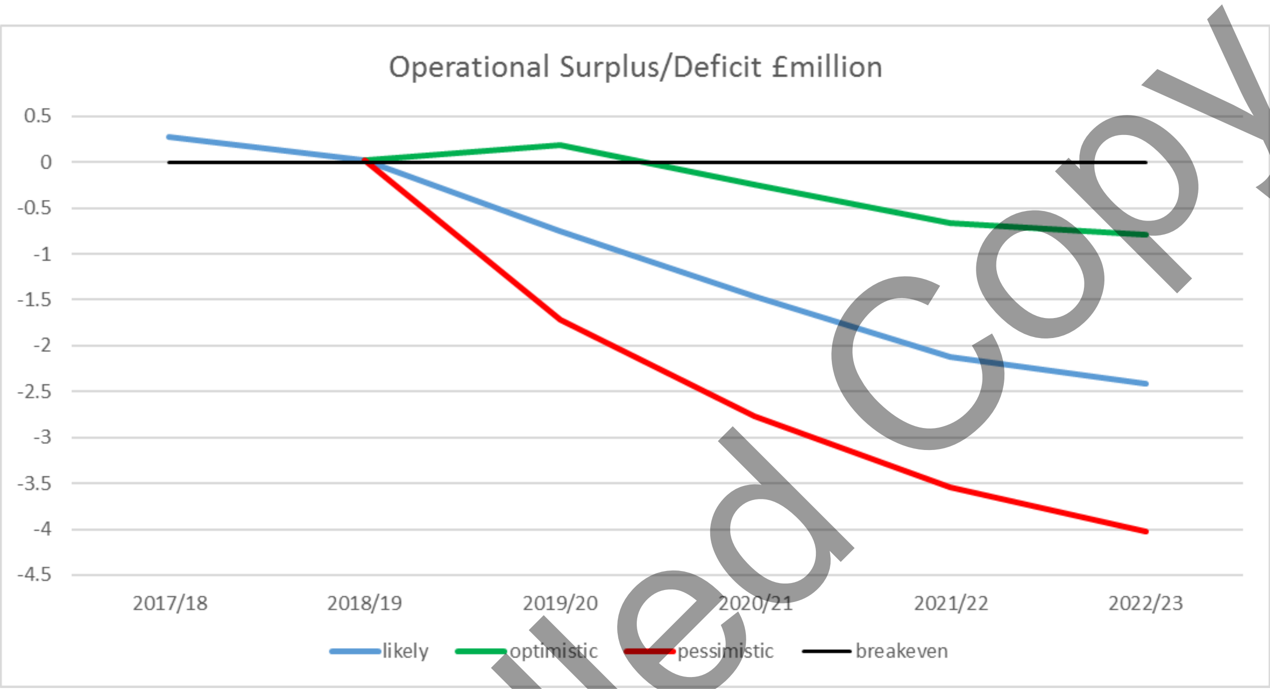
SFC requires the FFR to be in a different format to that preferred by FVC. Appendix 1 sets out the forecasts for the 6 year period using the FVC format. The impact of the New Falkirk campus is separated out, to provide better analysis/comparison of the operating surplus position. Appendix 2 sets out the key assumptions used in setting these forecasts.

Following the change by SFC to monitor the resource position equivalent to Cash Budget for Priorities/net depreciation the focus for budget monitoring is now the "Underlying surplus" in the Income & Expenditure Accounts, rather than the "Operational Surplus" which was previously our focus.

The return to be submitted to SFC in the format it requires, with all of the accompanying analysis and commentary, is attached with this paper.

In addition to the FFR submission for the period (Likely scenario), SFC also requires Colleges to consider additional planning scenarios. We have therefore produced a variation of the forecasts on an Optimistic basis and on a Pessimistic basis. Appendix 3 sets out the Income & Expenditure account, and notes the different assumptions made for the Optimistic Scenario. Appendix 4 sets out the same for the Pessimistic Scenario.

The following graph highlights the gaps between the 3 scenarios.



Operational surplus is before New Falkirk costs, ALF monies and FRS102 accounting adjustments

4. Key Considerations

The forecasts clearly demonstrate that unless funding and activity levels are aligned and recognise the true costs of delivery the College will become financially unsustainable within the period of this forecast.

The assumptions on which the forecasts have been prepared are in line with SFC's guidance and are detailed in Appendix 2.

To assist with the analysis of the financial position, Appendix 5 sets out the following reconciliations:

- The operating surplus from the Likely Scenario to the Optimistic Scenario
- The operating surplus from the Likely Scenario to the Pessimistic Scenario

5. Financial Implications

The financial implications to FVC of the status quo in funding levels are considerable. Corrective action to ensure the sustainability of the College will be required, and the "key risks" schedule which is part of the FFR sets out the material risks to income and expenditure over the period. Areas of corrective action available to FVC are detailed in response to these risks, and are set out at Appendix 6.

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		x
High	x	
Medium		
Low		
Very Low		

The key risk to Forth Valley College is insufficient funding from Scottish Government. The College will become unsustainable in the medium term with current levels of funding. Fundamental action is required to close the financial gaps anticipated beyond 2018/19. Further discussion of risks is included within the SFC Financial Forecast Return and accompanying commentary, attached to this paper.

Risk Owner – Ken Thomson

Action Owner – Alison Stewart

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

7. Management Accounts 2017/18 Forecast Outturn
For Discussion

11 September 2018
FINANCE COMMITTEE

1. Purpose

To present the Forecast Outturn for 2017/18 to members.

2. Recommendation

That members consider the forecast outturn versus the Q3 projected financial position of the College.

3. Background

The purpose of this report is to provide a summary of the College draft outturn for 2017/18 and to highlight key variances between the draft outturn and the Q3 reforecast completed in May 2018.

The outturn result is draft and subject to final yearend adjustments. However, these final adjustments are not expected to change the operating result to any extent.

4. Key Considerations

Income and Expenditure as set out in Appendix 1

There is an operational surplus before non-cash items of £101k, compared to a projected surplus of £13k. This is a positive result for the College, particularly since all of the New Falkirk revenue costs have been able to be fully funded by in-year surplus. The more significant variances within income and expenditure are detailed below:

Income

- **SFC Grants**
  FWDF income is up by £19k due to a number of courses being delivered earlier than anticipated.

- **Tuition Fees**
  Tuition fees are higher than forecast, £9k is from the receipt of fees from the Student Loans Company for 2 English HEI students. These were not forecast as the information was not available at the time.

- **Commercial Training Income**
  Overall this is up £23k compared to forecast. £17k relates to commercial course fee income, £11k from Comp'Ex courses and £5k from hospitality courses (elementary food hygiene & Chef summer school). A further £6k is from VQ & other income, notably from St Modans High school skills for work courses and Calachem FWDF top up training fee.

- **Catering and Hospitality Income**
  Up £9k at year end due to refectory, training restaurant and commercial catering income being higher than anticipated. Commercial catering is worth noting, this has seen an increase in enquires over the last quarter with more business being picked up on a week to week basis.

- **Other Income**
  Overall this is up £58k compared to forecast:

  - £17k is from additional secondment income for a member of staff at Colleges Scotland.
  - £11k is from hire of accommodation income, which has increased as a result of the additional enquiries over the last quarter.
  - Funded project income from Cycling Scotland has been deferred as anticipated costs are delayed until 2018/19 £11k, but this reduction is offset by additional funding for the Mental Health researcher post.
  - £5k is from rental income as backdated rent has been received from Arqiva.
  - £8k relates to additional income from Colleges Scotland for carrying out their finance & HR functions. The Q3 forecast used an estimate, which has now been firmed up in detail.
  - £6k is the VAT recoverable for the quarter.
  - £7k of other income relates to invoicing for borrowed laptops not returned by some students at the end of term. This income has been prudently provided for in the bad debt provision.

Expenditure

- **Salary Costs**
  Salaries are currently showing a saving of £97k overall. There has been a saving of £14k within Academic Salaries due to posts not being replaced in the last quarter. There is a £49k saving within Support Salaries due to the timing of vacancies being filled and other vacancies arising in the year. Additional hours costs have a saving of £18k, Salary contingency has not been required saving £20k.

- **Staff Related Costs**
  Travel miles are up in total by £16k, with Business Development being the largest variance of £6k. The remainder of the variance is made up of smaller overspends by the other departments. Business Development travel is up due to FWDF - there have been additional trips taking materials to clients ahead of training and more visits for some clients needing extra support.

- **Learning and Teaching Other**
  £19k of savings have been made. £12k relates to project funded expenditure as very little costs have been incurred in relation to Cycle Scotland funding. The Cycle Scotland grant income has been deferred to the balance sheet and will be released when the expenditure is incurred.

- **Property and FM Costs**
  Electricity is significantly higher compared to forecast, costs are up £17k in the last quarter. These are offset by an underspend in property maintenance of £7k and an underspend in the cleaning contract of £3k as the Care Suite was not cleaned. A supplier is still being selected for this work.

- **Equipment Costs**
  Overall a saving of £30k has been made compared to forecast. A £14k saving has been made in each of the equipment purchases and maintenance of equipment categories. This is because the forecast includes contingency figures for replacement equipment and repairs that have not been required.

- **Marketing and Communication Costs**
  £19k of savings have been made compared to forecast. This has been made over various expense headings with the largest variance being business marketing, making a saving of £9k. Q3 forecasts had prudently retained the original entire year budget.

- **Printing Costs**
  A saving of £10k has been made on printing costs throughout the year. £9k of this is in photocopy paper as a result of more departments making use of the print room thereby reducing stocks held throughout the College.

- **Finance Costs**
  Finance costs are £20k lower than forecast. £9k relates to a decrease in the bad debt provision and a further £9k relates to savings in death in service insurance. The forecast included some contingency for death in service insurance as we had an issue with the provider and the premiums being charged, which is now resolved.

- **IT Costs**
  Overall a saving of £30k has been made. £17k is from computer software maintenance as we were unable to action the new library management system before the yearend. £7k relates to a saving in licences, mainly due to a saving in Comp'Ex licences as the new Comp'Ex12 course did not commence in the year.

- **Other Costs**
  An overall saving of £16k has been made, largely due to a saving in consultancy. This is mainly from Estates as the Q3 included potential legal costs in relation to the window dispute that have not been incurred.

- **New Falkirk Campus Revenue Costs**
  Costs to date are £80k less than forecast. This is mainly due to £71k of costs for the fire strategy, which had been forecast for July. This will now happen in 2018/19.

Balance Sheet as set out in Appendix 2

Movements to note (greater than £100k) between 31st July 2017 and 31st July 2018 within the Balance Sheet include:

- **Fixed assets**
  There have been additions of £515k to fixtures & fittings and equipment in the year. Spend of c£19.7m has been incurred on the New Falkirk campus building. These additions are partially offset by the depreciation charge to date. A £1.4m disposal of land and buildings also occurred in the year, which was the sale of the Branshill site in Alloa.

Current Assets

- **Trade debtors**
  Trade debtors have decreased by £262k compared to last year. One large debtor present at 31st July 2017 was £80k from BEST Ltd which related to backdated invoicing, this is a one off and would not be expected to recur as the invoicing is now up to date. Other large debtors at 31st July 2017 not present at 31st July 2018 are BP Exploration £26k, Falkirk Council Education Services £30k and SDS £39k. BP transferred their apprentices to Ineos and are now running with fewer apprentices so have a much smaller debtor at year end. SDS paid their July invoice within the month this year. Falkirk Council were invoiced the Scots Programme in advance last year creating a yearend debtor.

- **Prepayments and accrued income**
  Prepayments and accrued income have decreased by £315k in comparison to the July 2017 yearend. The reduction is mainly due to lower accrued income at yearend. Last year had large balances of accrued income for capital and maintenance grant whereas this year we have drawn down in advance of any spend.

- **Bank and cash**
  There has been an increase in cash of c£2.6m. This is primarily due to drawdown of Deferred Capital Grant for the New Falkirk build which remains unspent as the project is behind schedule.

Current Liabilities

- **Trade creditors**
  Trade Creditors have decreased by £218k in comparison to last yearend due to the timing of invoices being received and paid.

- **Accruals**
  Accruals have increased by 639k in comparison to the July 2017 year end. The current year has additional accruals for severance payments, back pay for pay increases and New Falkirk building works. These are offset in part by no accrual for a donation to the ALF which was in accruals at July 2017.

- **Deferred Income**
  Deferred income has increased by £187k compared to the prior year end. This is primarily relating to FWDF VQ delivery.

- **Other Creditors**
  Other Creditors have reduced by £277k largely due to the movement in the student funding balances. These are still subject to yearend adjustments.

Long Term Liabilities

The movement predominately relates to the drawdown of Deferred Capital Grant from SFC for the New Falkirk build.

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 spend to date from April 2018 to July 2018. No issues to report at present.

5. Financial Implications

These have been noted within the report.

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		
Low	x	
Very Low		

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

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