Agenda

17 September 2019
FINANCE COMMITTEE

S1.19, Stirling 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 – None

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

5. Review of Committee Remit — Alison Stewart

6. Financial Forecast Return 2018-19 to 2023-24 — 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. FVC 5 Year Financial Plan — Alison Stewart
(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. Review of Risk

10. Any other competent business

FOR INFORMATION

Programme of Committee Business

Boardroom, Falkirk Campus (commencing at 4.30pm)

Present: Mr Liam McCabe (Chair)
Mrs Trudi Craggs
Mr Davie Flynn

Apologies: Mr Andrew Carver
Mr Ken Richardson

In Attendance: Dr Ken Thomson, Principal
Mrs Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)
Mr David Allison, Vice Principal Information Systems and Communications (VPISC)
Mrs Senga McKerr, Head of Finance (HOF)
Mr Stephen Jarvie, Corporate Governance and Planning Officer (CGPO)
Mrs Pauline Barnaby, Development and Fundraising Manager (DFM) for item F/18/020 only

F/18/017 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/18/018 Minutes of meetings of 4 December 2018

Members approved the minute of the meeting of 4 December 2018

F/18/019 Matters Arising

a) F/18/013 Procurement Annual Report

The Chair informed members that the suggested changes to the Procurement Annual Report had been made prior to its publication.

F/18/020 Fundraising Activity 2018-19

The DFM presented a report giving an overview of 18-19 funding activity and discussed the next fundraising strategy for 2019-22

She noted that the first 3 year period had been focussed on developing relationships, growing the supporter base and developing new projects. She presented an overview of the projects funded to date with an overall value of circa £600k.

She highlighted the additional social benefits these projects bring, citing the example of the *Centre Forward* programme currently running as a partnership between the College and Falkirk Football club for 22 students.

Finally, the DFM outlined the considerations which go into each project funding application, and highlighted the helpful input from staff across the college for the wide variety of projects and their general support of the fundraising function.

Members noted the volume of activity over the last 3 years, the success rate of applications and also commended the staff for engaging with the fundraising service.

Members also welcomed the diversity of the projects across teaching and support areas within the College.

a) Members noted the content of the report and requested that it be included in the Board of Management papers for the next meeting on 27 June 2019

F/18/021 Tuition Fees & Fee Waiver Policy Session 2019-20

The VPISC presented the tuition fee waiver and fee waiver policy for consideration. He informed members that there had been no changes in fee levels from the Scottish Government or Scottish Qualifications Authority.

He noted that there had been some minor changes to the national fee waiver policy as outlined in his paper.

He informed members that, considering the above, the College was proposing to maintain the existing fee levels.

Members noted that the paper outlined a potential increase that may have been possible for part time fees but agreed with the College that, for the small additional return from this increase, it was not worth deterring potential students.

a) Members approved the Tuition Fees and Fee Waiver Policy for Session 2019-20

F/18/022 Accounting Policies for year ended 31 July 2019

The VPFACA presented the accounting policies to be applied to the year-end accounts. She informed members that the proposed policies were the same as had been used for the previous accounts.

Members queried whether SFC had issued any accounts direction. The VPFACA confirmed SFC had not done so.

Members queried whether the College's external auditors will have sight of these policies. The VPFACA confirmed that they would.

a) Members approved the Accounting Policies for year ending 31 July 2019

F/18/023 Budget 2019-20

The HOF presented members with the budgets for 2019-20, noting that the revenue budget was prepared on an academic year basis and that the capital budget had to be prepared on a fiscal year basis.

She informed members that, since the paper had been issued, the College had received further information which would require minor, non-material adjustments and that these would be included in the version presented to the Board of Management for final approval. She outlined a number of key assumptions in the budget and informed members that, overall, the College would have an underlying surplus sufficient to meet its loan commitments as required by the Scottish funding Council / Scottish Government resource accounting guidance. She highlighted an increase in bursary payment levels for students with no concurrent increase in funding levels. She noted that this could be managed via examining the amount of discretionary payments made for students returning the following year. Members queried whether this might impact on students decisions as to whether or not to return the following year. The HOF informed members that there was no data to indicate whether or not this would be the case.

She highlighted the reduction in capital maintenance funding and highlighted the areas in the report which outlined works the College is unable to fund.

In relation to equipment spend, members queried the note in relation to anti-cut gloves not being funded, with members who are also on the HR Committee noting that these gloves had already been reported as purchased. The HOF agreed to update the report to reflect this.

Members queried the assumptions for the amount of time both Falkirk campuses would be in operation concurrently and the assumptions for the reduction of catering income. The HOF noted that this was based on information provided by the Hospitality Department. The Principal noted that this would be challenged as he would expect the new campus, after a period of general induction, to be fully operational when it opens.

[redacted]

Members noted that there were costs in the paper for repairs to the roof of the Stirling campus and noted their surprise given the age of the building. They queried whether there was recourse under the contract for these repairs.

The VPISC noted that there was an issue with water ingress and that, while the College would be seeking recompense under the contract, the matter needed to be resolved in the interim to prevent further damage.

a) Members endorsed the Budget for submission to the Board, following the agreed upon amendments

F/18/024 Appointment of Insurers

The HOF reported to members on a recent tender exercise for College insurers. She outlined the process and requested approval from members to award the contract to Zurich Municipal.

The HOF reported that the contact with Zurich would commence on 1 August 2019.

a) Members approved the appointment of Zurich Municipal

F/18/025 Q3 Forecast Outturn 2018/19

The HOF presented the forecast outturn for the current academic year to members. She informed them of the need to retain sufficient surplus to meet the College's loan commitment. In addition the remaining surplus would have a beneficial impact on the anticipated draw down from the Arm's Length Foundation (ALF).

Members queried whether the Trustees of the ALF were content with this approach. The VPFACA confirmed that she had met with the ALF that day to inform them of the approach and that they were agreeable to what was proposed. The VPFACA also outlined overall ALF commitments that had been agreed to date. She informed members that SFC were keen that the ALF funds be exhausted before any additional funding for the new campus would be considered.

Members noted that the ALF was an independent organisation and that the College was not in a position to commit their funds without approval by the Trustees of the ALF and that that could not be taken for granted.

a) Members noted the content of the report

F/18/026 Financial Forecast Return 2018/19 to 2023/24 (Verbal)

The VPFACA informed members that, while the College had been informed by SFC that the Financial Forecast Return (FFR) would need to be submitted by June 2019, there has been no guidance received from SFC on the content of the FFR to date.

She noted that SFC have accordingly moved the submission date to the end of September 2019.

She reported that, while the final guidance was needed, the FFR was being drafted on the assumption of flat cash in respect of Government funding via SFC for the period and takes into account the impact of public sector pay awards.

Members noted that a paper on this should be brought to the September meeting for consideration.

The Principal noted that, to support this, the College would be looking at a transformational programme for the College to address the challenges from ongoing flat cash funding.

Members queried whether SFC would be using the funding model which had been under development. The VPFACA informed members that SFC have cancelled the review into the funding model in favour of a more fundamental review.

a) Members noted the content of the report

F/18/027 **Review of Risk**

Members noted the ongoing risks in relation to budget levels.

F/18/028 **Any other competent business**

The VPFACA informed members that the recent Audit Scotland report on Colleges and the issues facing the sector would be brought to the Board of Management meeting for discussion.

4. Student Association Outturn for 2018-2019 and Student Association Budget for 2019-2020
For Approval
17 September 2019
FINANCE COMMITTEE

1. Purpose

To present the Student Association Outturn for August 2018 to July 2019 and the Budget for August 2019 to July 2020.

2. Recommendation

That members note and approve the contents of this report.

3. 2018-2019 Outturn

2018-2019 has seen the Student Association shortlisted for a number of awards. At NUS Scotland FVSA were finalists for two awards; Student of The Year and Officer Team of the Year. At a Sparqs conference FVSA were shortlisted for Course Rep of the Year and at the SVE Awards FVSA were shortlisted for an Impact on Equality and Strong Organisation award.

During the academic year FVSA trained 195 Class Reps including Apprentice Reps. The engagement with clubs and societies has doubled over the last year to approximately 50 students. FVSA worked in partnership with the College SMT to launch the Student Partnership Agreement and worked with the FVC Wellbeing and Support Officer, to launch the Student Mental Health Agreement. FVSA also held their annual Freshers' and Re-Freshers' Fair with a number of other events throughout the year such as Autism Awareness, Care Experienced, Mental Health Awareness, Black History Month, LGBT+, Fairtrade, Careers Fair and the International Café to promote social integration for international students.

FVSA influenced national policy by attending national conferences such as NUS Scotland, NUS Liberation and NUS UK conferences, at these conferences FVSA submitted a number of motions which were passed. These include motions for Estranged Students, Closing the Summer Pay Gap, Widening Access and Women in Apprenticeships.

Appendix 1 shows the Student Association Outturn for Academic Year 2018/19. There is a surplus of £6.5k for the academic year, which gives the Student Association an overall surplus of £26k, as detailed below.

Previous Year Surplus	11,446
17-18 Unrestricted Surplus	2,952
17-18 Restricted Surplus	5,430
18-19 Unrestricted Surplus	799
18-19 Restricted Surplus	5,679
Overall Surplus	**26,306**

Student Association Salaries are showing a saving of £6k for 2018/19. This will be added to the existing 2017/18 salary saving of £5k, resulting in an overall salary saving of £11k. This means within the £26k Student Association surplus being carried forward to 2019-20, £11k relates to ALF Funding. This will be taken into consideration when the next application is made to the Foundation for salaries.

Entertainment Income is higher than budget as more income has been generated from Fresher's and Re-Fresher's fairs, due to an increase in student engagement with the events and exhibitor stall fees.

Savings have also been made within Conferences and Courses as these were predominately held in Scotland for 2018/19, resulting in minimal travel and no accommodation costs being incurred. For 2019/20 there are Conferences planned in England which will require accommodation and travel.

Less has been spent on Entertainment Functions as activities and products have been sourced shrewdly.

A saving has also been made in Membership Fees as the NUS membership fee decreased substantially for 2018/19.

Travel costs increased for 2018/19, this was due to the high engagement of voluntary officers who regularly attended conferences and meetings as part of their role.

FVSA made a one-off, unplanned purchase of IT Equipment for 5 Surface Pro's. This was to allow compatibility with the College's technology strategy and to enable remote/flexible working across the three campuses and externally.

4. 2019-2020 Budget

Appendix 1 shows the Student Association Budget for 2019-20.

The budget is essentially in line with the prior year with the following additional points to note.

The Student Association secured the grant of £172k from the Forth Valley College Arm's Length Foundation to fund salary costs for both 2018/19 and 2019/20 Academic Year. £87k of this funding will cover 2019/20 salary costs.

Salary Costs for 2019/20 have been based on 2018/19 forecast salaries with a 3% inflationary increase.

The budget has been Increased for Entertainment Income as FVSA hope to repeat the strong performance of 2018/19.

The budget has been reduced for Entertainment Function costs as FVSA have continually made savings in this area and the budget now reflects this.

The budget for travel costs has been increased in line with the spend profile for 2018/19 as this is expected to continue.

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 – Kenny MacInnes **Action Owner –** Andrew Smirthwaite/Lisa Penman

8. Other Implications – NA

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

Paper Author – Andrew Smirthwaite/Lisa Penman **SMT Owner –** Kenny MacInnes

Appendix 1

Forth Valley College Student Association

		2018-19 Budget	2018-19 Actual	Variance	2019-2020 Budget
SUIN0001	Grant Income	18,000	18,000	0	18,000
SUIN0003	Miscellaneous Income	0	114	114	0
SUIN0004	Entertainment Income	1,000	1,830	830	1,500
SUIN0005	NUS Income	500	330	-170	500
SUIN0007	Fundraising	0	138	138	600
SUIN0008	Donation from ALF	84,422	84,422	0	87,433
SUIN0009	Clubs and Societies Fund Income	500	387	-213	0
SUSP0001	SPARQS Funding	0	0	0	0
Student Union Income		**104,422**	**105,220**	**698**	**108,033**
SUEX0001	Conferences and Courses	4,000	1,662	2,338	4,000
SUEX0002	Entertainment Functions	7,000	4,519	2,481	6,000
SUEX0004	Materials	4,500	4,280	220	4,500
SUEX0005	Membership Fees	2,500	1,301	1,199	2,000
SUEX0006	Miscellaneous Expenditure	550	521	29	550
SUEX0007	Salaries	84,422	78,743	5,679	87,433
SUSP0001	SPARQS Salaries	0	0	0	0
SUEX0008	Travel Costs	1,000	1,657	-657	1,750
SUEX0009	Class Rep Incentives	500	383	117	500
SUEX0010	Marketing	500	372	128	500
SUEX0011	IT Equipment	0	5,102	-5,102	0
SUEX0012	Expenditure funded by Donations	0	0	0	0
SUEX0013	Fundraising	0	0	0	100
SUEX0014	Clubs and Societies Fund Expenditure	500	203	297	500
Student Union Expenditure		**105,472**	**98,742**	**6,730**	**107,833**
Academic Year Surplus/Deficit		**-1,050**	**6,478**	**7,428**	**200**
Previous Year Surplus		19,828	19,828	0	26,306
Total Previous Year Surplus		**19,828**	**19,828**	**0**	**26,306**
Overall Surplus/Deficit		**18,778**	**26,306**		**26,506**

5. Review of Committee Remit
For Approval

17 September 2019
FINANCE COMMITTEE

1. Purpose

To review the remit of the Finance Committee to ensure it continues to provide the Board of Management with the appropriate assurances for next Academic Year.

2. Recommendation

That members review the remit of the Finance Committee and recommend any changes to the Board of Management.

3. Background

The Board of Management approved the remit of all Board sub committees in September 2018. It is considered good practice for the remits of these committees to be reviewed on an annual basis to ensure they are fulfilling their role of providing the Board of Management with the necessary assurances in relation to good Governance.

4. Financial Implications - None

5. Equalities

Assessment in Place? – Yes ☐ No ☒

Review of committee remit does not require equalities assessment.

6. 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

Risk the Committee does not get the assurances required by the Board of Management if remit is out of date.

Risk Owner – Alison Stewart **Action Owner –** Stephen Jarvie

7. Other Implications – None

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

5. Review of Committee Remit
For Approval

17 September 2019
FINANCE COMMITTEE

Finance Committee

1 Committee Rationale

To contribute to good governance by providing independent advice to the Board of Management on the financial management of the College, providing a strategic overview of the Colleges' financial direction while ensuring a position of financial security and that all relevant audit and legislative requirements are met.

2 Purpose

- To help the Board of Management meet its responsibilities under the Further and Higher Education (Scotland) Act 1992 in relation to financial and property matters and to ensure compliance with the Financial Memorandum between the Scottish Funding Council and the Board of Management of the College of Further Education.
- To advise the Board of Management on finance related matters and make recommendation on the financial policy of the College.

3 Membership

- The Committee shall comprise of 5 members of the Board of Management.
- The Chairman of the Board of Management and College Principal shall be ex officio members and are not eligible to vote on committee matters.
- The Chair of the Committee shall be appointed by the Board of Management and should not be the Principal. In the event that the Chair is unavailable to attend a meeting of the committee, a substitute will be nominated by the Committee members in attendance
- Committee members should possess an appropriate level of experience in finance, accounting or auditing and a professional qualification in one of these areas is desirable

4 Meetings

- The Committee will normally meet quarterly, though other meetings may be arranged as necessary
- The meeting shall be quorate if 3 or more members eligible to vote are in attendance
- Minutes will be kept of the proceedings and circulated after approval by the Chair. The minutes will be presented to the following meeting of the Committee for approval and to the next Board of Management meeting

- Meetings will be held in accordance with the Board of Management Standing Orders and Operating Guidelines
- Other members of College staff may be invited to attend meetings of the Committee

5 Specific Duties of the Committee

- To ensure compliance with the Financial Memorandum between the Scottish Funding Council and the Board of Management of the College of Further Education
- To ensure preparation of annual revenue and capital budgets and to consider them prior to final approval by the Board of Management
- To receive regular financial reports to allow the revenue and capital budgets to be monitored and the financial position of the College to be assessed. (For example, revenue/capital monitoring statements, cash flows, debtors, grant receipts etc)
- To ensure that annual accounts are prepared within the timescale, and in the format, determined by the Scottish Funding Council
- To consider the annual accounts prior to submission to the Audit Committee and the Board of Management
- To receive and review such regular reports on such key performance indicators as may be required by the Committee
- To consider and advise on the financial management and control systems within the College – including the approval of Financial Regulations
- To receive advice, and act on recommendations, from the Audit Committee
- To consider and advise on College systems for financial planning
- To consider and advise on all matters concerning the disposal, purchase or major alterations to land and buildings
- To consider and advise on proposals with significant financial implications to be met from within approved budgets, and to consider and advise on proposals not included in approved budgets
- To request reports or investigations on any matter related to the finances of assets of the College and/or matters with current or potential significant financial implications

6 Authority

- The Committee is authorised by the Board of Management to approve all policies relevant to the Committee, or where appropriate refer to the Board of Management for final approval

To provide advice and monitor the arrangements, for

- Insurance
- Procurement
- Fundraising
- Banking
- To annually review and set the rates for tuition fees for further education courses and most part-time courses

06. Financial Forecast Return 2018/19 – 2023/24
For Approval

17 September 2019
FINANCE COMMITTEE

1. Purpose

To present members with the Financial Forecast Return (FFR) 2018/19 – 2023/24 and commentary for approval to submit to SFC.

2. Recommendation

That members
- consider and comment on the forecast and the challenges this represents in relation to the College's financial sustainability in the medium term.
- recognise the underlying reasons necessitating the corrective actions incorporated in to the forecasts, in order to close the financial gaps set out in the forecast.
- be aware of and understand the implications entailed with the remedial measures. However, it must also be stressed that the Committee is not, at this juncture, being asked to approve any specific programme of action or individual measures but that such action may be required to be considered and implemented in future.
- also consider the sensitivity analysis required by SFC, which is included at Appendix 5.
- approve the FFR 2018/19 – 2023/24 and the associated Commentary for submission to the Scottish Funding Council.

3. Background

A key recommendation from recent Audit Scotland reports on the College sector is for College Boards to agree medium term financial plans, including the mitigating actions to ensure their College's financial sustainability and that these be submitted to SFC.

The Financial Forecast Return (FFR) is an established part of SFC's financial health monitoring framework. This FFR covers the 6 year period 2018/19 to 2023/24, 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 is 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 6. The SFC have also provided mandatory assumptions which must be incorporated within the forecast.

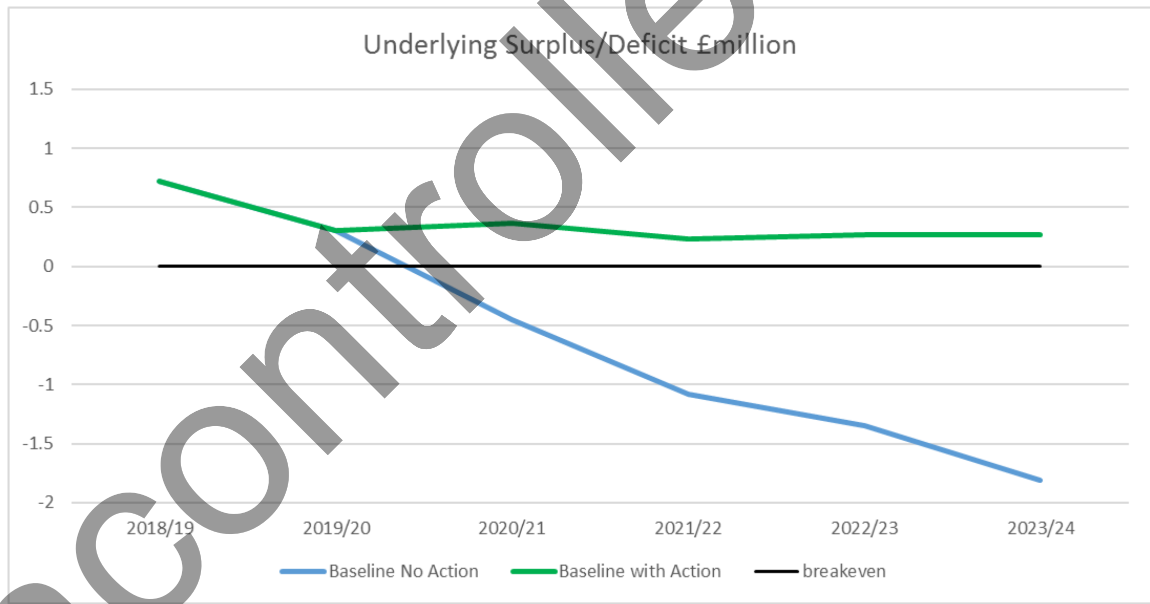
Following the Board of Management Strategic session at the end of August 19 the Senior Management Team will begin implementation of our "Futures Programme" which will include a full review of College operations and structures in Autumn 2019, This review will focus on the medium term changes required to ensure the College remains financially sustainable. However, this FFR is due for submission before any meaningful output from these planning sessions, and as such has been completed on a high-level basis.

With being a public body and the impact of Scottish Government Resource accounting, the measure for Colleges to monitor financial performance is the Underlying Operating position which adjusts for non-cash and one-off items, and takes account of loan repayments. FVC is expected to have an Underlying Surplus to generate sufficient cash to cover our loan repayments, but not substantially more than this amount to prevent cash being technically frozen.

SFC requires Colleges to consider additional planning scenarios. We have therefore produced a Baseline forecast on the premise that the College continues as presently and takes no specific corrective actions (Baseline with No Action). Essentially this is a roll forward of the 2019/20 budget incorporating public sector pay increases and known or moderate changes to income levels. The results of this scenario at Appendix 1, clearly shows that the College is unsustainable in the medium term. Appendix 2 sets out the key assumptions used in setting these forecasts, which have been prepared in line with SFC's guidance.

The return to the Scottish Funding Council must be on the basis of independent financial sustainability. Therefore in order to improve the trajectory of the operating position, we have considered possible actions that could be undertaken by FVC and we have presented a further 5 year forecast which includes the impact of a number of specifically identified corrective actions (Baseline with Corrective Actions). This is set out at Appendix 3, and forms the basis of the return to the Scottish Funding Council.

The following graph highlights the gaps between the forecast scenarios.



SFC requires the FFR to be in a different format to that preferred by FVC. 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, SFC has asked Colleges to undertake some sensitivity analysis to highlight the financial implications of alternative public sector funding and pay/pension scenarios. The table in Appendix 5 sets out the impact on FVC of 4 different scenarios, which were agreed by the Finance Development Network Steering Group to provide commonality across the sector.

4. Key Considerations

The assumptions provided by SFC for use in preparing the FFR differ from those used in the FVC budget approved by the Board in June 2019. The 2 main changes made to the FVC budget to give the FFR forecast for 2019/20 are:

- SFC advised FFR forecasts are to assume full funding of the additional costs arising from the increased STSS pension contributions. The FVC budget has assumed funding of £252k which is 75% of the cost to FVC for the 7 months to March 2020. The full cost for 2019/20 is £531k and funding at this level is therefore included in the FFR. However, it must be noted, that only £337k of this funding is guaranteed, which is the full cost up to March 2020.
- The corrective actions include savings from switching 20 FTE lecturers to trainers from the start of 2020/21. The severance costs of £211k, calculated as 3 months' salary, therefore need to be included in the 2019/20 forecast.

The Baseline No Action forecasts clearly demonstrate that unless funding and activity levels are more closely aligned, and recognise the true costs of delivery the College will become financially unsustainable within the period of this forecast. The College is working with flat Grant in Aid funding and in line with all Scottish public bodies, is expected to deliver 3% efficiencies per annum. Against that challenge the cost base is rising.

Appendix 4 sets out the monetary impact of the corrective actions specifically identified by the Leadership Management Team, and which are incorporated into the "Baseline with Corrective Actions" income & expenditure account at Appendix 3. In summary, these corrective actions involve:

- Reducing operational costs including, removing all contingency budgets, limiting staff travel, reducing expenditure on staff development, and reducing discretionary marketing spend.
- Reviewing the teaching delivery model and move from lecturer teaching contracts to support staff trainers/assessors where possible, recognising that this could involve compulsory redundancies. The assumed severance costs for this programme have been included in 2019/20. The focus of this review could be in relation to Foundation Apprenticeships, although this alone will not provide the 20 FTE assumed.
- Imposing a policy of recruitment delays and/or freeze on support posts.
- Increasing contribution from commercial activity by maximising use of the new campus facilities, including opening more evenings and weekends for evening courses, income from events and additional commercial courses.
- Extending our Partnership degree programmes with Stirling University to international students.
- We intend to seek funding through the FIZ to establish a Renewables Training Centre. The aim would be to have this by 2022/23 but no financial impact has been included in this FFR as it is not yet, a developed proposal.
- For the purposes of this FFR, the strategic Futures Programme has been assumed to result in staff savings, both academic and support, totalling 20 FTE across the forecast period.

5. Sensitivity Analysis

Scottish Funding Council also requires Colleges to undertake some sensitivity analysis as part of the FFR exercise. Appendix 5 sets out the financial impact of the following potential scenarios:

- A 1% cut in core Grant in Aid
- Funding for the increased STSS pension costs being restricted to 50% or no funding at all.
- Paying 1% above public sector pay increases
- A 1% increase in LGPS employer contributions

The financial impact of each of these scenarios has been expressed as an equivalent number of FTE using an average salary.

6. Financial Implications

The financial implications to FVC of the status quo in funding levels are considerable and represent a critical risk to long-term sustainability. 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.

7. Equalities

Equalities Assessment is not applicable given the nature of this report.

8. Risk

	Likelihood	Impact
Very High		x
High	x	
Medium		
Low		
Very Low		

There are a number of key risks to Forth Valley College included in this FFR. The most notable is insufficient funding from Scottish Government. The College will become unsustainable in the medium term with current levels of funding. This is exacerbated by staff costs not being wholly within the College's control through the operation of national pay bargaining. The latter can impose higher staff costs without any effective gains in productivity or efficiency. The combination of these two factors means that fundamental action is required to close the financial gaps anticipated beyond 2019-20. Further discussion of risks is included within the SFC Financial Forecast Return and accompanying commentary, attached to this paper.

Certain of the corrective actions will undoubtedly be unpalatable to College staff. Both the switching of lecturers to trainers/assessors, and the output from the Futures Programme are likely to result in compulsory redundancies and possible industrial action.

It should be recognised that some of the corrective actions may have an impact on the KPIs of the College, however this will be closely monitored by the Leadership Management Team.

Certain of the corrective actions, including cutting operating spend budgets, reducing staff development and the reviews of staffing structures have the potential to impact on staff morale. Should we be unable to fund the leadership development programme, which has been established to aid with succession planning, the management of FVC in the longer term could be weakened.

Given the substantial increase in Foundation Apprenticeships across Scotland, there is a risk that SFC will switch the funding of FAs from a cash contract in to core Credit funding. This could mean a loss of £1.5million per annum to FVC and the necessity to cut other activity to accommodate the use of Credits to deliver FAs, with the resultant impact on staffing levels. There is also additional risk associated with delivering the targeted increase in numbers. Like all recruitment, student numbers are fluid as students choices can change when they receive their SQA results with final numbers only being known when students enrol.

There is a potential risk from Brexit in relation to our move to the New Falkirk campus. We will shortly be ordering a substantial amount of furniture, fittings and equipment. Should there be problems with delivery as a result of Brexit, this could delay our move date. No financial implications for this scenario are included in the forecasts due to the inherent uncertainty involved in quantifying this. The sale of the existing Falkirk Campus has been assumed to be by March 2020. Delays to this timescale will incur additional operational costs not factored in to these forecasts.

Risk Owner – Ken Thomson

Action Owner – Alison Stewart

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

7. Management Accounts 2018/19 Forecast Outturn
For Discussion

17 September 2019
FINANCE COMMITTEE

1. **Purpose**

   To present the Forecast Outturn for 2018/19 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 2018/19 and to highlight key variances between the draft outturn and the Q3 reforecast completed in May 2019.

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

4. **Key Considerations**

   Income and Expenditure as set out in Appendix 1

   There is an operational surplus before New Falkirk campus costs and non-cash items of £1,053k compared to a projected surplus of £717k. This strong operating surplus allows FVC to substantially cover the revenue costs associated with the New Falkirk campus project and thereby reduce the draw down from the ALF. As required by Scottish Government accounting the surplus before non-cash items is sufficient to cover our loan repayments, but not substantially more than this, to prevent cash becoming technically frozen.

   Income

   Overall income is an improvement of £132k compared with the Q3 forecast, with the notable variances arising as follows:

   SFC grant income is £40k below forecast, partly due to a delay in delivery of FWDF courses. These will now be delivered in 2019/20 resulting in £19k of income rolling into the next academic year. The remaining variance of £21k relates to clawback of ESF funding which we are in ongoing dialogue with SFC to have returned to us.

   Commercial training income finished the year £32k ahead of Q3 forecast, primarily due to additional VQ income from bespoke courses.

   Modern Apprenticeship income is £91k ahead of forecast. Of this, £61k relates to additional milestone income from SDS, and £24k of the uplift is from training charges, which are a number of smaller variances. It should be noted, however, that the income from the CITB 2018/19 contract is estimated and we await confirmation, which we expect to receive before the accounts are finalised for the year.

Other income is £30k ahead of forecast. This is primarily due to more fundraising income from Erasmus memory media of £15k and additional income from Arquiva (who rent roof space at Falkirk for a telecoms mast) as we recharged utilities of £10k.

Expenditure

Overall expenditure is a saving of £206k compared with the Q3 forecast, with the notable variances arising as follows

Salary costs for the year are in line with forecast. However there are compensating variances within the various cost headings. A saving has been made with voluntary severance costs of £50k due to 3.2FTE rather than 5.0FTE lecturers exiting the college via this scheme. This saving is offset by the lecturer's pay award, which has now been agreed, costing £56k more than forecast in this financial year.

Staff related costs are £31k lower than forecast and this is mainly due to an underspend in Continuing Professional Development amounting to £24k. The HR department has found it challenging to schedule the training in time to utilise the available budget.

Learning and teaching materials are £36k lower than forecast. This is primarily an underspend in materials of £23k, across various departments, in particular Construction and Engineering.

Property and FM costs are £30k below forecast, mainly as a result of an underspend in property maintenance of £24k and an underspend in cleaning costs of £8k. The cleaning saving has arisen due to the care suite not being cleaned as planned. It is worth noting that although there is an underspend in property maintenance the painting works at Alloa and Stirling have been carried out.

Equipment costs are £49k below forecast, with savings of £42k being made on equipment purchases and maintenance of equipment. This is because the forecast included contingency figures for replacement equipment and repairs that have not been required.

£36k of savings have been made compared to forecast on Marketing and Communication costs. Savings are over various expense headings with the largest being £11k in advertising and publicity. Q3 forecast had prudently retained a substantial part of the original budget, but this has not been required.

Some of New Falkirk revenue costs have moved out beyond 31st July 2019. However, as these costs are funded by the ALF there is no impact to the financial outturn.

Balance Sheet as set out in Appendix 2

The balance sheet as at 31st July 2019 is attached for information. Significant movements from the prior year are noted below.

Tangible fixed assets have increased to £95m due to capitalisation of the ongoing New Falkirk build.

Prepayments and accrued income have increased by £741k compared to the prior year. This is primarily as a result of 2 amounts of accrued income relating to funding for National Bargaining job evaluation costs and the 2018/19 CITB contract.

Bank and cash has fallen substantially as we have better aligned our capital grant drawdown with the New Falkirk campus spend.

Other taxation & social security has fallen from last year as we have made our payments to HMRC before the year end, whereas they were held over until August last year.

Accruals have increased by £111k, and this movement is made up of a few items. There is a significant accrual for National bargaining job evaluation costs (matching the accrued income) partly offset by no back pay and a lower severance accrual.

Other creditors have increased substantially from the prior year and is primarily deferred capital grant. This is significantly greater now as grant will begin to be released once we move in to New Falkirk in 2019/20. The disclosure treatment of this non cash adjustment as required by FRS102, significantly distorts the net current assets / liabilities position.

The movement in long term liabilities, predominately relates to the drawdown of deferred capital grant from SFC for the New Falkirk build. The pension adjustments are outstanding until we receive the valuation report from Falkirk Council pension fund.

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		

Controls within the finance department mitigate against error in these management accounts.
Risk Owner – Alison Stewart **Action Owner –** Senga McKerr

8. Other Implications –

Communications – No

Health and Safety – No

Paper Author – Moira France

SMT Owner – Alison Stewart

8. FVC 5 Year Financial Plan For Approval

17 September 2019
FINANCE COMMITTEE

1. Purpose

To ask members to consider the process for developing a FVC 5 year Plan that addresses the current gap in funding highlighted in the FFR 2018-19 to 2023-24.

2. Recommendation

That members consider
- the process and timescale for developing the plan
- comment on the financial planning assumptions proposed to be used in the development of the FVC financial forecast plan.

3. FVC 5 Year Plan

The Financial Forecast Return (FFR) is an established part of SFC's financial health monitoring framework, and we have recently carried out a high level exercise for this year's return which is due 27 September 2019 and included specific assumptions required by SFC. The plan identified a £2m gap in funding and high level corrective actions were included.

To ensure the financial sustainability of FVC, we must produce a 5 year financial plan which is aligned to the College's Strategic Plan 2017-2022 and our Vision 2030. This plan will incorporate the key requirements of the Creative Learning and Technologies Strategy and the People Strategy already approved by the Board. Business Development and Estates Maintenance Strategies are currently being developed, and these will have a significant impact on our financial forecasts.

The preparation of the College financial forecast will be completed in 2 stages.
Step One will use the assumptions decided upon to prepare a Baseline position indicating the extent of the anticipated deficits. This will be presented to the Finance Committee at the meeting in November 2019.
Step Two will then incorporate the work on the Futures Programme, including fully worked up business cases for areas of growth and change, and present a final Forth Valley College 5 year financial plan. It is the intention to bring this to Finance Committee in June 2020.

The Leadership Team Residential at the end of September will concentrate on the implementation of our Futures Programme and the development of a new structure and service delivery to ensure we deliver our strategic plan in line with our core purpose. Tasks and future outputs will be allocated to individual members during these sessions, to ensure we have comprehensive business cases for areas of income growth, and any change programmes to be undertaken. Work will commence during 2019-20.

Areas for discussion will include (but not limited to):
- [redacted]

[redacted]

4. Financial Assumptions

In order to ensure the financial sustainability of the College it is essential that the financial plan produced using the chosen assumptions is as realistic as possible. This plan will underpin any actions and restructuring necessary over the next few years. The assumptions must therefore be reasonable and justifiable.

Many of the assumptions used to complete the SFC FFR were prescribed by SFC. The SMT has considered these assumptions and made alternative suggestions, which are of more relevance to FVC. A list of both sets of assumptions is scheduled out at Appendix 1.

5. Financial Implications

There are no direct financial implications of this paper.

6. Equalities

Equalities Assessment is not applicable given the nature of this report.

7. Risk

	Likelihood	Impact
Very High		x
High	x	
Medium		
Low		
Very Low		

Without detailed financial plans which recover the deficit, there would be significant concerns over the medium term sustainability of the College.

Risk Owner – Ken Thomson

Action Owner – Alison Stewart

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

Appendix 1 Comparison of Assumptions

Scottish Funding Council	Forth Valley College
Grant in Aid funding provided for the period with reduced core CREDIT activity in 2022-23	Agree this is the most sensible approach
Reduction of CREDIT activity in 2022-23 from cessation of ESF funding	Agree we need to assume no additional funding
All student support funding requirements will be met	Agree as historically has been fully funded
Capital Maintenance funding based on 2019-20 allocations	An Estates Plan for lifecycle maintenance and Capital spend will be developed to inform the costs used for maintenance and required capital funding
Public sector pay awards of 3% up to £36,500 and 2% above this	Agree this is the most sensible approach
Increased cost of STSS pension contributions fully funded	75% will be funded
Costs of job evaluation for support staff are fully funded	Cannot reasonably quantify at this stage what these costs will be, therefore best assumption is to leave as fully funded

In addition the following assumptions which were not provided by SFC, are proposed by SMT:

Macroeconomic

- No changes to government taxes, eg VAT, NIC, apprentice levy
- Inflation of 2%

Income

- Flexible Workforce Development Fund will continue at current levels
- SFC will maintain the same fee levels for full-time students
- Funding for Foundation, Modern and Graduate Apprenticeships will continue

Expenditure

- Academic pension contributions will remain at 23%
- LGPS pension costs will be impacted by the McCloud and GMP adjustments – instead of the annual 0.5% increment included within the FFR, a jump of 3% will apply from April 2021, which is the date for the next review of contribution levels.
- The costs of delivering the People Strategy will be fully incorporated in to the baseline rather than being restricted by budget limitations

Forth Valley College
Programme of Finance Committee Business

	Nov-19	**Mar-20**	**Jun-20**	**Sep-20**
1 Apologies for absence	✓	✓	✓	✓
2 Declarations of interests	✓	✓	✓	✓
FOR APPROVAL				
3 Minutes of previous meeting	✓	✓	✓	✓
4 Maters Arising	✓	✓	✓	✓
5 year Financial Forecast Return			✓	
Student Association Accounts & Budget				✓
Annual Report & Financial Statements	✓			
Procurement Annual Report	✓			
Fundraising Strategy	✓			
Donation to Forth Valley College Foundation		✓		
Tuition Fees & Fee Waiver Policy		✓		
Budget 2020/21			✓	
Accounting Policies			✓	
FOR DISCUSSION				
Forecast Outturn 2019/20				✓
Student Funding Outturn 2019/20 & Forecast 2020/21	✓			
Indicative Funding Allocation 2020/21		✓		
Forecast Outturn 2020/21 @ January 2020		✓		
Forecast Outturn 2020/21 @ April 2020			✓	
Fundraising Report			✓	
Review of Risk	✓	✓	✓	✓
Any other competent business	✓	✓	✓	✓
FOR INFORMATION				
Programme of Committee Business	✓	✓	✓	✓
Budget Monitoring - 2019/20 Qtr 1 (Oct 2019)	✓			
Budget Monitoring - 2019/20 Qtr 2 (Jan 2020)		✓		
Budget Monitoring - 2019/20 Qtr 3 (May 2020)			✓	