Agenda

18 June 2019
FINANCE COMMITTEE

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

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 4 December 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/18/013 Procurement Annual Report

4. Tuition Fees & Fee Waiver Policy Session 2019-20 — David Allison
(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. Accounting Policies for year ended 31 July 2019 — Alison Stewart

6. Budget 2019-20 — 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.)

7. Appointment of Insurers — 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.)

FOR DISCUSSION

8. Fundraising Activity 2018-19 — Pauline Barnaby
(This paper 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.)

9. Q3 Forecast Outturn 2018/19 — Senga McKerr
(Elements of paper 9 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.)

10. Financial Forecast Return 2018/19 to 2023/24 (Verbal) — Alison Stewart

11. Review of Risk

12. Any other competent business

FOR INFORMATION

Programme of Committee Business
Management Accounts 10 months to 31 May 2019
(Elements of this paper are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

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

Present: Mr Liam McCabe (Chair)
Mr Andrew Carver
Mrs Trudi Craggs
Mr Ken Richardson

Apologies: Mr Davie Flynn

In Attendance: Dr Ken Thomson, Principal
Mrs Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)
Mrs Senga McKerr, Head of Finance (HOF)
Ms Louise Burnett, Finance Manager (FM)
Mr Stephen Jarvie, Corporate Governance and Planning Officer
Mrs Hannah Ritchie, Director of Curriculum Care, Sport and Construction (Observer)
Ms Ester Vasallo, External Consultant (from APUC) Procurement Manager (ECPM) For item F/18/013 only

F/18/010 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.

[redacted]

F/18/011 Minutes of meetings of 11 September 2018

Members approved the minute of the meeting of 11 September 2018

F/18/012 Matters Arising

a) F/17/042 Any Other Competent Business

The VPFACA informed members that discussions had been ongoing with Barclays in relation to the existing banking covenants. She informed members that there is a proposal to remove the covenants if the College meets two ongoing conditions. The first is to remain an arm's length public body and the second is to ensure the College has a million pounds (£1.0 million) in its bank account each quarter. She requested approval from members to progress this matter.

Members queried whether the VPFACA thought that the College would be able to meet the conditions on an ongoing basis and she confirmed that this was the case.

Members queried whether we would need to make any stakeholders aware of the change. The VPFACA noted that, while there is no actual requirement, the College would notify the Scottish Funding Council of the removal of the covenants.

a) Members approved the VPFACA to progress this matter and to bring to the February 2019 Board of Management meeting for approval.

F/18/013 Procurement Annual Report

The ECPM presented members with the first annual report on College procurement which is required to meet the College's obligations under the Procurement Reform (Scotland) Act 2014.

Members noted that the report covered a 19 month period. The EPCM explained that this was due to the implementation timescale for the initial report and that future reports would cover 12 month periods.

The EPCM provided an overview of the key features in the report

Members noted that there was a red categorised activity in in annex E and two items which had been categorised as amber and the EPCM provided an explanation for these.

Members also noted that the wording in the payment terms section of the report placed unnecessary restrictions on the College and requested that this be reviewed.

a) Members approved the report subject to the wording change requested

F/18/014 Student Funding Outturn for 2017/18 and Forecast for 2018/19

The FM presented a paper on student funding within the College. She highlighted the efforts made to manage the funds effectively in the context of the significant changes by the Scottish Funding Council to student funding that had arisen in 2018/19 with the inclusion of care experienced bursaries and the removal of the 100% attendance criteria. She outlined how the College was managing these changes.

Members noted that the paper outlined the anticipated draw down of funds and asked what the changes outlined above would have. The FM noted that it was hard to estimate accurately owing to issues such as withdrawal and whether or not students are engaging with their studies as outlined in the new attendance requirements.

The VPFACA informed members that SMT were looking into a system where student non engagement could be highlighted earlier on in the process than is the case at present.

The Principal informed members that further information would be brought to the Learning and Student Experience Committee on the system.

The VPFACA confirmed to members that the underlying approach of the Student Funding team was that it would seek to pay students wherever possible.

The FM noted that the figures contained within the paper represented a prudent expectation of spend and that, where there were issues highlighted, the College was seeking additional funding from the Scottish Funding Council.

The Chair agreed that the figures may be conservative indicative of a prudent approach to this matter.

He also informed members that this would be the final meeting the FM would be attending and thanked her on behalf of the Committee for her work over the years.

a) Members noted the content of the report

F/18/015 Budget Monitoring - 2018/19 Qtr 1 (Oct 2018)

The Head of Finance presented the Q1 budget monitoring figures. She informed members that there were a number of significant income streams still to be finalised in order to meet the budgeted figures. This would impact upon the income figures as outlined in section 4 key considerations.

She highlighted some of these areas, including the delays in negotiations with SDS on the Foundation Apprentice contracts which had resulted in a delay to income at this point.

She highlighted that the savings within salary costs was higher than normal but this was as a result of the timing of the support staff pay increases from April 2018 still not being paid. Payments will be made in November

Members queried whether the assumptions in relation to vacancies were at a level the College wanted them to be. The VPFACA noted that the figure was indicative as it was difficult to project this figure so early into an academic year.

a) Members noted the content of the report

F/18/016 CORE/RAK International Opportunity

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

F/18/017 **Review of Risk**

Identified in the papers.

F/18/018 **Any other competent business**

[redacted]

The meeting was joined by members of the Audit Committee, along with Internal and External Auditors, to consider the next two items of business

F/18/019 **Annual Report and Financial Statements 2017/18 (Joint item with Audit Committee)**

The HOF presented members with the annual report and financial statements. She highlighted the main features of the report, noting that the College was still considered to be a going concern and that the financial year had concluded with a surplus.

Members queried the figures for "days cash" on page 9 of the report which showed this had risen from 29 days the previous year to 60 days. The HOF reported that this change was in relation to the funding used to pay Balfour Beatty as they work on the new Falkirk campus.

Members also noted that, in the section on going concern, the statement had been written as a double negative and should be rewritten to be clearer. The HOF agreed that this would be changed in the final version of the document.

The VPFACA also provided Audit Committee members with an update on developments with the Barclays covenants (as previously discussed at this meeting by the Finance Committee), noting that Barclays were amenable to removing the covenants so long as the College remained an arms length public body and have a million pounds in the bank at the end of each quarter. This change has yet to be finalised so was not included in the accounts.

a) Members approved the Annual Report and Financial Statements 2017/18 for recommendation to the Board of Management

F/18/016 **Draft External Audit Annual Report to the Board of Management**

Stephen Reid, Partner, Ernst and Young, presented members with the draft report from Ernst & Young. He provided an overview of the audit and the areas they had looked at, including new risks for the College sector which had been identified by Audit Scotland but which the audit had not found in the College. He reported that there had been no adjustments identified and he envisioned issuing an unqualified report on the accounts.

Members expressed their appreciation for the Finance team on a successful result.

a) Members approved the Draft External Audit Annual report for submission to the Board of Management

4. Tuition Fees and Fee Waiver Policy Session 2019-20
For Approval

18 June 2019
FINANCE COMMITTEE

1. Purpose

To seek approval of the level of tuition fees and fee waiver policy for Session 2019-20 from members.

2. Recommendation

That members approve the proposed tuitions fees and fee waiver policy for Session 2019-20.

3. Background

The Board of Management has responsibility for determining tuition fees. It is a condition of grant that no fees should normally be charged to home (Scotland) or EU students studying full-time in Scottish further education colleges and the notional fees are set by Scottish Government and published through SFC and the Students Awards Agency for Scotland (SAAS) for these students. These fees have yet to be set, therefore approval of tuition fees will be subject to any changes made to nationally set fees. SFC publishes its Fee waiver grant policy annually, with the latest available policy published for Session 2018-19. Approval of the fee waiver policy will be subject to any changes made to the national policy for Session 2019-20.

4. Key Considerations

Tuition Fees

As mentioned above full time fees are set nationally. It is yet to be confirmed if there are to be any changes from Scottish Government to the notional fees for Session 2019-20, and as such the full time fees are shown below at the same levels as for 2018-19. It should be noted that these fees have not changed over that last eight sessions, and are unlikely to change for Session 2019-20.

Full time FE: £1,008
Full time HE (HNC/D): £1,285
Full time Degree: £1,820

It's forecasted for Session 2019-20 that 80% of all tuition fees received by the College from mainstream provision will come from full time learners.

SQA fees are a large determinant when setting part time fees. SQA have stated that their prices will remain unchanged for Session 2019-20.

The Bank of England in its February Inflation Report stated that Consumer Price Inflation (CPI) had fallen to 1.8% in January, reflecting a slowing down of UK growth. An inflationary increase would add £2 to the cost per Credit for an FE course or HE course. Last session the College chose not to increase our part time fees to remain competitive with neighbouring colleges, however over the previous three sessions when inflation had been low we have increased fees by £5 per

Credit. A comparison of our fees against neighbouring colleges has again been undertaken, and our fees for the current session are, with the exception of Dundee and Angus, higher or on a par with other Colleges, with most Colleges last session also not raising their fees. As a comparison of current HE fees, Dundee & Angus charge £140 per Credit, compared to our £130 per Credit, while our nearest neighbours in West Lothian, New College Lanarkshire and Fife currently charge between £110 and £130 per Credit. The most common fee per Credit for part time FE is around £100, which is less than our fee of £115 per Credit. The impact of applying an inflationary 1.8% increase to our part time and Credit based evening provision based on current activity levels could see an additional £8K received through tuition fees. For next session we are implementing a timetable change, moving to 55 minute blocks, rather than hour blocks, which will have the impact of delivering a unit over 33 hours, compared to the current 36. Taking all information into consideration, the proposal is to keep our fees for part-time and Credit-based evening courses for Session 2019-20 at the same level as Session 2018-19.

It's proposed that the fee for ECDL remains the same, to remain competitive with neighbouring Colleges, and to encourage growth in a revitalised qualification from British Computer Society.

Given the relatively low numbers of direct-entry International and Rest of the UK students it's proposed that fees for International and Rest of the UK remain the same for Session 2019-20. These fees are competitive compared with the average costs in the University sector, and are comparable with other College International fees. These fees are for students enrolling on mainstream courses, and as background, the college enrolled three international students on mainstream courses in Session 2018-19. Bespoke international provision would be priced on an individual contract basis.

It's proposed that re-sit examination fees are not increased. The volume of re-sits is relatively low and the fee reflects administration staff cost.

For any evening courses which fall out-with our standard pricing structure for FE and HE credits, fees will be set on a course by course or contract basis, with course fee/contract price being established through our established costing model.

National Fee Waiver

National Fee Waiver Policy has remained unchanged since Session 2012-13, with the exception of updates to reflect changes to benefit schemes and increases in the threshold levels for means-tested fee-waiver, however the College's Fee Waiver policy will be adapted should there be any changes to the National Policy, once published. The only changes made to the policy for Session 2019-20 are the addition of sections 8 and 9, which refer to forces personnel and veterans.

Local Fee Waiver

There are no changes proposed to our local fee waiver policy.

Although not part of our local fee waiver policy as an additional benefit to staff where places remain available on courses not eligible for fee waiver (commercial and enhanced fee courses) just prior to courses commencing, have been advertised to staff.

5. Financial Implications

Please detail the financial implications of this item – Based on current activity levels it is forecasted that there is potential for an increase of £8K in tuition fees received in Session 2019-20 compared to Session 2018-19 if an inflationary 1.8% increase was applied to our part time fees. This potential additional income will not be realised under this proposal.

6. Equalities

Assessment in Place? – Yes ☐ No ☒

If No, please explain why – As no changes have been proposed to our current fees, and there are no significant changes proposed to our fee waiver policy, then an equalities impact assessment has not been required.

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

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – The only risk identified is a potential loss of additional income if fees were increased, however comparisons against other Colleges have highlighted that our fees are higher, bar one college.

Risk Owner – David Allison **Action Owner –** Pamela Duncan

8. Other Implications –

Please indicate whether there are implications for the areas below.

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

Please provide a summary of these implications – Once approved, our tuition fees and fee waiver policy require to be published, and communicated to appropriate staff.

Paper Author – Pamela Duncan/David Allison **SMT Owner –** David Allison

5. Accounting Policies for year ended 31 July 2019
For Approval

18 June 2019
FINANCE COMMITTEE

1. Purpose

To present to the members the proposed accounting policies to be applied to the Report and Financial Statements for the year ended 31 July 2019.

2. Recommendation

That members approve the accounting policies for application to the Report and Financial Statements for the year ended 31 July 2019.

3. Background

The Finance team has reviewed the accounting policies to ensure that they remain the most appropriate to the College's particular circumstances.

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

4. Key Considerations

The proposed accounting policies are attached for consideration. No changes have been made to the policies since they were last presented to the Finance Committee on 14th June 2018.

5. Equalities

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

6. Risk

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	x	x

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

Risk Owner – Alison Stewart

Action Owner – Alison Stewart

7. Other Implications

Communications – No

Health and Safety – No

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

Appendix 1

Basis of preparation

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

Basis of accounting

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

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

Going Concern

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

FRS 102

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

Recognition of income

Income

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

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

Grant Funding

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

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

Capital Grants

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

Tangible fixed assets

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

Land and Buildings

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

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

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

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

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

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

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives. The expected useful life of buildings can vary from 20 to 50 years as determined by professional opinion and valuation.

Equipment

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

Depreciation

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

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

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

Leased assets
Finance Leases

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

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

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

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

Operating Leases

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

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

Revaluation reserve

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

Stocks

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

Cash and cash equivalents

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

Taxation

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

Provisions, contingent liabilities and contingent assets

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

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

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

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

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

Agency arrangements

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

Foreign currency translation

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

Employment Benefits

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

Retirement benefits

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

Local Government Pension Scheme (LGPS)

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

Scottish Teachers' Superannuation Scheme (STSS)

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

Pension Provision

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

Derivatives

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

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

Reserves

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

6. Budget 2019-20
For Approval

18 June 2019
FINANCE COMMITTEE

1. Purpose

To present members with the final drafts of the Revenue and Capital Budgets for 2019-20.

2. Recommendation

That members approve both the revenue and capital budgets for 2019-20 and recommend these to the Board of Management for consideration.

3. Background

The College has to report on two different year ends based on two different accounting regimes. This paper considers the College's Revenue budget for the financial year, which runs from 1 August 2019 to 31 July 2020 and Capital budget, which runs 1 April 2019 to 31 March 2020.

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. SFC and Audit Scotland monitor this through the annual FFR exercise and the College's audited financial statements. 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.

4. FVC Funding

Funding Allocations	19/20 Final	18/19 Final	Variance against 18/19 Final	%
GIA		20,793,053		
ESOL		71,807		
18/19 NB costs consolidated		1,044,302		
	21,909,163	21,909,162	1	0.0%
ESF	480,023	478,510	1,513	0.3%
Total Teaching Grant	22,389,186	22,387,672	1,514	0.0%
19/20 National Bargaining	534,916			
	22,924,102	22,387,672	536,430	2.4%
Student Support	4,150,641	3,807,681		
Review of student support		140,238		
In year redistribution		342,960		
	4,150,641	4,290,879	(140,238)	-3.3%
Capital & Maintenance	438,000	686,107	(248,107)	-36.2%
New Falkirk Campus	22,700,000	42,000,000		
Credits	**19/20 Final**	**18/19 Final**	**Variance against 18/19 Final**	**%**
GIA (including Childcare)	84,201	84,201	0	
ESF	1,786	1,816	(30)	
	85,987	86,017	(30)	0.0%

Grant in Aid (GIA)

SFC announced the final funding allocations on 16th May 2019 for the Academic Year 2019-20. Overall, the College's GIA allocation has increased by 2.4% to £22,924k. This increase relates entirely to additional funding for National Bargaining of £535k to assist with the projected costs of implementing the agreed pay structure for teaching staff and the job evaluation for support staff. If you exclude the NB funding there is flat cash in credit related funding, and core credits remain unchanged at 84,201.

European Social Fund (ESF)
Funding for ESF has increased by £2k (0.3%) with an associated reduction of 30 credits, and will be delivered through the Developing Scotland's Workforce programme.

Student Support
Student support has decreased by 3.3% (£140k). However, the £140k included for the 2018-19 review of Student Support will not be required, as we received all of our request for additional funds in the in-year redistribution exercise, which has been consolidated in to our 2019-20 final allocation.

SFC is providing an inflationary increase of 5.9% for bursary payments for 2019-20 and given that we do not anticipate a significant underspend for 2018-19, the total funding of £4,151k may not be sufficient. However, SFC has advised that the in-year redistribution process will take place as usual, but there is no guarantee we will receive additional funds.

Flexible Workforce Development Fund
In the absence of specific information from SFC, we have made assumptions for the budget as to the funding that FVC will be able to access, which is in line with the previous 2 years.

Capital & Maintenance
For fiscal year 2019-20 FVC's budget is £438k for lifecycle maintenance and nothing for high priority backlog maintenance, an overall reduction of 36.2% (£248k). While there can be little argument over no allocation for backlog maintenance given Alloa and Stirling are relatively new campuses and there is capital funding for the new Falkirk Campus, no consideration is given to the fact that FVC has to top slice £159k of the lifecycle maintenance budget for interest payments. This does not apply to the majority of Colleges. See Appendix 3 for the projects proposed to be undertaken. As a consequence of the reduced funding, there are a number of capital and maintenance projects that we are unable to progress, and these are noted for information at Appendix 4.

It is worth noting that should this level of funding be maintained going forward, this is below the £1m lifecycle funding highlighted in the Decision Point 4 Report as being required to support the new Falkirk campus.

Capital Funding
The budget allocated by SFC also includes £22.7 million in respect of funding for the construction of the new Falkirk Campus.

5. Key Considerations

The revenue budget for 2019-20, as detailed in Appendix 1, shows an operational surplus of £292k. Although this is a small surplus, we know historically that there are always savings made within the salary budgets due to periods of vacancy whilst recruiting, giving a level of comfort. We will monitor the budget closely and, if necessary, at the Q2 forecast we will remove discretionary spend. The key assumptions and explanations are as detailed in Appendix 2.

As explained above FVC is required to generate an Underlying Surplus, and the reconciliation of our I&E operational position is as below:

Adjusted Operating Position		
	2019/20 Budget £'000	**2018/19 Forecast £'000**
Surplus/(deficit) before other gains and losses	**(1,014)**	**(134)**
Add back:		
Depreciation	1,299	296
Estates development costs	835	949
Less:		
ALF grant for estates development costs	(835)	(386)
Revenue funding allocated to loan repayments	(175)	(167)
Underlying Operating Position	**110**	**558**

The 2019-20 budget is impacted by the move to the new Falkirk campus as follows:

- Additional running costs of £104k as the 2 campuses run in tandem for one month, and rates for the new campus are higher than currently being paid.
- Loss of catering income of c£30k as the new refectory will take time to set-up.
- There will be no loss of commercial income as the Commercial & Training department is planning to delivery theory courses at this time to allow for workshops to be transitioned.

6. Financial Implications

The proposed budget delivers an operational surplus of £292k. In order to achieve this surplus certain items of expenditure have been left out of the budget, including a number of requested posts. Savings have also been made through restructuring of the teaching departments.

Certain categories of budgeted income carry additional risk this year, namely, the significant increase assumed for Foundation Apprenticeship income and the introduction of the Graduate Apprenticeship programme. Should these programmes not recruit as budgeted, there will be under-deployment within teaching departments that will require to be addressed.

We believe FVC continues to be under-funded in comparison to other Colleges across the sector. The College should continue to argue for a fair and transparent funding model for the sector to ensure a fair settlement for FVC.

It is worth highlighting that National Bargaining, in restricting our lecturers to 22 hours delivery through the no detriment clause, compared with other Colleges of 23+1 hours, has left Forth Valley College with an inefficiency, and an inbuilt cost of approximately £500k more than other Colleges to deliver the same teaching. This is not recognised by SFC in any of the National Bargaining funding scenarios.

7. Equalities

Assessment in Place? – Yes ☐ No ☒

Not applicable given the nature of this report.

8. Risk

	Likelihood	Impact
Very High		
High		x
Medium	x	
Low		
Very Low		

There are specific risks to be highlighted at this time:

- Should the high level of income from Foundation Apprenticeships not materialise, management will have limited time to rectify the impact of the in-year loss.
- This is the first year of the Graduate Apprenticeship programme and recruitment is uncertain.
- EIS has recently rejected the pay offers that we have assumed in the budget.
- The budget includes anticipated grant income of £260k towards the increased costs of the STSS pension scheme, which is unconfirmed.
- [redacted]
- Should the move to the new Falkirk campus not go to plan, this could impact commercial income as scheduled courses could be cancelled, coupled with potential additional running costs.

Risk Owner – Alison Stewart

Action Owner – Alison Stewart

9. Other Implications –

Communications – Yes ☐ No ☒

Health and Safety – Yes ☐ No ☒

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

7. Appointment of Insurers
For Approval

18 June 2019
FINANCE COMMITTEE

1. Purpose

To present to members the APUC Evaluation Document and College recommendation in relation to the tender for Insurance Services.

2. Recommendation

Members consider the APUC evaluation document as attached and approve the award of contract for insurance services to Zurich Municipal.

3. Background

The current contract for Insurance Services expires on 31 July 2019. There is a framework agreement for Non-Life Insurance that APUC has tendered on behalf of Colleges and Universities in Scotland. The companies on this framework are:

- Aon UK Limited
- Marsh Limited
- Zurich Municipal: ZM operate differently from the rest of the market as they are a direct dealing insurer and do not work through insurance brokers.

In order to use this framework a mini-competition tender exercise was undertaken for the provision of Insurance Services, including all aspects of the management of risk through to claims management and handling. Marsh Limited and Zurich Municipal responded to the tender request.

4. Key Considerations

The mini-competition tender is for a 4 year contract period commencing 1 August 2019. It is a fixed price for 2 years plus 2 extensions of 1 year. This timeframe was chosen to tie in with the Scottish Government review of Colleges' insurance, which is due for publication before August 2021, and may result in Colleges no longer being required to hold their own insurance policies.

In accordance with the procurement regulations, the College evaluated bidders' responses to determine the Most Economically Advantageous Tender (MEAT). Each bidder was subject to a Technical and Commercial evaluation. The ratio being Technical 40% and Commercial 60%. The Technical aspects of the bids were evaluated by 3 members of staff, and the Commercial submissions were evaluated by the Procurement Manager. A meeting was then held to achieve consensus on the winning bidder.

A summary of the evaluation scoring is per the table below:

Evaluation Scoring			
		Marsh	Zurich
Technical	40%	36.67	40.00
Commercial	60%	58.15	60.00
		94.82	**100.00**
Quoted Price for 2019/20 incl taxes		**£87,112**	**£84,189**
Quoted Price for years 2 -4 incl taxes		**£87,725**	**£86,412**

5. Financial Implications

The current policy for Insurance Services costs FVC £85k per annum, including IPT and VAT. The winning bid from Zurich Municipal is at a price of £84k for 2019-20 rising to £86k for 2020-21 and beyond.

6. Equalities

Equalities assessment is 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		
Medium		
Low	x	x
Very Low		

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

9. Q3 Forecast Outturn 2018/19
For Discussion

18 June 2019
FINANCE COMMITTEE

1. Purpose

To present the Forecast Outturn for Academic Year 2018-19 to members for discussion.

2. Recommendation

For members to consider the Forecast Outturn for the year to 31 July 2019.

3. Background

A forecasting exercise is carried out to allow us to ensure our financial targets are in line with original budget expectations and to allow us to factor in any changes that have occurred since the Q2 forecast exercise in February.

This report provides a summary of the College's Income & Expenditure forecast outturn for the Academic Year 2018-19 compared to the original budget for 2018-19 approved by LMT and Finance Committee in June 2018, and the Q2 forecast that was presented to LMT in March 2019.

4. Key Considerations

The forecast is showing an operational surplus before New Falkirk campus costs and non-cash items of £717k against the Q2 surplus of £446k. Within the overall improvement to the operating position, there are a number of significant variances. The key points to note are:

Overall income is an increase on Q2 forecast of £35k

- SFC grant income is down by £77k. Despite receiving additional funding of £52k, there is a reduction in Flexible Workforce Development income on an accounting basis due to issues in scheduling courses, which will now be delivered in 2019/20 and be included in the Budget for next year.
- Lower tuition fees (£71k) due to an adjustment for SAAS fees (£42k) double counted at Q2 combined with a reduction in receipts. Q3 forecast is now below 2017/18 actuals.
- Evening provision is down by £32k on Q2 forecast. The full budgeted £100k stretch target was retained at Q2 and this has not fully been realised.
- Commercial training income is up on Q2 forecast by £47k. Income from Electrical Safety continues to be strong (up £66k), with further 18th Edition courses delivered. VQ income is also up by £26k as a result of volumes of qualifications being undertaken. These improvements are partly offset by falls in Business Skills, Health & Safety, CMI/CIPD and PDA in Education Support income not received.
- The improvement in income from Modern Apprenticeships comes from additional funding requested and granted on our SDS contract (£25k), additional charges to companies for part-funded MAs (£23k) and updated payment information (£37k total) for SNIPEF, SECTT [redacted]
- Catering and hospitality income continues strongly following the introduction of card machines in the refectories. Income is now forecast to be 14% higher than 2017/18 actuals.

- The increase of £29k in Other Income arises primarily from additional fundraising income. Where appropriate, matching costs are included within the relevant cost categories.

Overall Expenditure is a saving on Q2 forecast of £236k

- Significant cost savings have occurred across many of the expenditure lines. [redacted]
- The savings made in salary costs arise from a combination of the posts not being filled, [redacted] and posts remaining vacant for periods of time. The costs of the February pay offer made to EIS have been included. A provision of £145k for the costs of voluntary severance, including pay in lieu of notice has been included and salary contingency of £63k has now been released.
- [redacted]
- Savings in expenditure within Learning & Teaching Materials and Registration fees relate to underspend across departments on materials and reduced delivery for FWDF.
- Increases in Catering & Hospitality costs correlate with the increase in income.
- As a result of the improved operating position we are able to undertake unplanned painting and decorating work at the Alloa and Stirling campuses over the summer (£40k). The other overspend in Property costs relates to higher utility charges.
- [redacted]
- Finance contingency of £45k has now been released.
- [redacted]
- The significant item to note within Other Costs is consultancy fees for commercial training delivery due to staff shortages, and additional courses.

New Falkirk Campus expenditure is higher than Q2 forecast by £61k

- Variances are arising from the rephasing of AECOM consultancy fees (£39k) and legal fees (£24k) to pre July 2019.

Grant from ALF relating to New Falkirk Campus expenditure

Given the improved operating position, the projected grant drawdown from the ALF to cover the revenue costs of the New Falkirk campus project, has been reduced to leave a surplus before non-cash items equivalent to our loan repayments of £167k. This is in line with SFC guidance, and ensures that we have sufficient cash reserves to meet our repayments.

Unresolved issues and areas of risk

The final outturn for the year will depend on the outcome of a number of unresolved issues, which could financially impact FVC, namely:

- [redacted]
- Resolution of an issue regarding the ESF Credits funding for 17/18.

5. Financial Implications

Overall the forecast operating position is an improvement on the original budget and Q2 forecast. However, as per above the financial impact of the noted unresolved issues, commercial income and expenditure in general will require to be monitored closely to ensure there is no significant impact on the final outturn.

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		

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

8. Other Implications

Communications – No

Health and Safety – No

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

Forth Valley College

Programme of Finance Committee Business

		Sep-19	Nov-19	Mar-20	Jun-21
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		✔		
	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 2018				✔
	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)				✔

Management Accounts 10 Months to 31st May 2019
For Information

18 June 2019
FINANCE COMMITTEE

1. Purpose

To present the management accounts for the 10 months to 31st May 2019.

2. Recommendation

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

3. Background

The purpose of this report is to provide a summary of the College results from 1st August 2018 to 31st May 2019 and to highlight the key variances between actual outturn and the Q3 forecast.

This report will focus only on significant known variances that will impact the final 2018/19 outturn.

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 £1,778k compared to a projected surplus of £1,347k. 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 before the yearend. This report does not detail these variances as there is no impact on the expected closing financial position.

The known significant variances after the first 10 months of the year, which are expected to impact the final outturn for the year are noted below. The net impact of these identified variances is a deficit of £31k.

SFC grant income is £63k below forecast, predominately due to a delay in delivery of FWDF courses. Most of these will now be delivered in 2019/20 resulting in £58k of income rolling into the next academic year.

While tuition fees are currently on budget they are expected to be £11k down for the year due to part time FE courses being accounted for twice during the Q3 forecast exercise. The courses affected are Lifestyle Management and Elementary Food Hygiene.

Commercial training income is £31k ahead of forecast. Of this, £21k relates to additional VQ income from bespoke courses that were not forecast, the remaining £10k is phasing.

Rental income will be £10k higher than forecast as we have recharged utilities to Arquiva (who rent roof space at Falkirk for a telecoms mast) and this was not forecast.

Salary costs for the year to date are £59k below forecast. A large part of this is timing in relation to the Falkirk Council pension charge invoice. However, £26k of savings are in relation to the May

2019 strike days. This saving is partly offset by other small overruns leaving the true salary saving this month as £20k. Although not impacting the year to May position, the costs of voluntary severance are now expected to be £43k less for the year as 3.5FTE rather than 5.0 FTE lecturers will exit the College through voluntary severance. However, offsetting this saving is the lecturer's pay award, which has now been agreed, costing £56k more than forecast in this financial year.

A review of New Falkirk revenue costs has recently been carried out and we expect £70k of fees to move 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 May 2019 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 31st May 2019 does not include these equivalent adjustments.

The large increase in the bank balance is due to £9 million of funding received from City of Glasgow College in relation to the New Falkirk Campus 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 how we plan to spend our 2019/20 funding allocation and the expenditure incurred to date so far.

5. Financial Implications

This report gives an update on the YTD actual position and the known variances to Q3 forecast. Although to date we are showing an operational surplus £431k ahead of Q3, an element of this will be timing and we can only confirm the known variances which amount to a deficit of £31k. Taking all of this into account we would anticipate that the 2018/19 outturn for Operating surplus before New Falkirk costs will be in the region of £700k unless there are further unexpected costs or loss of income. The drawdown from the ALF to cover New Falkirk costs will be reduced accordingly to leave an underlying operating surplus sufficient to cover the loan repayments.

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