

Boardroom, Falkirk Campus at 4.00pm
(Refreshments available from 3.30pm.)

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 17 September 2019
3. Matters Arising

a) F/19/008 FVC 5 Year Financial Plan

4. Annual Report and Financial Statements 2018/19
(Joint item with Finance Committee) Senga McKerr

(Elements of paper 4 are withheld from publication on the Forth Valley College website under Section 27 Information Intended for Future Publication of the Freedom of Information (Scotland) Act 2002.)

5. Draft External Audit Annual Report to the Board of Management
(Joint item with Audit Committee) Ernst and Young

(Paper 5 is withheld from publication on the Forth Valley College website under Section 27 Information Intended for Future Publication of the Freedom of Information (Scotland) Act 2002.)

6. Development & Fundraising Strategy 2019 – 2022 Pauline Barnaby

(Paper 6 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.)

FOR DISCUSSION

7. Annual Procurement Report Jacqueline Leishman

(Elements of paper 7 are withheld from publication on the Forth Valley College website under Section 27 Information Intended for Future Publication of the Freedom of Information (Scotland) Act 2002.)

8. Student Funding Outturn 2018/19 & Forecast 2019/20 Allison Hewitt

(Paper 8 is withheld from publication on the Forth Valley College website under Section 36 Confidentiality of the Freedom of Information (Scotland) Act 2002.)

9. Review of Risk
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10. Any other competent business

FOR INFORMATION

Management Accounts 3 Months to 1st November 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.)

Programme of Committee Business

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S1.19, Stirling Campus (commencing at 4.30pm)

Present: Mr Liam McCabe (Chair)
Mrs Trudi Craggs (Electronically)
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)
Mrs Senga McKerr, Head of Finance (HOF)
Mr Stephen Jarvie, Corporate Governance and Planning Officer (CGPO)
Mr Andrew Smirthwaite, FVSA President (FVSAP) (for item F/19/004)
Mr Lindsay Graham, FVSA Vice President (FVSAPV) (for item F/19/004)

F/19/001 Declarations of Interest

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

F/19/002 Minutes of meetings of 18 June 2019

Members approved the minute of the meeting of 18 June 2019

F/19/003 Matters Arising

None

F/19/004 Student Association Outturn for 2018-19 & Budget for 2019-20

The FVSAP presented members with a paper outlining the 2018-19 outturn and the proposed budget for 2019-20, for which he was seeking approval for a budget of £18,000 from the College.

He noted that 2018-19 had generated a surplus and that, owing to measures including some salary savings, it was anticipated that 2019-20 would also generate a surplus.

Members welcomed the budget, noting it demonstrated that the FVSA was well run and organised.

Members queried the circa £5,000 spend on IT in 2018-19. The FVSAP confirmed that this was a one off expenditure to equip the FVSA with Microsoft Surface devices in line with the rest of the College.

Members queried whether the FVSA had had input into their area in the new Falkirk campus and whether they would need to purchase materials.

The FVSAP confirmed that they had discussed the plans with the College and that there was no indication at this point that FVSA would need to purchase additional equipment.

The Principal noted that he would check that the outfitting of the area was consistent with the rest of the campus in terms of furniture and other materials.

Members noted that there was an expectation in the budget for an increase in fundraising levels. The FVSAP confirmed that FVSA were looking to the various clubs and societies to fundraise, both to give them experience and to generate a fund that would then be open to requests for material to support the clubs and societies.

The FVSAP noted that FVSA were aware that they were generating surpluses year on year and that, should this continue for 2019-20, they would look at reducing the level of support they will request from the College in 2020-21.

Members noted that this would be welcome, on the provision that the FVSA ensure they retain an adequate surplus to accommodate unplanned expenditure.

a) Members approved the funding budget for 2019-20

F/19/005

Review of Committee Remit

The VPFA informed members that the remit was being presented for consideration as it is good practice to review the remit annually to ensure it is still fit for purpose.

Members noted that the remit current has, as a specific duty of the Committee, the need "to receive advice, and act on recommendations, from the Audit Committee". It was felt, to reflect the duties of the Committee, this should be changed to "to receive advice, and consider recommendation, from the Audit Committee".

a) Members approved the remit subject to the change above

F/19/006

Financial Forecast Return 2018-19 to 2023-24

The HOF presented members with the Financial Forecast Return (FFR) 2018-19 to 2023-24.

She reported that the FFR was a requirement of the Scottish Funding Council (SFC) and that the assumptions used in the FFR had been set by SFC to ensure a level of consistency across the sector. She informed members that the College was not permitted to submit an FFR that was in deficit and that, to achieve this, the College would have to identify cash savings.

She highlighted the commentary paper which would accompany the FFR which set out the risks associated with the FFR that the College had identified. She outlined a number of the risks such as an assumption of apprentice income, a lack of lifecycle maintenance funding, pension increases and commercial changes.

Members queried the funding allocation levels used in the FFR. The VPFACA confirmed that, while these were SFC figures, they were planning assumptions and that SFC were not willing to commit to future funding levels.

Members highlighted that, with rising costs and core funding remaining static, this equates to a significant real terms cut to the College's funding, which the College would be expected to absorb through whatever mechanism it could.

The VPFACA also noted that, as a result of the no detriment clauses in national bargaining, the College was also operating at a disadvantage as we are less competitive compared to other Colleges and private training providers.

Members welcomed the commentary which sets out the risks to the College and requested that additional commentary be added to clarify that the Arm's Length Fund (ALF) is independent of the College and that, while the College can apply for funding, there is no guarantee of approval from the trustees.

The Principal informed members that he and the Chair of the Board of Management would be meeting with the Chief Executive of SFC to highlight the risks identified in the FFR. He also informed members that he would also be meeting before the Christmas break with local MP's and MSP's across the Forth Valley area to highlight the financial pressures on the College.

Members queried whether SFC would be publishing a sector overview based on the FFR submissions. The VPFACA informed members that this was not likely to happen based on feedback from SFC.

Members queried how the SFC group looking at the College funding model was progressing. The VPFACA informed members that the working group had been disbanded and another formed to take a more fundamental review of the funding model.

Members noted that, even if the College achieves the savings required in the FFR, the inability to earn and retain a surplus meant that the College's ability to absorb any shocks is diminished.

Members requested that a conclusion paragraph be added to the FFR commentary.

The VPFACA and members congratulated the HOF and her team for the work that had gone into preparing the FFR.

a) Members approved the submission of the FFR

F/19/007 Management Accounts 2018/19 Forecast Outturn

The HOF presented the outturn position as at July 2019. She noted that there had been an operational surplus which was used to cover elements of the Falkirk capital costs, allowing for less draw down from the ALF.

She also highlighted some other cost savings, most stemming from Departments not fully utilising budgets.

a) Members noted the content of the report

F/19/008 FVC 5 Year Financial Plan

The VPFACA presented the plan for a Forth Valley College 5 year financial plan. She informed members that the FFR previously discussed was based on SFC assumptions but the College had identified that a more detailed plan was required for the College to support future decision making.

She confirmed a baseline would be developed using College assumptions and then proposals for changes would be applied against the baseline to see if they generate the necessary savings.

She reported to members that there were currently staffing issues in the Finance department owing to staff being off sick and that it may not be possible to develop this in time for the November meeting.

Members confirmed that the College should take the necessary time to develop a robust plan.

The VFPACA outlined the key assumptions that would form part of the plan, which broadly match the risks discussed earlier in relation to the FFR.

a) Members noted the content of the report

F/19/009 Review of Risk

Risks were identified in the papers, particularly the FFR commentary document.

F/19/010 Any other competent business

None

1. Purpose

To present to members the Annual Report and Financial Statements for the year to 31 July 2019.

2. Recommendation

Members consider the financial position of the College for the year ended 31 July 2019 and approve the submission of the Annual Report and Financial Statements for the year ended 31 July 2019 to the Board of Management for final approval.

3. Background

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

The Annual Report and Financial Statements have been prepared in accordance with the Accounts Direction issued by the Scottish Funding Council in July 2019. This direction requires the College to comply with the Statement of Recommended Practice: Accounting for Further and Higher Education issued in July 2015 (2015 SORP), the Scottish Public Finance Manual (SPFM) and the Scottish governments Financial Reporting Manual (FRM).

The SPFM and FRM both require additional disclosures.

4. Key Considerations

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

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

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

The Financial Performance section of the Performance Report provides a detailed review of the College's financial performance for the year ended 31 July 2019 and its financial position at 31 July 2019. The key points to note are:

- The College generated an underlying operational surplus of £1,268k excluding non-cash adjustments, funding from the Forth Valley College Foundation, the estates development costs and the loan repayments. This surplus demonstrates that the College is operating sustainably within its funding allocation.
- The net liability position in the Balance Sheet is distorted due to the technical accounting adjustments in relation to the treatment of government capital grants and pension liabilities. Additionally, the impact of reclassification where surplus cash has been donated to an arm's length foundation or spent to support the estates development programme impacts on the net liabilities.
- £187k is receivable within 2018/19 from the Forth Valley College Foundation in relation to capital IT spend for the new Falkirk Campus.
- The external auditors are content there are no going concern issues as the underlying financial position has been clearly demonstrated.

5. Financial Implications

SFC guidance states that for the financial period ended 31 July 2019 Colleges are permitted to report deficits equivalent to the spend on cash budget for priorities, FRS 17 pension charges and FRS 102 adjustments. The reported financial position falls within these guidelines.

Reporting a deficit does have implications however, and to counter any queries or concerns by the users of the Financial Statements, the Underlying Performance table on page 12 schedules out the non-cash technical adjustments and one-off adjustments included within the deficit, thereby highlighting the true underlying surplus.

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		
Medium		x
Low	x	
Very Low		

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

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

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1. Purpose

To seek approval from members on the Annual Procurement Report covering the reporting period 1st August 2018 – 31st July 2019.

2. Recommendation

That members approve the content of the Annual Procurement Report.

3. Background

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

The attached APR covers the period of 1st August 2018 to 31st July 2019 and addresses performance and achievements in delivering Forth Valley College’s procurement strategy 2018-2019.

4. Key Considerations

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

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

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

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

5. Financial Implications - None

6. Equalities – 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		

Failure to publish the APR as soon as reasonably practicable (considered 4 months as per Scottish Government guidance) after the financial year end means that College would be in breach of the Procurement Reform (Scotland) Act 2014. This will be mitigated by having the APR approved and published by 30th November 2019.

Risk Owner – Alison Stewart

Action Owner – Jacqueline Leishman

8. Other Implications

Communications – Yes

Health and Safety – No

The APR requires to be published on the College website by 30th November 2018.

Paper Author – Jacqueline Leishman

SMT Owner – Alison Stewart

1. Purpose

To present the management accounts for the 3 months to 1st November 2019.

2. Recommendation

That members consider the year to date actual versus budgeted financial position of the College and the projected impact this has on the 2019-20 overall budget.

3. Background

The purpose of this report is to provide a summary of the College results from 1st August 2019 to 1st November 2019 and to highlight the key variances between actual outturn and the budget.

4. Key Considerations

Income and Expenditure as set out in Appendix 1

There is an operational deficit before New Falkirk campus costs and non-cash items of £339k compared to a projected surplus of £83k. Many of the variances are a matter of timing, where the phasing of the income or expenditure is different to that forecast, but where the phasing is anticipated to fall back in to line during the year. This report does not detail these variances as there is no impact on the expected closing financial position.

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

SFC Grants – the allocation of funding towards the additional STSS pension costs has been confirmed for the period to March at £337k, whereas the budget for this was set at £252k. The phasing of the budget means this uplift is not apparent until later in the year.

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

Evening provision appears to be ahead of target at present. It is worth noting that the stretch target for Evening provision is budgeted in block 2.

Commercial income – reduction of £34k mainly due to less VQ income which is a phasing issue only and reduced uptake of Health and Safety commercial courses as more spaces are being used for FWDF. The department plans to run more occurrences to address this.

Modern Apprentice income appears under budget but this is just a delay in finalising payment schedules. The largest contributor to this variance is CITB but this is now in hand as we have

recently received a payment schedule in November, which the relevant departments are reviewing.

Salary costs are £62k below budget, and we estimate that £56k is a saving from staff vacancies in the period. Although we might expect much of this saving to unwind in block 2, an element of this will be a permanent saving in the year. All staffing will be reviewed as part of the Q2 reforecast exercise.

Balance Sheet as set out in Appendix 2

The balance sheet as at 1st November 2019 is attached for information. There are significant movements from 31st July 2019 as we prepare yearend financial statements on an accruals basis and include yearend adjustments. The balance sheet at 1st November 2019 does not include these equivalent adjustments.

Revenue Maintenance / Capital Grant as set out in appendix 3

This grant is awarded on a fiscal year basis i.e. April to March each year. Appendix 3 summarises the expenditure to date from April 2019 to October 2019. There are no issues to report at present.

5. Financial Implications

Given the variances noted above the College breakeven budget for the year could be under pressure. Until the invoice scheduling for the major income streams of HEI tuition fees, Modern Apprentice training charges and Foundation Apprenticeships are finalised, we should remain cautious as regards the full year outturn.

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

6. Equalities

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

7. Risk

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

	Likelihood	Impact
Very High		
High		x
Medium	x	
Low		
Very Low		

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

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

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – No

Health and Safety – No

Paper Author – Moira France

SMT Owner – Alison Stewart

Forth Valley College
Programme of Finance Committee Business

	Mar-20	Jun-20	Sep-20	Nov-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				✓
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 2 (Jan 2020)	✓			
Budget Monitoring - 2019/20 Qtr 3 (May 2020)		✓		
Budget Monitoring - 2019/20 Qtr 1 (Oct 2020)				✓

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