Agenda

16 November 2021
FINANCE COMMITTEE

Zoom call @ 4pm

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 5 October 2021

3. Matters Arising - None

4. Annual Report and Financial Statements 2020/21 (Joint item with Audit Committee) — Senga McKerr

Elements of paper 4 are withheld from publication on the Forth Valley College website under Section 36 Confidentiality and Section 25 Information Otherwise Accessible of the Freedom of Information (Scotland) Act 2002 - https://www.forthvalley.ac.uk/media/8208/annual-report-financial-statement-2021.pdf

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 25 Information Otherwise Accessible of the Freedom of Information (Scotland) Act 2002-
https://www.audit-scotland.gov.uk/uploads/docs/report/2022/aar_2021_forth_valley_college.pdf

6. Annual Procurement Report — Ester Vasallo

Elements of paper 6 are withheld from publication on the Forth Valley College website under Section 25 Information Otherwise Accessible of the Freedom of Information (Scotland) Act 2002 -
https://www.forthvalley.ac.uk/media/7852/fvc-annual-pocurement-report-fy2020-2021.pdf

FOR DISCUSSION

7. Student Funding Outturn 2020/21 & Forecast 2021/22 — Senga McKerr

8. Review of Risk

9. Any other competent business

FOR INFORMATION

Management Accounts 3 Months to 29 October 2021 – 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.

Zoom (commencing at noon)

Present: Liam McCabe
Andrew Caldwell
Trudi Craggs
Lindsey Hastie
Ken Richardson

Apologies: Amber Little

In Attendance: Ken Thomson, Principal
Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)
Senga McKerr, Director of Finance (DOF)
Moira France, Finance Manager (FM)
Stephen Jarvie, Corporate Governance and Planning Officer (CGPO)
Pauline Jackson, Development and Fundraising Manager (DFM) for item F/21/008

F/21/001 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.

He also noted a declaration in relation to the topics of the City Deal and the Scottish International Environmental Centre which were referred to in the papers.

F/21/002 Minute of Meeting of 15 June 2021

Members approved the minute of the meeting of 15 June 2021.

F/21/003 Matters Arising

a) F/20/037 3 Year Financial Forecast Return (FFR)

The Chair noted that this would be covered as a substantive item in the agenda.

F/21/004 Student Association Outturn for 2020/21 & Budget for 2021/22

The FM discussed the outturn for 2020/21, noting that the surplus was primarily in relation to Scottish Funding Council (SFC) funding that SFC had agreed could be carried forward into 2021/22 to improve student engagement.

Other surpluses in the outturn were mainly in relation to activities that could not go ahead owing to Covid restrictions.

She highlighted that, owing to staffing changes, the 2021/22 budget had seen quite significant staff cost increases.

Members noted that a significant portion of funding for FVSA came from the Forth Valley Arm's Length Foundation (ALF) and asked if there were plans in place to make the FVSA more financially sustainable in the future, perhaps through activities as fundraising or sponsorship for events.

The FM noted that the College itself provided some funding but that the wider point would be fed back to FVSA.

The Principal informed members that the Board Chair had also been in discussion with FVSA to help with ideas on commercialisation/self-funding.

a) Members noted the content of the Outturn and approved the 2021/22 budget

F/21/005 Review of Committee Remit

The VPFACA presented the annual review of the Committee remit for members comment, noting that the College was not proposing any changes at this time.

Members noted that the remit seemed to cover all areas it should.

a) Members approved the Committee remit

F/21/006 Financial Forecast Return 2021-24

The Chair noted for the minute that delegated authority to approve the return of the FFR had been granted at the 30 September 2021 Board of Management meeting.

The DOF presented members with the FFR paper. She noted that members had previously approved the 2021/22 budget but that, with the delay in getting guidance from SFC, the College had taken the opportunity to revisit the budget.

She noted the forecast 20/21 surplus of £1.8m and that discussions have been taking place with SFC on carrying forward the surplus in to 21/22, hence the projected deficit spend. SFC has granted approval so far for £1m of the £1.8m carry forward.

The VPFACA noted that the proposed use of the surplus would be in line with SFC priorities so should be supported by SFC as long as the spend is incurred or committed to by March 2022.

Members queried if the BP Senegal contract had started and whether it was progressing well. The Principal confirmed this was the case and that an interim evaluation on progress would be brought to the December meeting of the Board of Management.

The DOF informed members that the revised budget had been used to prepare the high level figures for the next two years of the FFR, along with some SFC set assumptions on areas like grant in aid levels.

Given the assumed cut in funding and the need to still deliver on savings for SFC, she highlighted that this would inevitably have to come from the staffing complement as this accounted for 80% of College costs.

She highlighted the challenge posed by the assumption that Foundation Apprentice funding would move from being additional funding to being part of the core credit allocation which equates to an approximate cut of £1.2m from 2022/23.

Members noted concerns based on the assumptions SFC were requiring the College to use in the FFR and the VPFACA also noted that the funding model SFC were using was an overly simplistic one being used for the first time.

Members expressed concern at the ongoing lack of appropriate funding levels for the College and the sector as a whole and requested that the narrative accompanying the FFR clearly outline these challenges and the clear impact this will have on staffing levels within the College.

The Principal also noted that the completed FFR would be used by him to engage with local politicians to highlight the issues we are experiencing.

Members queried if they would be given sight of the final version of the FFR. The VPFACA confirmed this would be circulated to the full Board and could be discussed further at the 4 November 2021 meeting if required.

a) Members approved the submission of the Financial Forecast Return 2021-2024

F/21/007 Management Accounts 2020/21 Forecast Outturn

The FM presented the 2021/21 forecast compared against the Q3 forecast which had previously been presented.

She outlined the reasons for the key variances noted in the paper. She also noted that the College currently had a significant cash balance.

Members queried whether keeping the resource as cash presented a risk under the Scottish Government accounting rules. The FM confirmed this would not be an issue if it was used by the end of March 2022 and the VPFACA reported on an expectation from SFC that this reserve would be used before calling down any new funding.

Members noted that there was still funding from the Falkirk Campus contractor being retained. The FM reported that this was due to ongoing snagging works and confirmed that elements of this fund were being released to the contractor as pieces of work were being completed and signed off.

a) Members noted the content of the report

F/21/008 **Progress Review: Development and Fundraising**

The DFM presented an overview of progress against the approved fundraising strategy and the funding achieved in 2020/21.

She highlighted that Covid had increased the competition for the available pots of funding but that the College had still managed to retain success levels for bids in line with previous years.

She highlighted that bids were not only considered to be successful if they were for significant amounts but also if they delivered real benefits to students and highlighted a smaller project that provided transition funding to support students in the period of joining the College.

She also outlined a number of key project successes as outlined in the annexes to her paper.

Members welcome the overview and commended the DFP on a successful year despite the range of challenges faced.

Members queried the differences in some of the figures in the annexes and the DFM confirmed that the difference normally related to some form of in kind contribution by the College. It was agreed that the next report would be updated to more clearly show this.

Members queried whether there was a target in the budget for fundraising activity. The VPFACA noted that most funds were money in and money out so no targets are included in the budget.

a) Members noted the content of the report

F/21/009 **Review of Risk**

Members noted the risks in association with the FFR.

F/21/010 **Any Other Competent Business**

The Chair passed on his thanks to the Finance team for their work.

4. Annual Report and Financial Statements 2020/21
For Approval

16 November 2021
FINANCE COMMITTEE

1. Purpose

To present to members the Annual Report and Financial Statements for the year to 31 July 2021.

2. Recommendation

Members consider the financial position of the College and commend the Annual Report and Financial Statements for the year ended 31 July 2021 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 June 2021. This direction requires the College to comply with the Statement of Recommended Practice: Accounting for Further and Higher Education issued in July 2019 (2019 SORP), the Scottish Public Finance Manual (SPFM) and the Scottish governments Financial Reporting Manual (FReM). The SPFM and FReM both require additional disclosures.

Audit Scotland published a guide for auditors in respect of Going Concern in the public sector (December 2020), stating that in determining the appropriateness of the going concern basis of accounting, the continued use of the assets to deliver services is more important than the continued existence of a particular public body, and as such the use of going concern basis of accounting will always be appropriate for public bodies, and as such does not require justification by future forecasts and cash flow projections. Despite this publication, our auditors required a formal management assessment of going concern to be prepared. This included forecast income & expenditure, and cash flows from August 2021 to July 2023, as well as specific narrative. The forecasts and cash flows were based on the FFR for 2021-22 and 2022-23, and the narrative paper is attached for information.

4. Key Considerations

At the time of writing, the auditors have not completed all of their internal review processes. Should the auditors request any changes to the financial statements of significance, Committee members will be advised of theses, prior to the December Board meeting. In addition, the audit opinion for 2020-21 remains to be updated in the financial statements, pages 35-38.

The adoption of the Financial Reporting standard (FRS) 102 and the 2019 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. The key measures to consider are 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 2021 and its financial position at 31 July 2021. The key points to note are:

- The College generated an underlying operational surplus of £2,217k 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.**
- SFC has confirmed that FVC can retain this surplus for use in 2021-22 to support restructuring and business efficiency projects.
- The low net asset 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 the balance sheet.
- The auditors are content that there are no going concern issues as the underlying financial position has been clearly demonstrated.

During the audit an error in the financial statements for July 2020 came to light, resulting in the need for a prior period adjustment when presenting the comparatives in the accounts for July 2021. The error was a missed non-cash accounting adjustment, with no impact on the adjusted operating position for this year.

The error related to £1.421m of deferred capital grant held on the balance sheet at 31 July 2020 for the old Falkirk campus, and therefore should have been released as part of the calculation for the loss on disposal of the old campus. The prior period adjustment has the impact of decreasing 2019-20 short term creditors (deferred capital grants) by £50k and long term creditors (deferred capital grants) by £1,371k, with a corresponding impact on SFC grants (decrease by £50k) and loss on disposal of fixed assets (decrease by £1,471k).

5. Financial Implications

SFC guidance states that for the financial period ended 31 July 2021 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 14 schedules out the non-cash technical adjustments and one-off adjustments included within the deficit, thereby highlighting the true underlying surplus.

6. Equalities

An 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		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

<u>**Attachments**</u>

1. Management Assessment of Going Concern
2. Report and Financial Statements for the year ended 31 July 2021

1. Purpose

To seek approval from members on the Annual Procurement Report covering the reporting period 1st August 2020 – 31st July 2021.

2. Recommendation

That members consider and 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 a regulated procurement expenditure of £5m and above 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 2020 to 31st July 2021 and addresses performance and achievements in delivering Forth Valley College's procurement strategy 2020-2021.

4. Key Considerations

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.

Appendices F and G (pages 29 to 37) show the FVC Procurement Action Plan and KPIs against targets. Some of the KPI figures are difficult to compare to previous years due to the impact of the Covid-19 pandemic and the large amount of spend on the new Falkirk campus project.

In particular, the percentage of collaborative spend is estimated at 34% for 2020/21, which is a notable reduction in the KPI. This can partly be explained by the expenditure through catering frameworks decreasing from £454.8k in 2019/2020 to £85.3k in 2020/2021, due to campus closures.

5. Financial Implications

The APR contains estimated savings and invoice payment performance.

6. Equalities

The Public Sector Equality Duty applies to FVC procurements. The APR contains a list of the procurements that contained Equality as evaluation criteria. We carry out a risk/opportunity assessment called Sustainability Test at project/tender strategy stage considering equality and fair work.

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		
Very Low	x	x

Risk has been considered in relation to meeting the APR publication requirements:

1. It is extremely unlikely we don't meet the deadline for publication.
2. Impact is considered very low with minimal delay that can be easily and quickly remedied by publishing the APR as soon practically possible.

Risk Owner – Senga McKerr **Action Owner –** Ester Vasallo

8. Other Implications

Communications – We will publish the APR on the College website by 31st December 2021.

Health and Safety – The APR must include a review of whether regulated procurements complied with the College's general policy on promoting compliance by contractors and sub-contractors with the Health and Safety legislation.

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

Forth Valley College

7. Student Funding Outturn 20/21 & Forecast for 21/22
For Discussion

16 November 2021
FINANCE COMMITTEE

1. Purpose

To update members on the final position for Student Funding in Academic Year 2020-2021 and provide a forecast for 2021-2022.

2. Recommendation

That members note the under spend for 2020-21 and the forecast outturn for 2021-22.

3. Background

SFC issues allocations for Student Support around April and then in November Colleges have the opportunity through the in-year redistribution process to either request further funding for Student Support or relinquish funding based on the demand from students. The return for this year's re-distribution is expected to be in November, and we intend to neither request more funding, nor relinquish funds from our current allocation.

4. Key Considerations

a. 2020-21

The Outturn for 2020-21 is detailed in Appendix 1. Our initial allocation from SFC for the total FE Student Support Budget was £4,402k, and we received additional funding of £587k. The College was therefore working to a Budget of £4,989k for 2020-21, which was underspent by £1,315k, although £873k of this was not drawn down from SFC as we anticipated it was not going to be required.

FE bursary was underspent by £67k, mainly due to travel payments being stopped during periods of lockdown, which was difficult to predict.

Childcare was essentially underspent by the virement of £259k to FE Discretionary. This was primarily due to the impact of COVID-19 with students not being able to send their children to their childcare providers.

Discretionary Funding was underspent by £454k, £375k in FE and £79k in HE. This funding is held in the event of Students requesting support with unforeseen financial circumstances, such as rent arrears, car repairs etc. This part of the Budget is difficult to predict on an annual basis. We were given additional funding for our discretionary pots for students struggling due to COVID-19, although in reality we did not receive many applications for additional support. Our discretionary funding is also used for the Housing Fund to provide students with support for their rent payments. In line with previous years, we were able to make additional payments in June 2021 towards rent costs over the summer period, totalling £97k for FE students and £56k for HE students.

b. 2021-22

Student Support has had no significant policy changes that will impact on the funds for 2021-22.

Our 2021-22 allocation for Student Support is currently £4,873k. Appendix 2 details the Budget and the Forecast Outturn for 2021-22.

For FE Bursary our weekly maintenance rates have been increased by 1.9% for session 2021-22.

Weekly Maintenance	2020-21	2021-22
Parental Supported	£84.30	£85.90
Self-Supporting	£106.53	£108.55
Care Experienced	£202.50	£202.50
Universal Credit	£28.00	£28.00

Currently the College has committed to pay 705 Students £2,607k in FE Maintenance. This includes 122 Students on the Care Experienced bursary, which is down on 2020-21 but we expect further applications up to a similar level as last year. We are estimating a further commitment of £630k for additional awards and January starts. This takes our forecast spend for FE Maintenance to £3,237k.

The College pays Students their FE Travel based on the cost of a weekly bus ticket and the number of zones a student has to travel.

	Zone 1	Zone 2	Zone 3
2020-21	£19.40	£22.20	£23.20
2021-22	£19.40	£22.20	£23.20
% change	0%	0%	0%

Currently the College has committed to pay 825 Students £433k in FE Travel. We are estimating a further £99k commitment for additional awards and January starts. Therefore our forecast spend on FE Travel is £532k, which is an increase on our actual spend of £307k for 2020-21 which was impacted by lockdown as payments were stopped. For comparison 2018-19 spend was £681k, although rates paid were higher that year.

Overall, including Maintenance, Travel and Study Materials, we are predicting FE Bursary spend of £3,829k against a budget of £3,950k. As such we will not request additional funds through the in-year redistribution process.

For Childcare we have accepted applications from 63 Students, which is currently 39 FE Students and 24 HE Students. Based on these commitments we are paying an average of £2,943 for FE Student's Childcare and £3,403 for HE Student's Childcare. We also estimate that we will receive a further 85 applications from FE Students and 25 from HE Students, this will take us to the same number of applications as we had in 2020-21. Taking all of this into account we are forecasting spend of £535k for Childcare, which is over the budgeted allocation of £415k but due to the underspend against FE Bursary we will not require additional funds through the in-year redistribution process as we will vire the funds from FE Bursary to Childcare.

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

Overall there is a predicted underspend of £1k in SFC Spend, and therefore we will submit an in-year redistribution return neither requesting, nor relinquishing funds. Should we overrun our budget, there are options available to limit the potential exposure to FVC, including vire funds from the FE discretionary fund towards Bursary or Childcare costs. This could be done by:

- Not making the additional summer housing payment to FE students. There is no commitment to make this payment and the students should have no expectation of receiving it, therefore there is no reputational impact of this option.
- Closing the FE discretionary fund to new applicants. This would be a last resort as we would not wish to disadvantage any student who might need some additional financial help.

Both of these options would however create an inequality between our FE and HE students, as the HE discretionary is historically sufficiently funded by SAAS.

5. Financial Implications

If we were to overrun on budgets after allowing for available virements, core College budget could be impacted. The risk of this is deemed to be low given our historical outturns of £4,190k in 2019-20 and £3,821k in 2020-21, compared with the budget of £4,873k.

6. Equalities

Assessment in Place? – Yes ☐ **No ☒** Not applicable given the nature of this report.

7. Risk

	Likelihood	Impact
Very High		
High		
Medium		
Low	x	x
Very Low		

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

The main risk to the College is having insufficient funds to cover all required Student Support commitments, but as explained above the risk of this is deemed to be low.

Risk Owner – Alison Stewart **Action Owner –** Allison Hewitt

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

Appendix One

Student Support Spend 2020-21							
Fund	2020-21 Budget	In Year Redistribution	In Year Virement of Funds	Reduction of Drawdown	2020-21 Forecast Spend	2020-21 Spend	Variance
FE Bursary *	3,777,753	0		(632,340)	3,145,413	3,078,637	66,776
FE & HE Childcare	581,821	0	(259,400)		322,421	322,421	0
FE Discretionary	629,272	0	259,400	(240,705)	647,967	272,905	375,062
HE Discretionary (SAAS)	362,885	0		(137,167)	225,718	146,714	79,004
Totals	**5,351,731**	**0**	**0**	**(1,010,212)**	**4,341,519**	**3,820,677**	**520,842**
*includes YPG & NTTF							

Appendix Two

Student Support Spend 2021-22				
Area	2020-21 Spend	2021-22 Allocation	2021-22 Forecast Spend	Variance
FE Bursary	3,078,637	3,949,910	3,828,635	121,275
FE & HE Childcare	322,421	414,848	535,019	(120,171)
FE Discretionary	272,905	350,996	350,996	0
HE Discretionary (SAAS)	146,714	157,189	157,189	0
Total	**3,820,677**	**4,872,943**	**4,871,839**	**1,104**