

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

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 13 March 2018
3. Matters Arising
 - a) F/17/026 Resource Outturn 2017/18 (fiscal year)
 - b) F/17/028 Indicative Funding Allocation 2018/19
4. Procurement Strategy and Policies Ester Vasallo
5. Budget 2018-19 Senga McKerr
(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.)
6. Accounting Policies for year ended 31 July 2018 Senga McKerr

FOR DISCUSSION

7. International Financial Overview Jennifer Tempany
(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.)
 8. Q3 Forecast Outturn AY 17-18 Senga McKerr
(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.)
 9. 5 year Financial Forecast Return (verbal) Alison Stewart
 10. Review of Risk
 11. Any other competent business
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FOR INFORMATION

Progress Review: Fundraising Action Plan 2017/18

(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.)

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Boardroom, Falkirk Campus (commencing at 4.30pm)

Present: Mr Ken Richardson (Chair)
Ms Trudi Craggs
Mrs Caryn Jack

Apologies: Mr Andrew Carver
Mrs Pamela Duncan
Mr Liam McCabe

In Attendance: Dr Ken Thomson, Principal
Mrs Alison Stewart, Vice Principal Finance and Corporate Affairs
Mr David Allison, Vice Principal Information Systems and Communications
Mrs Senga McKerr, Head of Finance
Ms Karen Richardson, Executive Office Manager

F/17/022 Declarations of Interest

None declared.

F/17/023 Minutes of meeting of 23 November 2018

The minutes of the meeting held on 23 November 2018 were approved.

F/17/024 Matters Arising

a) F/17/013 – Update on Barclays Covenants

The Vice Principal Finance and Corporate Affairs advised that Barclays had confirmed the requirement for the Board to sign off new covenants but had not confirmed this until the day after the previous Board meeting. She will therefore take a paper to the next Board meeting on 22 March 2018 seeking approval to sign off on behalf of the College.

Members also discussed International provision within the College as discussed at the previous meeting. The Principal reported that the Head of Business Development had been working on a revised International Strategy but this has been put on hold to give due consideration to all related factors. He also reported that the decline of International work throughout the college sector had been raised at the College Principals Group meeting, with our Chair and also with Colleges Scotland. Colleges Scotland are proposing colleges group together to provide international support in their own specialism areas and members agreed this would be beneficial as opposed to operating in isolation. Members requested this be discussed further at the June Board meeting with a view to considering a proposal on the way forward.

F/17/025 Tuition Fees and Fee Waiver Policy Session 2018-19

The Vice Principal Information Systems and Communications presented the proposed tuition fees and fee waiver policy for approval. Members acknowledged the proposal for fees to remain unchanged and where our costs sit in relation to neighbouring colleges. Clarification of when specific fees would apply was requested and the Principal provided an explanation and an example which was welcomed. The Vice Principal Information Systems and Communications explained that the college fee waiver policy also remains unchanged however should any changes be made to the national policy these would have to be incorporated.

Members approved the tuition fees and fee waiver policy.

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

The Vice Principal Finance and Corporate Affairs explained that the intention was for members to both note the Q4/1 resource return that was submitted to SFC in February and to approve the Q4/2 return prior to submission to SFC later this week. She explained that the Q4/2 return is still being worked through and we are targeting an underspend in the resource budget. She also explained how the donation to the ALF is calculated and summarised key points for members' consideration. Members agreed there was no need to circulate the return prior to submission to SFC. Members sought clarification on the difference in figures between the College's cash budget for priorities figure and the SFC net depreciation figure. The Vice Principal Finance and Corporate Affairs explained that a schedule of proposed projects adding up to our budget figure will be created and she will be discussing the fixed amount set by SFC with them.

F/17/027 Forecast Outturn 2017/18 (Q2 January 2018)

The Vice Principal Finance and Corporate Affairs explained a reforecast exercise is undertaken at 6 months and although the outturn is only slightly down there are significant movements, primarily in tuition fees, international income and commercial income. She explained the issue which had led to the tuition fees decrease and also that SMT were closely monitoring the position with international and commercial income. Members noted the Flexible Workforce Development Fund income and noted that although this was significant some of the income was offset against the commercial income budget. The Principal gave a summary of the target and the number of employers who have taken up training. He also advised members that earlier in the day he, the Head of Business Development and the Business Development Commercial Manager had participated in a Scottish Government initiated review of this Fund overall, which had been a good opportunity given the issues encountered since its launch and with the administration involved for both employers and the College. Members asked if companies who have signed up are local and the Head of Finance confirmed that most are. She also reported that sixteen of the companies are new to the College and that brings further opportunities.

F/17/028 Indicative Funding Allocation 2018/19

The Vice Principal for Finance and Corporate Affairs advised members that for the first time SFC have stated in their guidance that any institutions whose Outcome Agreement is not satisfactory may receive a revised (lower) funding allocation. She advised members that at a recent meeting SFC had indicated there could be some movement between indicative and final allocations.

The Principal advised members that he and the Vice Principal Information Systems and Communications have a meeting scheduled with our SFC Outcome Agreement Manager the next day to discuss targets and intensification. He also advised that for the first time SFC have dictated delivery by including the childcare places, which were previous classed as additional, now within the main grant and how this means now looking at all other provision and possibly having the wrong mix of Lecturing skills to meet the new provision. Members asked if there was line of sight into teaching departments in terms of Scottish Government policy for recruitment in specific areas and an awareness of any barriers which potential applicants might encounter. Members were assured there is line of sight and that the Vice Principal Information Systems and Communications and the Vice Principal Learning and Quality were currently undertaking curriculum planning reviews with all teaching departments.

The Vice Principal for Finance and Corporate Affairs summarised key points for consideration. She also highlighted the significant cut in our capital maintenance budget and explained the reason for this budget being prioritised to other colleges in need of backlog maintenance. Members acknowledged the difficulty of this and how the lack of advanced funding information for future years makes it very difficult to implement a meaningful strategy.

Members acknowledged the need for a fair and transparent funding model and discussed the difficulties experienced with the current funding model and system.

The Vice Principal for Finance and Corporate Affairs advised that all of these matters would be raised at a meeting being planned with the SFC.

17/029 Falkirk Council LGPS – Triennial Valuation

The Vice Principal for Finance and Corporate Affairs asked members to note the current position of increased employer pension contributions on the College's finances. Members acknowledged the increased contribution level and the concern meeting this whilst being in receipt of a flat cash settlement from SFC.

F/17/030 Review of Risk

No new risks were identified other than those already highlighted within each paper. Members agreed it is positive that we are aware of all current financial risks and have mitigating actions planned.

F/17/031 Any other competent business

None.

The Chair reminded members of the date of the next meeting – 14 June 2018.

The Chair tendered his apologies for the Finance Committee meeting on 14 June and the Board meeting on 22 June 2018 as he will be out of the country.

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1. Purpose

To seek approval from members for the Procurement Strategy, Procurement Policy and Sustainable Procurement Policy

2. Recommendation

That members consider the attached Procurement Strategy and Procurement policies and recommend these for approval to the Board of Management.

3. Background

The College's Procurement Strategy and Policy were approved by the Board of Management in December 2016 and are now due for review. These have been updated where necessary to ensure the College complies with the Public Contracts (Scotland) Regulations 2015, the Procurement Reform (Scotland) Act 2014 and the Procurement (Scotland) Regulations 2016.

4. Procurement Strategy

This is an updated Strategy for 2018-20. Changes for the previous Strategy for 2016-2018 have been tracked and are highlighted in red. The key changes are in relation to the Procurement Action Plan where more detail has been included.

5. Procurement Policy

The Procurement Policy has been re-written and therefore it has not been possible to track changes through the document. The key changes from the previous document is within Section 4 where this has been expanded significantly.

Procurement procedures have been removed from the previous policy as there is a more detailed document on Procurement Procedures. The Section on Ethical Procurement Code of Conduct has been removed and is included as a separate document. No changes to the original code have been made.

6. Sustainable Procurement Policy

This is a new policy, which ensures the College is fully compliant with the sustainable Procurement Duty (Procurement Reform (Scotland) Act 2014).

7. Financial Implications

None.

8. Equalities - N/a given nature of paper is regarding Procurement Strategy & Policies.

9. 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
Very Low	x	

Risk Owner – Alison Stewart

Action Owner – Ester Vasallo

10. Other Implications –

Communications – Yes - Internal communication required once approved by Finance Committee.

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

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Procurement Strategy 2018-20

Foreword

This Strategy has been designed to ensure legislative compliance with the Procurement Reform (Scotland) Act 2014 and other relevant legislation and is aligned with the College's and the Scottish Funding Council's key strategic outcomes as detailed in our Regional Outcome Agreement and Strategic Plan.

The key elements of the new legislation:

- require us to publish a procurement strategy and action plan
- require us to maintain a public contracts register on our external website
- increase the scope of our regulated procurements
- require us to publish an annual procurement report
- require us to meet the sustainable procurement duty

This Strategy sets us challenging but realistic goals for the development of our procurement activities over the next two years which will be subject to regular and transparent review.

The successful implementation of this Strategy can only be achieved by everyone involved in the procurement of goods, services and works on behalf of the College working in partnership with our Procurement Department and collaboratively with our partners across the wider education and public sector.

Working together we can significantly contribute to the future sustainability of the College through the reinvestment of resulting savings and efficiencies from our procurement activities to enhance our students learning experiences and outcomes and meet our Mission Statement '**Making Learning Work**' and the supporting Vision and Value Statements.

Alison Stewart

Vice Principal of Finance and Corporate Affairs

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1. Formation and approval of our Procurement Strategy

The formation of this Strategy has been guided throughout by the College's Procurement Department and Vice Principal of Finance and Corporate Affairs, and is the culmination of consultation and engagement with an appropriate and relevant range of staff across the College as well as external stakeholders.

This Strategy has also been informed by the Scottish Procurement's statutory guidance under the Procurement Reform (Scotland) Act 2014 with the support of APUC, the procurement centre of expertise for all of Scotland's colleges and universities.

The Strategy was approved by the College's Board of Management Finance Committee on the xx_2018 and subsequently published on our website.

The Procurement Department and Vice Principal of Finance and Corporate Affairs in consultation with APUC as appropriate, will as a minimum, review this Strategy annually in compliance with the Procurement Reform (Scotland) Act 2014, thus maintaining the alignment of our procurement activity with our broader priorities and allow the College where necessary to revise the Strategy and its related Action Plan.

The Finance Committee will approve, review and monitor the progress of the procurement strategy, reporting into a college's board of management or equivalent, where required.

In addition, the college will establish an operational group of staff involved in procurement, to ensure wider consultation as required by the legislation.

2. Context

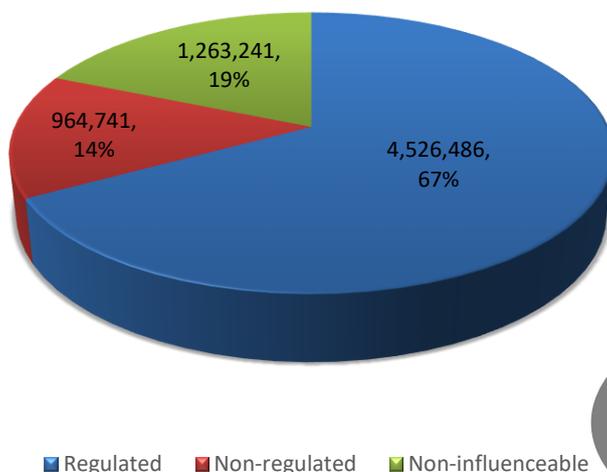
This Procurement Strategy provides the framework within which the procurement activities of the College can develop and help support our strategic objectives and outcomes. It can also be understood as a procurement improvements journey based on a clear understanding of where the College is currently, in terms of our procurement practice and where we want and need to be, and how we should get there.

As above, the College is now legally required to have and maintain a procurement strategy as part of the requirements of the Procurement Reform (Scotland) Act 2014, which provides a national legislative framework for sustainable public procurement that supports Scotland's economic growth through improved procurement practice.

The Act focuses on a small number of general duties on contracting authorities regarding their procurement activities and some specific measures aimed at promoting good, transparent and consistent practice in procurement processes detailed in section 6 below.

The College's annual spend profile is displayed below with a total non-pay spend of £6,754,468 of which £1,263,241 is non-core or non-influenceable spend (2016-17).

FVC Total Spend 16/17



Thus our annual influenceable procurement spend is £5,491,227 made up of £4,526,486 of regulated spend (above threshold) and £964,741 of non-regulated spend (below threshold).

This Strategy recognises that our procurement practice is based on the Scottish Model of Procurement which sees procurement as an integral part of policy development and service delivery and is essentially about achieving the best balance of cost, quality and sustainability.

A key element of this Strategy is about moving the balance of procurement effort away from the buying or tendering phase and towards a greater emphasis on the planning and post contract phases of procurement. Included in this is an increasingly greater engagement with our internal and external stakeholders.

3. Procurement Mission

The Procurement mission for Forth Valley College is:

“To deliver a best in class, co-ordinated and efficient procurement function which is focused on achieving sustainable best value for all College stakeholders”

This aligns to the College’s Business Model which is formed by our Mission Statement **‘Making Learning Work’**, which is supported by the following Vision and Value statements:



The Procurement Department aims to ensure all procurement activities are carried out in the best interests of the College to support the College's Strategic Priorities and Objectives.

To achieve this, Procurement will ensure:

- We understand and respond to internal and external stakeholders' business needs and challenges and constantly changing market conditions;
- We will actively seek to use collaborative arrangements where they represent best value for the College;
- We will seek, establish and maintain supplier relationships to enhance the service we provide whilst obtaining best value for money and value added services;
- We will strive to improve processes to facilitate a streamlined approach for procurement of goods, services and works across the College, that drive innovation and reduce transactional costs through continuous improvement of the procurement process;
- We will take a lead role on strategic procurement initiatives
- We will always remain open and act in a transparent and proportionate manner in all of our procurement activities
- We will embed best practice Sustainable Procurement considerations in our procurement activities; and
- We will conduct all regulated procurements in line with the College's Procurement Policy and Procedures

- We will have due regard to whether Procurement Policy and Procedures will further the aims of the General Equality Duty, through consideration of Public Sector Equality Duty in our procurement activities

4. Procurement Policy

Our Procurement Policy and Procedures set out the operational framework of how we conduct procurement of goods, services and works across the College, and are based on the EU Treaty Principles of equal treatment, non-discriminatory, mutual recognition, transparency, proportionality.

Furthermore, these policies and procedures are largely based upon the Scottish Government's Procurement Journey. This will facilitate our regulated procurements being conducted in accordance with best practice in a legally compliant manner that is consistent with the rest of the Scottish public sector in achieving value for money for our stakeholders.

The policy is therefore intended to:

- Ensure that procedures are in accordance with standards of public accountability;
- Ensure that procedures are in accordance with the Supplier's Charter;
- Ensure that the College is compliant to its obligations under the Public Procurement (Scotland) Act 2015, the Procurement Reform (Scotland) Act 2014 and Procurement (Scotland) Regulations 2016; and
- Promote equality, diversity and sustainability through procurement matters.

5. Strategic Procurement Objectives

Our strategic procurement objectives form the core of our Procurement Strategy.

These procurement objectives are designed to link to each of the following:

- College Strategic Priorities and Objectives (Mission/Vision/Value Statements noted above)
- Scottish Funding Council (SFC) Strategic Aims, as detailed in the College's Regional Outcome Agreement
- The Scottish Model of Procurement

5.1. College Regional Outcome Agreement

The Regional Outcome Agreement for the Forth Valley region contains the following SFC Priority Outcomes:

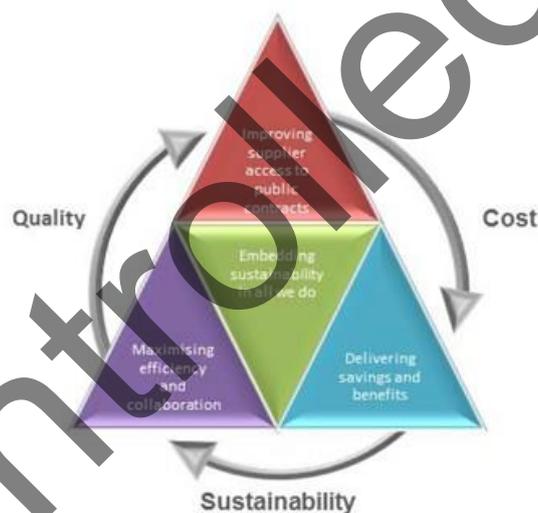
- Efficient and Sustainable
- Right learning in the right place
- High quality learning
- A developed workforce
- Equalities

5.2. The Scottish Model of Procurement

The Scottish Model of Procurement is based upon achieving the best balance between cost, quality and sustainability (i.e. not simply focusing on cost and quality). This model is supported by a Value for Money Triangle, which consists of the following four objectives:

- Delivering savings and benefits
- Maximising efficiency and collaboration
- Improving supplier access to public contracts
- Embedding sustainability in all we do

Scottish Procurement



Scottish Model of Procurement



5.3. Forth Valley College – Strategic Procurement Objectives – 2018-20

The Strategic Procurement Objectives (PO) for the period of this Procurement Strategy (2018-2020) are set out below:

PO1 - To maximise collaborative procurement opportunities in the delivery of value for money and efficiency

PO2 - To further develop a College wide approach to procurement which is co-ordinated, efficient and effective in the achievement of value for money, and which supports the delivery of high quality learning

PO3 - To develop sound and useful procurement management information in order to measure and improve procurement and supplier performance in support of the College Strategic Priorities and Objectives

PO4 - To embed relevant and appropriate procurement strategies to manage or reduce risk to the College

PO5 - To embed sound economic, social and environmental procurement policies, and to comply with relevant Scottish, UK and EU legislation in performance of the Sustainable Procurement Duty

The Procurement Action Plan in Section 8 shows how each of these link to the College Strategic Plan, Regional Outcome Agreement and Scottish Model of Procurement.

Furthermore, the Procurement Action Plan shows how these actions are measured and reported through our involvement in the Scottish Government’s Procurement and Commercial Improvement Programme (PCIP) and through the publication of an Annual Procurement Report (see Section 7).

6. Ensuring compliance with general duties and specific measures of the Procurement Reform (Scotland) Act 2014

As required by the Act the College must comply with a small number of general duties and some specific measures which will be embedded in our Procurement Policy and Procedures or in our Action Plan (Section 8) but for clarity and to ensure full compliance with the Act are stated below:

General Duties/Specific Measures under the Act	What we will do
<p>Contribute to the carrying out of our function and the achievement of our purposes</p>	<p>The College will analyse our non-pay expenditure to identify: EU regulated procurements Goods and Services greater than <u>£181,302</u> Works worth more than <u>£4,551,413</u>; and</p> <p>Procurement Reform Act regulated procurements Goods and Services greater than £50,000 Works worth more than £2 million</p> <p>The College will ensure that all commodity strategies and project specific procurement strategies align to the College’s strategic aims and objectives and in turn the College’s Regional Outcome Agreement. This will be</p>

	<p>achieved through appropriate and effective consultation.</p> <p>The College will consider where appropriate the effective use of contract and supplier management to monitor and further improve the regulated procurement contract outcomes.</p>
<p>Deliver Value for Money</p> <p>“Value for money, as defined by the Scottish Model of Procurement, is not just about cost and quality but about the best balance of cost, quality and sustainability”</p>	<p>The College through its Procurement Policy and Procedures will seek to consistently apply the principle of Value for Money, albeit the balance of cost, quality and sustainability will vary for each procurement depending on the particular commodity, category and market.</p> <p>The College will consider the whole-life cost of what is being procured and when applying the above principle of value for money, ensure that it does so in a clear, transparent and proportionate manner; in line with the Treaty on the Functioning of the European Union of equal treatment, non-discrimination, transparency, proportionality and mutual recognition and in complying with the general duties of the Act as well as the sustainable procurement duty (see below)</p>
<p>Treating relevant economic operators equally and without discrimination</p>	<p>The College will conduct all its regulated procurements in compliance with the principles of the Treaty on the Functioning of the European Union (<i>equal treatment, non-discrimination, transparency, proportionality and mutual recognition</i>) and will consider early engagement with the supply market where relevant prior to the publication of a contract notice.</p> <p>All regulated procurements will be posted on portals such as Public Contracts Scotland (PCS) and Public Contracts Scotland-Tender(PCS-T) and shall strive to ensure the use of separate lots, where appropriate, with straightforward output based specifications and clear evaluation criteria to ensure the procurement is accessible to as many bidders as possible.</p>
<p>Acting in a transparent and proportionate manner</p>	<p>The College will ensure it engages with its local supply market and through the College’s Procurement Policy will mandate the use of clear and precise language in its specifications.</p> <p>The College shall ensure contracts are awarded using appropriate quality, risk and sustainability factors as well as cost according to declared score weightings specific to each contract.</p>

	<p>The College will actively take steps to make it easier for smaller and local businesses to bid for contracts through:</p> <ul style="list-style-type: none"> - the use of Public Contracts Scotland and Quick Quotes, - information contained on the Procurement page of the College website, - the provision of training and/or provide information on third party training opportunities (such as the Supplier Development Programme) - attending local supplier/buyer engagement events (such as Meet the Buyer)
<p>The Sustainable Procurement Duty</p>	<p>The College will give consideration to the environmental, social and economic issues relating to all regulated procurements and how benefits can be accrued, on a contract-by-contract basis by taking proportionate actions to involve SMEs, third sector bodies and supported businesses in our procurement activities and in so doing benefit not only the College but the wider Forth Valley region.</p> <p>The College will endeavour to make use of available tools and systems such as the Scottish Public Procurement Prioritisation Tool, the Sustainability Test, Life Cycle Impact Mapping, the Scottish Flexible Framework as well as APUC's Code of Conduct, Sustain and Electronics Watch where relevant and proportionate to the scope of the procurement.</p>
<p>Policy on the use of community benefits</p>	<p>The College will consider for each of its procurements over £4m how it can improve the economic, social or environmental wellbeing of the Forth Valley region through the inclusion of community benefit clauses aligned with the College's own strategic outcomes as well as a number of the Scottish Government's National Outcomes namely outcomes 2, 3, 4 and 7:</p> <ul style="list-style-type: none"> - We realise our full economic potential with more and better <i>employment opportunities</i> for our people; - We are better educated, more skilled and more successful, renowned for our <i>research and innovation</i>, - Our young people are successful learners, confident individuals, effective contributors and responsible citizens and - We have tackled the significant inequalities in Scottish society

	<p>Examples of the scope of community benefits clauses may include, amongst others as appropriate, the delivery of training opportunities or subcontracting opportunities within the Forth Valley region, relevant and proportionate to the particular procurement.</p> <p>The College will strive to engage with internal stakeholders including students where relevant as well engage with the local and wider supplier community to ensure suppliers understand the use of community benefits and how to respond where they are included.</p> <p>Where possible and proportionate, such clauses may also be included in procurements below £4m</p>
<p>Consulting and engaging with those affected by its procurements</p>	<p>The College will take note of available good practice/principles of engagement including those detailed in the National Standards for Community Engagement as well as ensuring procurement staff have or will be developed to have the relevant communication and engagement skills.</p> <p>The College will consider each procurement, the community affected by the resultant contract and ensure any affected organisations/persons are consulted (e.g. impact on service for students, persons or groups with relevant protected characteristics where reasonable adjustments may be considered as part of a specification, or a local contract that could be combined with other similar institution's needs). Such consultation will always be on a scale and approach relevant to the procurement in question.</p> <p>All of the above will be embedded in the College's procurement practice.</p>
<p>The Living Wage</p>	<p>As an organisation who is a Living Wage employer, the College recognises the value of a well-motivated and dedicated workforce both in its own organisation and in those of its suppliers. In compliance with the Act the College will consider, before undertaking a procurement, whether it is relevant and proportionate to include a question on fair work practices along with other relevant criteria, whilst ensuring the appropriate balance between quality and cost of the contract, paying regard to the statutory guidance including the application the living wage.</p>

<p>Promoting compliance with the Health and Safety at Work Act 1974</p>	<p>The College is committed to contracting only with suppliers that comply with all appropriate and relevant legislation, including Health and Safety legislation.</p> <p>Where appropriate, and on a contract by contract basis, the institution will assess the legislation applicable to a procurement and take steps to ensure bidders comply with such legislation. Where proportionate, the College also seek to assess the compliance of subcontractors.</p>
<p>The procurement of fairly and ethically traded goods and services</p>	<p>As an organisation which holds Fairtrade status, the College actively supports the sourcing of goods that are fairly and ethically traded.</p> <p>Where directly relevant it shall make use of appropriate standards and labels in its procurements to take account of fair and ethical trading considerations as well as considering equivalent offerings from suppliers that can demonstrate they can meet the specified criteria without necessarily having the specific certification</p>
<p>The provision of food and improving the health, wellbeing and education of communities in the College's area, and the promotion of the highest standards of animal welfare</p>	<p>The College will find practical ways to supply healthy, fresh, seasonal, and sustainably grown food which represents value for money whilst improving the health, wellbeing and education of our teaching and learning communities, coupled with promoting the highest standards of animal welfare.</p> <p>The College will work to put in place affordable contracts, which meet the nutritional requirements for all users of our catering services and will use available good practice and guidance such as that made available by The University Catering Organisation (TUCO) and any other relevant bodies.</p> <p>The College utilises APUC and TUCO Framework Agreements for the vast majority of our food and catering requirements, and the products and services under these Frameworks must comply with all relevant legislation and standards.</p>
<p>Payment terms</p>	<p>The College recognises the importance of paying suppliers promptly once a service has been performed or goods delivered and that late payment is particularly detrimental to SMEs, third sector bodies and supported businesses.</p> <p>The College will comply with the Late Payment legislation and will review on a contract by contract</p>

	basis whether such obligations should be enforced and monitored further down its supply chain
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7. Annual Procurement Report

7.1. Statutory Requirement

In accordance with requirement of the Procurement Reform (Scotland) Act 2014 the College will publish an Annual Procurement Report as soon as practicable after College's financial year end and will describe as required by the Act how it has discharged its obligations under the Act and how it has exercised discretion and judgement as permitted by the public procurement rules to secure strategic objectives in compliance with the Act.

This report will also provide a commentary on the progress of this Strategy and its Action Plan.

7.2. Contents of our Annual Procurement Report

The Annual Procurement Report in compliance with the Act will contain as a minimum:

- A summary of the regulated procurements that have been completed during the year covered by the Report
- A review of whether these procurements complied with this Strategy
- The extent that any regulated procurements did not comply, a statement of how the College 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 year of the Report including for example; apprenticeships completed, curriculum support activities, business support activities, support to communities and resource efficiencies achieved in terms of materials, waste or water.
- 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 College expects to commence in the next two financial years
- Such other information as the Scottish Ministers may by order specify and where applicable that demonstrate compliance with other legislation that places specific requirements on the College with respect to its procurement activities and the College will also consider including:
 - What it has learned from its consultation and engagement with stakeholders and those affected by its procurements, and what it is doing to respond to these views, including how procurement has furthered the College's work with regard to the General Equality Duty
 - What it is doing to improve its performance and impact, drawing on relevant information – for example spend analysis – and what improvements have been achieved since its last report; and
 - How it is working with other bodies – for example procurement centres of expertise – to maximise effectiveness and efficiency.

The College will seek to publish its annual procurement report in an inclusive way that takes into account equality and accessibility issues and allows stakeholders to form a clear view of the College's performance.

8. Procurement Action Plan

8.1. Introduction

The Action Plan consists of a number of specific actions and commitments in relation to each of the strategic objectives and their desired outcomes these are also cross referenced to the relevant section of the Procurement and Commercial Improvement Programme (PCIP).

Progress against this Action Plan (see below) will be regularly monitored by the College's Procurement Advisory Group.

As part of the formal annual review of this Strategy, as indicated in section 1 above, this Action Plan will be reviewed and updated as required, to maintain alignment of the College's procurement activity with its broader priorities.

Forth Valley College – Procurement Action Plan

SFC Priority Outcome						
<ul style="list-style-type: none"> Efficient and Sustainable Leading as a business that is champion for governance, financial control and balanced risk taking Delivering a whole system approach. Simply effective, efficient and consistent 						
Scottish Model of Procurement Objective						
<ul style="list-style-type: none"> Maximising efficiency and collaboration Delivering Savings and Benefits 						
Procurement Objective	Target/Outcome	Main Actions	Benchmark Data/Sources	KPI/Measure	Target Date for Review	PCIP Ref
<p>To maximise collaborative procurement opportunities in the delivery of value for money and efficiency</p>	<p>To maximise the use of collaborative Framework Agreements and Contracts (CAT A, B and C1)</p>	<ul style="list-style-type: none"> Review expenditure analysis on an annual basis to identify non-pay expenditure not covered by regulated contract Develop forward contracting plan and identify opportunities to utilise collaborative opportunities Identify any sectoral or regional opportunities to collaborate Further embed collaborative procurement into policies and procedures (aligned to Procurement Journey) Work with relevant College staff to maximise use of Framework Agreements where possible 	<ul style="list-style-type: none"> Scottish Procurement Information Hub/FVC expenditure analysis APUC Annual Benefits Statement FVC expenditure analysis CoEs and other Publicly funded Bodies Contracts Registers FVC procurement policy and procedures Framework Agreement information on FVC SharePoint site Periodic departmental review meetings Quarterly expenditure reports 	<p>Increase uptake of available Collaborative Framework Agreements and Contracts annually (% of collaborative contracts used)</p>	<p>July November 2018 then annually thereafter</p>	<ul style="list-style-type: none"> Dashboard Assessment Q2.1 Assessment Q3.3

<ul style="list-style-type: none"> Efficient and Sustainable High Quality Learning Right Learning in the right place Leading as a business that is champion for governance, financial control and balanced risk taking Delivering a whole system approach. Simply effective, efficient and consistent Maximising efficiency and collaboration Delivering Savings and Benefits 										
SFC Priority Outcome	FVC Strategic Plan Value Statement	Scottish Model of Procurement Objective	Procurement Objective 2	Target/Outcome	Main Actions	Benchmark Data/Sources	KPI/Measure	Target Date for Review	PCIP Ref	RAG
To further develop a College wide approach to procurement which is co-ordinated, efficient and effective in the achievement of value for money, and which supports the delivery of high quality learning				<p>To increase the number of regulated contracts for College wide use for commonly purchased goods, services and works</p>	<ul style="list-style-type: none"> Review expenditure analysis to identify categories of goods, services and works which are not currently covered by a College wide contract Engage with relevant departments/staff to understand common requirements and develop appropriate procurement strategy (including route to market) Implement College wide contracts, including appropriate contract management approach 	<ul style="list-style-type: none"> Scottish Procurement Information Hub/FVC expenditure analysis Stakeholder Focus Groups/Surveys CoEs and other Publicly funded Bodies Contracts Registers FVC Contracts Register (website) FVC SharePoint page (intranet) 	<p>Increase the proportion of annual non-pay expenditure covered by a regulated contract (CAT A, B, C or C1)</p>	<p><u>November 2018 then annually thereafter</u></p>	<ul style="list-style-type: none"> Dashboard Assessment Q3.3 	
							<p>Increase the number of regulated contracts in FVC Contracts Register</p>	<p><u>November 2018 then annually thereafter</u></p>		

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	<ul style="list-style-type: none"> • Ensure procurement policy and procedures maximise efficiency relevant to value/risk of purchase • Maximise use of available electronic processes and tools • Reduce the cost of processing orders and invoices throughout the purchasing cycle 	<ul style="list-style-type: none"> • Relevant staff/stakeholder survey/feedback • FVC procurement policy and procedures • P2P purchasing system • Procurement Cards • PCS/PCS-T • P2P purchasing system/Finance system • Finance Reports 	<p>Reduce total number of Purchase Orders and Invoices processed per annum</p>	<p><u>November 2018 then annually thereafter</u></p>	<ul style="list-style-type: none"> • Dashboard • Assessment Q2.3 • Assessment Q4.1 	
<p>To improve the awareness of procurement policies and procedures amongst relevant College staff and suppliers through various sources of information</p>	<ul style="list-style-type: none"> • Introduce a short Procurement induction course on Moodle for relevant new staff • Introduce periodical review meetings/training opportunities with departments to provide relevant updates • Improve the awareness of procurement information available for College staff • Improve the awareness of procurement information available for suppliers 	<ul style="list-style-type: none"> • HR induction plan • Moodle Report • Records of meetings/training sessions held and relevant information discussed • Periodical department meetings • Procurement SharePoint page • Relevant staff/stakeholder survey/feedback • E-Focus bulletins • FVC website • Supplier survey/feedback as appropriate • Supplier engagement events 	<p>Total number of FVC staff that have completed the <u>Induction Moodle-course</u></p> <p>Outputs of staff and supplier surveys/feedback</p> <p>Number of training sessions delivered to FVC staff on Procurement topics</p> <p><u>Increase the satisfaction percentage in the Procurement Satisfaction Survey</u></p> <p><u>Increase the satisfaction percentage in the Procurement Satisfaction Survey</u></p>	<p><u>July 2019 then annually thereafter</u></p> <p><u>November 2018 then annually thereafter</u></p> <p><u>July 2019 then annually thereafter</u></p> <p><u>November 2018 then annually thereafter</u></p>	<ul style="list-style-type: none"> • Assessment Q1.4 • Assessment Q1.5 	

	<p>To ensure that our procurement policies and procedures continue to deliver the requirements of the College in an efficient and effective manner</p>	<ul style="list-style-type: none"> • Introduce new approaches to gathering feedback from College staff about the service provided by Procurement and suggestions for improvement • Continue to review and improve our policies and procedures based on feedback received 	<ul style="list-style-type: none"> • Stakeholder Focus Groups/Surveys • Procurement SharePoint Page 	<p><u>Outputs of staff and supplier surveys/feedback</u></p>	<p><u>November 2018 then annually thereafter</u></p>	<ul style="list-style-type: none"> • Assessment Q1.5 • Assessment Q1.6 • Assessment Q2.3 • Assessment Q3.1 • Assessment Q3.2 	
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SFC Priority Outcome						
	<ul style="list-style-type: none"> Efficient and Sustainable 					
FVC Strategic Plan Value Statement						
	<ul style="list-style-type: none"> Leading as a business that is champion for governance, financial control and balanced risk taking Delivering a whole system approach. Simply effective, efficient and consistent 					
Scottish Model of Procurement Objective						
	<ul style="list-style-type: none"> Maximising efficiency and collaboration Delivering Savings and Benefits 					
Procurement Objective	Target/Outcome	Main Actions	Benchmark Data/Sources	KPI/Measure	Target Date for Review	PCIP Ref
RAG						
To develop sound and useful procurement management information in order to measure and improve procurement and supplier performance in support of College Strategic Priorities and Objectives	To continue to record savings and efficiencies achieved through procurement activity	<ul style="list-style-type: none"> Record local savings and efficiencies using agreed sector methodology Review APUC Annual Benefits Statement for savings and efficiencies achieved through Frameworks 	<ul style="list-style-type: none"> FVC procurement savings report/Hunter database APUC Annual Benefits Statement 	Annual Report to Senior Management Team showing overall totals of: <ul style="list-style-type: none"> Cash Savings Non-Cash Savings Added Value 	<u>November 2018</u> then annually thereafter Annual as soon as possible after FY end	Dashboard Assessment Q2.3 Assessment Q2.4
	To report the benefits delivered by the Procurement function in support of College objectives	<ul style="list-style-type: none"> Preparation of periodic reports that address the aims and objectives of the College, and the requirements of Procurement Reform (Scotland) Act 2014 Prepare Annual Report on performance against Procurement Strategy 	<ul style="list-style-type: none"> FVC procurement savings report/Hunter database FVC Contracts Register Stakeholder Focus Groups/Surveys PCIP report Forward Contracting Plan 	Annual Report showing the achievement of strategic objectives in line with the requirements of the Procurement Reform (Scotland) Act	<u>November 2018</u> then annually thereafter Annual as soon as possible after FY end	Assessment Q1.2 Assessment Q2.4

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	<p>To seek to continually improve supplier performance through the management of performance on contracts</p>	<ul style="list-style-type: none"> • Seek feedback from College staff/departments on key suppliers/contracts • Hold periodic supplier reviews with key suppliers and discuss feedback and/or provide feedback to relevant CoE's for Framework Agreements • Seek supplier feedback on performance and opportunities to deliver further improvements 	<ul style="list-style-type: none"> • Stakeholder Focus Groups/Surveys • Contract KPI's/SLA's • Supplier feedback/performance improvement reports 	<p>Level of staff satisfaction/positive feedback on supplier performance from Focus Groups and Surveys</p>	<p><u>July 2019 then annually thereafter</u> Annual Customer Satisfaction Survey Annual Supplier Satisfaction Survey</p>	<p>Assessment Q3.1 Assessment Q3.2 Assessment Q3.3</p>	
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SFC Priority Outcome	Efficient and Sustainable					RAG
FVC Strategic Plan Value Statement	Leading as a business that is champion for governance, financial control and balanced risk taking					
Scottish Model of Procurement Objective	<ul style="list-style-type: none"> Delivering Savings and Benefits Maximising efficiency and collaboration Embedding Sustainability in all we do 					
Procurement Objective 4	Target/Outcome	Main Actions	Benchmark Data/Sources	KPI/Measure	Target Date for Review	PCIP Ref
To embed relevant and appropriate procurement strategies to manage or reduce risk to the College.	<p>To understand risks relating to key suppliers/contracts and implement relevant management approach</p>	<ul style="list-style-type: none"> Embed risk as a key consideration when developing contract/commodity strategy Through detailed spend analysis, identify supplier/contract risk levels and determine appropriate tactical and strategic approaches to supply markets and contract management <u>Review the Establish-a</u> procurement risk register <u>regularly</u> to collate and manage all identified procurement risks Communicate appropriate risks to Senior Management Team for inclusion in College Risk Register 	<ul style="list-style-type: none"> FVC Commodity Procurement Strategy in conjunction with relevant FVC staff FVC Expenditure Analysis 	<p>Implement Review procurement risk register <u>regularly and identify key procurement risks</u></p>	<p>Quarter 1-2017 then <u>engaging Quarterly</u></p>	<p>Dashboard Assessment Q1.5 Assessment Q1.6 Assessment Q3.1</p>

	<p>To reduce the College's exposure to any forms of risk relating to procurement activity</p>	<ul style="list-style-type: none"> • Embed risk management processes into Policy and Procedures, including: <ul style="list-style-type: none"> - Schemes of Delegation - Conflict of Interest - Gifts and Hospitality - Counter Fraud • <u>Continue to</u> Communicate Policy and Procedures to all FVC staff involved in procurement activity 	<ul style="list-style-type: none"> • FVC procurement policy and procedures • Procurement SharePoint page (intranet) • Periodical departmental meetings • Moodle induction 	<p>Total number of FVC staff that have completed the Induction course Total number of FVC staff to complete Moodle course</p>	<p><u>July 2019 then annually thereafter</u> <u>Ongoing</u></p>		
				<p>Number of training sessions delivered to FVC staff on Procurement topics</p>	<p><u>July 2019 then annually thereafter</u></p>		

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SFC Priority Outcome	<ul style="list-style-type: none"> Efficient and Sustainable High Quality Learning A developed workforce Equalities 					
FVC Strategic Plan Value Statement	<ul style="list-style-type: none"> Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly Instilling an energy and passion for our people, celebrating success and innovation Enhancing our position as the business and community partner of choice 					
Scottish Model of Procurement Objective	<ul style="list-style-type: none"> Embedding Sustainability in all we do Improving supplier access to public contracts 					
Procurement Objective 5						
Target/Outcome	Main Actions	Benchmark Data/ Sources	KPI/Measure	Target Date for Review	PCIP Ref	RAG
<p>To embed sound economic, social and environmental procurement policies and to comply with relevant Scottish, UK and EU legislation in performance of the Sustainable Procurement Duty.</p> <p>To maximise the economic, social and environmental outcomes from our procurement activity</p>	<ul style="list-style-type: none"> Embed sustainability considerations into relevant commodity procurement strategies through the use of the Sustainability Test (including Sustainable Procurement Duty considerations) Identify and maximise Community Benefit opportunities from contracts where appropriate Place at least one contract with a Supported Business Seek to maximise opportunities for SMEs and local businesses, particularly for below regulated procurement opportunities 	<ul style="list-style-type: none"> Scottish Government Public Procurement Prioritisation Tool FVC Commodity Procurement Strategy in conjunction with relevant FVC staff FVC Contracts Register (website) FVC procurement policy and procedures PCS/PCS-T 	<ul style="list-style-type: none"> Measure of sustainability benefits/outcomes secured in contracts awarded, including Sustainable Procurement Duty considerations 	<p><u>November 2018</u> then <u>annually thereafter</u> Annual – as soon after FY end as possible</p> <p><u>November 2018</u> then <u>annually thereafter</u> Annually</p>	<p>Dashboard Assessment Q1.2 Assessment Q2.2 Assessment Q2.4</p> <p>Dashboard Assessment Q2.4</p>	

	<p>To support the achievement of the College's overall Sustainability targets and objectives</p>	<ul style="list-style-type: none"> Actively participate in the College Sustainability Committee Report on economic, social and environmental outcomes from our procurement activity Maintain Level 2 of Flexible Framework as a minimum Communicate Sustainable Procurement objectives to College stakeholders Improve information available to suppliers on how to do business with the College, and sustainability objectives Attend supplier engagement events in the Forth Valley area, such as Meet the Buyer 	<ul style="list-style-type: none"> Sustainability Committee actions/Sustainable Procurement KPI's Summary of outcomes contained in Award Recommendation Report Annual Report Flexible Framework Assessment/Action Plan Procurement SharePoint page FVC website Supplier survey/feedback as appropriate APUC Sustain tool Supplier engagement events 	<ul style="list-style-type: none"> Annual Report showing the achievement of strategic objectives in line with the Procurement Reform (Scotland) Act Maintain Level 2 of Flexible Framework Increase the satisfaction percentage in the Procurement Satisfaction Survey Increase the number of suppliers in the APUC Sustain tool 	<p>November 2018 then annually thereafter Annual as soon as possible after FY end</p> <p>July 2019 then annually thereafter Ongoing</p>	<p>Assessment Q1.2</p>	
<p>Increase supplier engagement in relation to FVC's sustainable procurement objectives</p>					<p>November 2018 then annually thereafter Periodic</p> <p>July 2019 then annually thereafter Ongoing</p>	<p>Assessment Q2.4</p>	

Procurement Policy

Status	DRAFT
Date of Version	May_2018
Responsibility for Contents	Procurement Manager
Responsibility for Review	Vice Principal Finance and Corporate Affairs
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Primary Contact	Procurement Manager

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1. Purpose

1.1. The purpose of this Procurement Policy is to:

- set out the operational steps required for the College to meet its key strategic objectives in the Procurement Strategy
- maintain the highest ethical standards linked to procurement matters and the expenditure of public funds
- ensure a uniform approach to quotation/tendering and contract management procedures for use by the College employees with any element of purchasing responsibility in their job role
- ensure that all potential suppliers are treated in a fair, open and transparent manner
- ensure best value is achieved at all times
- promote and implement best practice sustainable procurement principles
- promote equality and diversity in relation to relevant procurement matters
- comply with all legislative obligations in relation to procurement, including the requirements of the EU Procurement Directives (as set out in the Public Contracts (Scotland) Regulations 2015), the Procurement Reform (Scotland) Act 2014, and the Procurement (Scotland) Regulations 2016.

2. Scope

2.1. This Procurement Policy applies to all purchases of goods, services or works made by/on behalf of the College. The Policy must be adhered to by all College employees with any aspect of purchasing responsibility in their job role, including Directors of Curriculum, Director of Business Development, Heads of Service, budget holders, requisitioners and administrators.

2.2. The Policy should be read in conjunction with the following related College Policies/Procedures/Regulations:

- College Procurement Strategy 2016-18
- College Procurement Procedures
- Scheme of delegation as approved by the Finance Committee/Board of Management
- College Financial Regulations
- Gifts and Hospitality Policy
- Anti-Fraud and Anti-Corruption Policy

2.3. There should be clear separation of budgetary authority and procurement authority. Budget holders should have authority to initiate purchasing/procurement activity by specifying their requirements and providing budgetary authority for the expenditure. The authority to purchase (Delegated Purchasing Authority (DPA)) and ultimately place the purchase order should be conducted separately.

2.4. Any proposal to award a contract over £25,000 without competition must be approved in advance by the Scottish Funding Council, in accordance with the requirements of the Scottish Public Finance Manual (SPFM). A Single Source Justification Form must be completed and approved prior to the award of such contracts.

2.5. Any external consultancy contracts with a value of £100,000 aggregated over 4 years must be approved in advance by the Scottish Funding Council, in accordance with the requirements of the Scottish Public Finance Manual (SPFM).

3. Responsibilities

3.1. This Policy has been approved by the College Finance Committee/Board of Management.

3.2. The Vice Principal for Finance and Corporate Affairs is accountable for the implementation of this Policy and for continuous review of the Procurement Policy and submitting any changes to the College Finance Committee/Board of Management for approval.

3.3. The Procurement Department is responsible for the effective operation of this Policy and will ensure that appropriate Procedures are in place and embedded.

3.4. The Procurement Department is responsible for managing the College's procurement activity and compliance with all legislative/regulatory/best practice matters.

3.5. The Directors of Curriculum, Director of Business Development and Heads of Service are responsible for ensuring that all purchasing activity within their Department is carried out in line with this Policy, associated legislation and regulations.

3.6. All College employees with any aspect of purchasing/procurement responsibility in their job role are responsible for adhering to the Policy and complying with associated Procedures.

3.7. Any breach of this Procurement Policy shall be investigated. Failure by any employee to comply with this Policy may give rise to disciplinary procedures.

4. Key Principles

4.1. Value for Money

4.1.1. A fundamental principle of the Procurement Policy is to ensure the achievement of Value for Money in a legally compliant manner.

4.1.2. Value for Money is the balance between quality and cost, and will vary for every purchase depending on the requirements of the College. The two main aspects that impact on the achievement of Value for Money:

- Product/Service specification – appropriate quality and quantity
- Source of supply – right time, right place, right price

4.1.3. Where you are involved in the purchase of goods, services or works, it is important to consider the following criteria as part of the specification:

- Purpose/performance of goods/services
- Necessary characteristics (size, finish etc.)
- Life span
- Installation/Maintenance requirements
- Sustainability considerations (recycled, environmentally friendly characteristics, packaging, safe disposal)

4.2. Collaborative Procurement

4.2.1. The College will seek to maximise opportunities to collaborate in the procurement of goods, services or works where it can be demonstrated that such collaboration delivers the best overall Value for Money solution to meet the College's needs.

4.2.2. Collaboration may include the use of Framework Agreements which have been procured by collaborative procurement organisations such as APUC, Scottish Procurement, Scotland Excel and other similar Procurement 'Centres of Expertise'. Where a Framework Agreement exists and can meet the needs of the College in respect of the product/service required, that Framework Agreement should be used, unless otherwise agreed by the Procurement Department.

4.2.3. A link to all Framework Agreements currently available to the College can be found in Section 6.

4.2.4. The benefits of utilising a collaborative Framework Agreement include:

- **Economies of scale** – more competitive pricing as a result of the greater purchasing power achieved through collaboration
- **Compliance with procurement legislation** – compliance has already been met when the Framework Agreement was procured by the Centre of Expertise (i.e. APUC), therefore reducing the burden on the College.
- **Supplier vetting** – suppliers on these Framework Agreements have demonstrated compliance in a number of ways including: financial health, insurances, corporate and social responsibility, Health and Safety, Quality Management, Equalities, sustainability
- **Supplier performance** – such Framework Agreements include well defined terms and conditions, as well as Contract and Supplier Management processes to support the College in the event of poor supplier performance
- **Efficiency** – procuring legally compliant contracts can be time consuming and resource intensive both for the Procurement Department and the requisitioning department, which is a hidden cost often not considered. Utilising Framework Agreements can reduce time and associated cost for everyone involved.

4.2.5. Collaboration may also include maximising opportunities to work across College departments to deliver contracts for commonly purchased goods and services, such as stationery, materials, equipment or consumables where there are currently no contracts in place.

4.2.6. The benefits of College wide collaboration include:

- **Commonality and Standardisation of products and services** – this provides a College wide standard for the products and services being purchased, as well as the re-assurance that all departments are paying the same prices for the same goods and services.
- **Efficiency** – by everyone working together in the same way, and using the same suppliers and buying the same products/services it reduces duplication of time and effort, thereby creating efficiency benefits
- **Supplier performance monitoring** – if we are all using the same supplier then it is easier to monitor supplier performance, identify common issues and feedback to suppliers.
- **Cross functional learning** – by working together it helps to identify different ways of working and requirements within different departments which can all be used to identify College wide improvements to processes and ways of working

4.3. Legislative Compliance

4.3.1. The College will ensure that it complies with the following procurement legislation:

- EU Procurement Directives (as set out in the Public Contracts (Scotland) Regulations 2015),
- Procurement Reform (Scotland) Act 2014,
- Procurement (Scotland) Regulations 2016

4.3.2. In addition, the Procurement Department will ensure compliance with all relevant legislation on a contract by contract basis, including but not limited to:

- Equalities Act 2010
- Bribery Act 2010
- Freedom of Information (Scotland) Act 2002
- Health and Safety at Work Act 1974
- General Data Protection Regulation (GDPR)

4.4. Sustainable Procurement

4.4.1. The College recognises that procurement can play an important role in improving our economic, social and environmental performance as an organisation through our collective approach to the procurement of goods, services and works. This is recognised within the College's Sustainability Statement and by procurement representation on the College Sustainability Committee.

4.4.2. Additionally, the Procurement Reform (Scotland) Act 2014 introduces a number of duties upon the College including the Sustainable Procurement Duty.

4.4.3. In recognition of the importance placed on sustainable procurement by the College and the Scottish Government, the College has developed a [Sustainable Procurement Policy](#).

4.4.4. This recognises some of the key measures and tools the Procurement Department use in order to improve the sustainability outcomes from our procurement activity, including:

- Compliance with the Sustainable Procurement Duty
- Utilise the Sustainable Procurement Prioritisation Tool to assess sustainability risks and opportunities for appropriate categories of goods and services
- Complete the Sustainability Test for relevant procurements to assess any possible social, economic or environmental impacts from a procurement exercise in order to maximise opportunities for improvement in the wellbeing of the local community
- Utilise the Scottish Government's Flexible Framework to assess the College's performance against best practice indicators

4.5. Efficiency and Effectiveness

4.5.1. Procurement Procedures: The College has developed [Procurement Procedures](#) to align to this Policy, as dictated by the College's Financial Regulations. These procedures follow the Scottish Government's Procurement Journey with the intention of embedding best practice and legal compliance within the College's procurement function.

4.5.2. The aim of the Procedures is to set out clear guidance to College employees as to their relative roles and responsibilities depending on their job role and levels of responsibility within the purchasing/procurement process.

- 4.5.3. The Procedures are intended to be proportionate to the value/risk of procuring the goods, services or works and to minimise unnecessary steps or administrative requirements throughout the process.
- 4.5.4. The College's e-Procurement system (P2P) must be used for placing purchase orders with suppliers who have been approved by the Procurement Department, unless another method has been authorised by the Finance Department.
- 4.5.5. The Procurement Department will continue to identify appropriate e-Procurement systems and processes which aim to increase efficiency for the College.
- 4.5.6. Terms and Conditions: The College's Terms and Conditions for the supply of goods and services will be issued for all tender processes.
- 4.5.7. All purchases/contracts entered into by the College which are not made through an authorised Framework Agreement must only be entered into under the College's Terms and Conditions, unless otherwise agreed by the Procurement Department. A copy of these Terms and Conditions can be found below.
- 4.5.8. All purchases/contracts entered into using an authorised Framework Agreement must only be entered into under the Framework Agreement terms and conditions as set out by the relevant purchasing consortia, which the suppliers have agreed to. Please speak to the Procurement Manager for further information.

4.6. Appropriate Skills, Expertise, Integrity

- 4.6.1. The College will ensure that all employees involved in the procurement process are given the appropriate level of advice and support, whether through access to these Procurement Policy and Procedures, additional advice, or through further training provided by the Procurement Department.
- 4.6.2. In order to maintain the highest ethical standards across the College, all employees involved in the procurement process shall be required to comply with the following College's policies:
- Anti-Fraud and Anti-Corruption Policies
 - Gifts and Hospitality Policy
 - [Ethical Procurement Code of Conduct](#)
- 4.6.3. Conflict of Interest: Where a potential conflict of interest arises between a College employee and a potential supplier of goods, services or works which may have an influence on the award of business to that supplier, the employee must declare such conflict of interest at the earliest possible opportunity (and before the award of any business to the supplier) by completing a [Declaration of Interest form](#), and returning it to the Procurement Department, who shall advise of the next steps to be taken.
- 4.6.4. If an employee is in doubt as to a potential Conflict of Interest, they should speak to the Procurement Department in the first instance.

4.7. Fair and Equal Treatment

- 4.7.1. Treating all suppliers fairly: A core principle of public procurement regulation, under the Treaty on the Functioning of the European Union (TFEU), is to ensure that all suppliers are treated in an open, fair, equal and transparent manner. This principle is carried through into this Policy and associated Procurement Procedures to ensure that all suppliers have a fair and equal opportunity to secure contracts with Forth Valley College.

4.7.2. Supplier Compliance with Equalities Act 2010: The College has a statutory duty, as defined by the Equalities Act 2010, to advance equality of opportunity in all of its functions, including procurement. The College remains responsible for meeting its obligations under the various statutes even when an external contractor provides one or more of the College's functions. Members of staff involved in procurement will take account of the following objectives when placing business with any supplier/contractor:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Equality Act 2010
- Advance equality of opportunity between people who share a relevant protected characteristic and those who do not
- Ensure that the goods, works and services provided are done so in a way that provide for the needs of all users

4.8. Ongoing Review of Performance

4.8.1. Review of supplier performance: The College have introduced a formal Contract and Supplier Management (C&SM) approach to ensure that contracted suppliers continue to deliver the College's requirements as agreed during the tender process. This includes quality of goods/services provided, pricing, customer service levels, performance against KPI's, and adherence to Terms and Conditions as a minimum.

4.8.2. The C&SM approach is determined on a contract-by-contract basis during the pre-tender contract strategy development, in consultation with relevant stakeholders, and considers the overall risk and value of the contract.

4.8.3. There are 3 levels of Contract Management within the C&SM approach:

- Strategic
- Managed
- Routine

4.8.4. The approach to Contract and Supplier Management is intended to be proportionate for both the College and the supplier.

4.8.5. The Procurement Department will work in conjunction with relevant stakeholders to implement and manage the C&SM process on a contract-by-contract basis.

4.8.6. An important aspect of C&SM is feedback from College employees, which can be captured in various ways including SharePoint surveys, email or verbal feedback.

4.8.7. Details of the Contract & Supplier Management process can be found in the links below.

4.8.8. Review of Procurement Department Performance: The College participates in the Procurement and Commercial Improvement Programme (PCIP), which replaced the Procurement Capability Assessment (PCA), and is an assessment across all public sector organisations' procurement practices. The PCIP assessment takes place every 2 years, commencing 2016, and focuses on the policies and procedures driving procurement performance and more importantly, the results they deliver. Following the formal PCIP assessment, the College receives feedback and an action plan with recommendations to continually improve performance, based upon best practice.

4.8.9. Furthermore as part of the Procurement Reform (Scotland) Act 2014, the College must also publish an annual procurement report disclosing how its procurement activity has complied with its published procurement strategy.

4.8.10. In addition, the Procurement Department continually review its processes to ensure continual improvement through lessons learned reviews and stakeholder and supplier feedback. This PCIP focuses on the policies and procedures driving procurement performance and more importantly, the results they deliver.

5. Review of Procurement Policy

5.1. This Policy will be reviewed on an annual basis, as a minimum, by the Vice Principal Finance and Corporate Affairs in conjunction with the Procurement Manager.

5.2. Any amendments required to the Policy will be presented to the Finance Committee/Board of Management for approval.

6. Relevant Links

[Procurement Strategy](#)

[Sustainability Statement](#)

[Sustainable Procurement Policy](#)

[Procurement Procedures](#)

[Procurement Journey](#)

[Terms and Conditions](#)

[Ethical Procurement Code of Conduct](#)

[Declaration of Interest Form](#)

[Contract and Supplier Management](#)

[List of currently available Framework Agreements](#)

Sustainable Procurement Policy

Status

DRAFT

Date of Version

March 2018

Responsibility for Contents

Procurement Manager

Responsibility for Review

Vice Principal Finance and Corporate Affairs

Review Date

March 2019

Primary Contact

Procurement Manager

1. Introduction

1.1. What is Sustainable Procurement?

“Sustainable procurement is a process whereby organisations meet their needs for goods, services, works and utilities in a way that achieves value for money on a whole life basis in terms of generating benefits not only to the organisation, but also to society and the economy, whilst minimising damage to the environment” (UK Sustainable Procurement Task Force, 2006).

This policy intends that we will exceed the above definition of Sustainable Procurement and carry out the procurement of goods and services in such a manner as to minimise any negative environmental, ethical, economic or social impact, and promote positive impacts and change, throughout the whole life cycle and supply chain of the goods or services, in order to fulfil current needs without lessening the ability of future generations to do the same.

2. Sustainable Procurement Policy Objectives

a) **Full compliance with the Sustainable Procurement Duty (Procurement Reform (Scotland) Act 2014)**

The College will give consideration to the environmental, social and economic issues relating to all regulated procurements and how benefits can be accrued, on a contract-by-contract basis by taking proportionate actions to involve SMEs, third sector bodies and supported businesses in our procurement activities and in so doing benefit not only the College but the wider Forth Valley region.

b) **Minimising adverse environmental, social and economic impacts associated with the goods, services and works the College procures and promoting positive impacts wherever practical**

Forth Valley College will aim to specify goods, works and services that have the minimal adverse environmental, social and economic impacts provided they can perform the task(s) required without entailing excessive additional costs.

We will use the Scottish Public Procurement Prioritisation Tool to assess sustainability risks and opportunities of procurement categories with the support of the relevant departments.

When developing a Project Strategy, we will use the Sustainability Test to assess the possible social, economic and environmental impacts of the procurement activity and identify any

opportunities to improve the economic, social and environmental wellbeing of the area in which Forth Valley College operates.

We will report on economic, social and environmental outcomes from our procurement activity on an annual basis within our Annual Procurement Report.

c) Identify and maximise Community Benefit opportunities from contracts where appropriate

The College will consider for each of its procurements over £4m how it can improve the economic, social or environmental wellbeing of the Forth Valley region through the inclusion of community benefit clauses.

Where possible and proportionate, such clauses may also be included in procurements below £4m.

d) Encouraging suppliers to adopt the APUC Supply Chain Code of Conduct and to participate in the Sustain programme

Forth Valley College is committed to carrying out procurement activities in an environmentally, socially, ethically and economically responsible manner and to entering into agreements and contracts with suppliers that share and adhere to its vision. To demonstrate this commitment, suppliers are asked to acknowledge their compliance with the principles of the APUC Supply Chain Code of Conduct with respect to their organisation and their supply chain and to participate in the Sustain programme.

e) Supporting the Scottish Government's Sustainable Procurement Action Plan and working towards achieving a step change on the Scottish Sustainable Procurement Flexible Framework

We will periodically assess our level of performance against the Flexible Framework and implement relevant actions to achieve progression.

2.1. Social Sustainability

f) Encouraging fair pay and fair working conditions in our supply chain and ethically traded goods and services

As an organisation who is a Living Wage employer, the College recognises the value of a well-motivated and dedicated workforce both in its own organisation and in those of its suppliers. The College will consider, before undertaking a procurement, whether it is relevant and

proportionate to include a question on fair work practices along with other relevant criteria, whilst ensuring the appropriate balance between quality and cost of the contract, paying regard to the statutory guidance including the application the living wage.

As an organisation which holds Fairtrade status, the College actively supports the sourcing of goods that are fairly and ethically traded.

Where relevant the College will make use of appropriate standards and labels in its procurements to take account of fair and ethical trading considerations as well as considering equivalent offerings from suppliers that can demonstrate they can meet the specified criteria without necessarily having the specific certification.

The College is an affiliated member of Electronics Watch through APUC and will use this affiliation to monitor labour rights of workers in our electronics supply chains.

g) Ensuring the College suppliers comply with the Equality Act

The College will have due regard to whether award criteria should include considerations to enable it to further the aims of the Equality Duty.

h) Ensuring high standards of Health and Safety practice

Where services or facilities are provided by suppliers (including contractors, sub-contractors and any other partner organisations), those providers will be subject to an appropriate and proportionate assessment of their Health and Safety Policy and arrangements.

2.2. Environmental Sustainability

i) Applying Circular Economy principles to the College purchases

We will ensure that what the College intends to purchase is necessary and there is a strong case for doing so. We will explore alternatives such as sharing resources or equipment with other departments or public bodies, re-using, repairing or refurbishing existing goods.

Where appropriate, we will specify goods and/or materials that are designed for long-term use that can be easily disassembled, re-used or re-cycled and made with a high content of recycled materials.

We will specify minimum packaging, reusable packaging and packaging take-back.

j) Considering whole-life cost

We will consider life cycle costing as part of the specification and subsequent evaluation, including external environmental costs that can be attributed to the products or services we are procuring.

k) Applying best practice standards and specifications for environmental sustainability

We will, when available, procure goods, services and works in line with current best practice standards and specifications for environmental sustainability. This includes adopting the Government Buying Standards and EU Green Public Procurement criteria.

Where linked to the subject matter of the contract and appropriate, we will use criteria from recognised environmental sustainable labelling schemes in our specifications.

l) Encouraging reductions in greenhouse gas emissions made by key suppliers

We will work with key suppliers to reduce carbon emissions e.g. deliveries, travel, food miles and utilities.

2.3. Economic and Ethical Sustainability

m) Facilitating the involvement of SMEs, third sector bodies and Supported Business to become our suppliers

We will aim to place at least one contract with a Supported Business and will also seek to maximise opportunities for SMEs and local businesses, particularly for below regulated procurement opportunities

We will develop a comprehensive Procurement Strategy and Annual Procurement Report to enable prospective tenderers to identify opportunities well ahead of advertisement stage and plan resources accordingly.

We will advertise regulated contracts and award notices through Public Contracts Scotland (PCS) to allow free and unlimited access to all sizes of potential bidders.

We will use debriefing to support the development and improvement of suppliers.

We will improve the information available to suppliers on how to do business with the College and the College sustainability objectives

We will attend supplier engagement events in the Forth Valley area, such as Meet the Buyer events.

n) Encouraging innovation

We will consider how we can promote innovation by using outcome specifications, identifying options to innovate through the procurement process.

3. Communicating, Monitoring and Reporting

The College Procurement Policy is available on SharePoint and will be available publicly on the College's website.

We will:

- Actively participate in the College Sustainability Committee.
- Seek to identify, learn from and share examples of good and best sustainable procurement practice.
- Communicate this policy across the College and through our supply chains.
- Report on sustainability benefits on an annual basis.

4. Reviewing

The policy will be reviewed on an annual basis as a minimum.

1. Purpose

To present members with a draft of the Budget for 2018-19.

2. Recommendation

That members approve both the capital and revenue budgets for 2018-19 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 2018 to 31 July 2019 and capital budget, which runs 1 April 2018 to 31 March 2019.

Due to the anomaly between Colleges' reporting on a financial year basis under recognised accounting standards, and the need to balance Scottish Government Resource Budgets, SFC and Scottish Government have issued direction that it is acceptable for Colleges to report operating deficits to a level equivalent to their net depreciation. The deficit, however, must be in relation to specific expenditure items as determined by SFC. For Forth Valley College this deficit will be used to fund loan repayments, the 2015/16 pay award and early retirement pension costs.

4. FVC Funding

Funding Allocations	2018/19 Final	2017/18 Final	Variance	%
GiA	20,793,053	20,710,100		
Childcare		93,842		
	20,793,053	20,803,942	(10,889)	-0.1%
ESOL (17/18 Strategic Funding)	71,807	75,452	(3,645)	-4.8%
ESF	478,510	535,267	(56,757)	-10.6%
Total Teaching Grant	21,343,370	21,414,661	(71,291)	-0.3%
National Bargaining pay costs	1,169,430		1,169,430	
	22,512,800	21,414,661	1,098,139	5.1%
Student Support	3,807,681	3,984,072	(176,391)	
Childcare	-	21,281	(21,281)	
ESF Student Support	-	21,469	(21,469)	
	3,807,681	4,026,822	(219,141)	-5.4%
Capital & Maintenance	686,107	1,043,370	(237,504)	-18.6%
New Falkirk Campus	42,000,000	19,500,000		
Credits	2018/19 Final	2017/18 Final	Variance	%
GiA (including Childcare)	84,201	84,647	(446)	-0.5%
ESF	1,816	2,230	(414)	-18.6%
	86,017	86,877	(860)	-1.0%

Grant in Aid (GIA)

The SFC announced the final funding allocations on the 19th May 2018 for the Academic Year 18/19. Overall the College's GIA allocation has increased by 5.1% to £22,513k. This increase relates to funding for National Bargaining of £1,169k 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 National Bargaining funding there is actually a 0.3% decrease in credit related funding, with a reduction of 0.5% (446) core credits.

European Social Fund (ESF)

Funding for ESF has reduced by 10.6% (£56k), but when you factor in that this reduced funding no longer includes funding for Student Support Childcare costs, funding has actually reduced by 14.6% (£78k). There is however a corresponding reduction in the number of credits to be delivered of 18.6% (414 credits).

Student Support

Student support funding has decreased by 5.4% (£219k) despite SFC providing an inflationary increase of 1.5%. The criteria for payments to students is changing for 2018/19, no longer requiring full attendance for payments, only that students "appropriately engage in their studies". We anticipate paying out more Student Support under the new guidelines, however given that we are expecting an underspend of funding in 2017/18 of £480k, our funding allocation should be sufficient. SFC has advised that the in-year redistribution process will take place as usual.

Flexible Workforce Development Fund

The SFC is carrying out a review of the 2017/18 FWDF. Once this review is complete, the format of the 2018/19 fund will be published. We have therefore made assumptions for the budget, as to the funding that FVC will be able to access.

Capital & Maintenance

For financial year 2018-19 FVC's budget is £630k for lifecycle maintenance and £56k for high priority backlog maintenance, an overall reduction of 18.6% (£238k). Given that Alloa and Stirling are relatively new campuses and there is capital funding for the new Falkirk Campus, this is the minimum level of funding the College requires to support the lifecycle maintenance of all 3 campuses. From this funding FVC has to fund £168k for interest payments.

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 current budget allocated by SFC also includes £42 million in respect of funding for the construction of the new Falkirk Campus.

5. Key Considerations

The revenue budget for 2018-19, detailed in Appendix 1, shows an operational surplus of £16k. 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 for the budget are detailed in Appendix 2.

As well as the additional Grant in Aid funding, there is a significant increase in SDS funding in relation to Foundation Apprenticeships for 2018/19. This income relies on an assumed level of uptake for the new cohorts in August 2018.

Commercial course fee income is also a major contributor to supporting the additional staffing and operational costs of the College. The key areas where growth in income is incorporated into the budget are CMI/CIPD programmes and short term commercial Comp'Ex courses.

A working group has been formed to grow Evening Provision, and combined with an earlier advertising campaign, a target for additional income of £100k has been included, with associated costs.

The Capital and Maintenance grant is allocated on a fiscal year basis of 1 April 18 to 31 March 19. The maintenance element is contained within the revenue budget in Appendix 1 while the capital element is ring fenced with the appropriate capital resource budget (CDEL) being allocated. See Appendix 3.

6. Financial Implications

The proposed budget delivers an operational surplus of £16k. In order to achieve this surplus significant items of expenditure have been left out of the budget, including a number of requested posts, Management development costs, Strategic projects, some membership subscriptions, upgrades for Cognos and Skype for Business, a new Library Management System and an upgrade to Moodle. It is hoped that the Library Management System and upgrade to Moodle can be achieved before the end of July 2018 as there will be an in-year surplus for 2017/18. If this is not possible, they will be reconsidered at the 2018/19 Q2 forecast. Savings have also been made through the restructuring of the teaching departments.

Given the forecast outcome for 2017/18, International income for the budget has been set modestly. This does therefore leave an opportunity to achieve income beyond budget, both through projects and strategic partnerships.

We believe FVC continues to be underfunded in comparison to other Colleges across the sector. SFC is currently looking at a new simplified funding model, which is expected to be in place for 2022/23. 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, through the no detriment clause, restricts our lecturers to 22 hours delivery, compared with other Colleges of 23+1 hours. We therefore currently have an inefficiency compared with other Colleges to deliver the same teaching. One

hour per FTE lecturer equates to a cost of approximately £489k, and this has not been recognised by SFC in any of their National Bargaining funding scenarios. All new lecturing posts will have terms and conditions of 23+1 hours.

7. Equalities

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

8. 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	x
Medium		
Low		
Very Low		

- Given the poor recruitment historically for the Foundation Apprenticeship programmes, a more accurate reflection of the projected income will not be known until a decision has been made regarding the delivery of the programmes for 2018/19.
- Both Unison and EIS have recently rejected the pay offers that we have assumed in the budget.
- The format of the Flexible Workforce Development Fund for 2018/19 is still to be published. Any major change could put our assumptions for income off target. In addition the budget includes £233k relating to the 2017/18 Fund, and there remains a risk that companies withdraw from their applications until the delivery commences.

Risk Owner – Alison Stewart

Action Owner – Alison Stewart

9. 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

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

Appendix 1 Income & Expenditure Account

Income and Expenditure		Forth Valley College			
	2018/19 Budget £'000	2017/18 Q3 Forecast £'000	Variance £'000	2017/18 Budget £'000	Variance £'000
Income					
SFC Grants	23,041	21,623	1,418	21,425	1,616
Tuition Fees	1,526	1,453	73	1,545	(19)
HEI Tuition Fees	1,470	1,434	36	1,511	(41)
International Income	210	83	126	339	(129)
Evening Provision	335	244	90	172	163
Commercial Training Income	941	723	217	866	85
Modern Apprentice Income	2,428	2,564	(136)	2,379	49
Foundation Apprenticeship Income	371	166	205	128	244
Catering and Hospitality Income	824	823	1	829	(5)
Other Income	601	543	58	402	199
Total Income	31,746	29,657	2,089	29,585	2,161
Expenditure					
Salary Costs	(25,674)	(23,676)	(1,998)	(23,789)	(1,885)
Staff Related Costs	(391)	(345)	(47)	(356)	(35)
Learning and Teaching Materials	(708)	(650)	(57)	(676)	(32)
Learning and Teaching Exams and Registration Fees	(548)	(603)	(45)	(511)	(37)
Learning and Teaching Student Support	(33)	(34)	0	(34)	0
Learning and Teaching Other	(237)	(133)	(104)	(97)	(141)
Catering and Hospitality Costs	(520)	(515)	(5)	(506)	(14)
Property and FM Costs	(1,618)	(1,619)	1	(1,533)	(85)
Equipment Costs	(213)	(218)	5	(192)	(21)
Marketing and Communication Costs	(220)	(197)	(23)	(210)	(10)
Printing Costs	(226)	(213)	(14)	(231)	4
Finance Costs	(287)	(272)	(16)	(322)	34
Governance Costs	(187)	(154)	(33)	(184)	(4)
IT Costs	(425)	(411)	(14)	(430)	5
Telecomms Costs	(101)	(99)	(2)	(94)	(7)
Other Costs	(119)	(116)	(4)	(112)	(7)
Total Expenditure	(31,508)	(29,154)	(2,355)	(29,275)	(2,234)
Recharges					
External Recharges	0	1	(0)	(2)	3
Total Expenditure	0	1	(0)	(2)	3
Non Cash Expenditure					
Net Depreciation	(216)	(216)	0	(141)	(76)
Holiday Pay Accrual	(6)	(13)	8	6	(12)
Total Non Cash Expenditure	(222)	(230)	8	(134)	(88)
Surplus/(Deficit)	16	274	(258)	174	(158)
Non recurring expenditure					
New Falkirk Campus Expenditure	(1,029)	(878)	(151)	(1,103)	74
New Falkirk Campus Income	76	61	15	0	76
Grants received from ALF	953	327	626	1,103	(150)
Total New Falkirk	0	(490)	490	0	0
Donations made to ALF	0	0	0	0	0
Student Support Funded by College	0	0	0	0	0
Surplus/(Deficit)	16	(216)	232	174	(158)
Revaluation Reserve	29	29	0	29	(0)
Loss on Disposal	0	(1,400)	1,400	0	0
Net Surplus/(Deficit)	45	(1,587)	232	203	(158)

Appendix 2 Key assumptions

Income

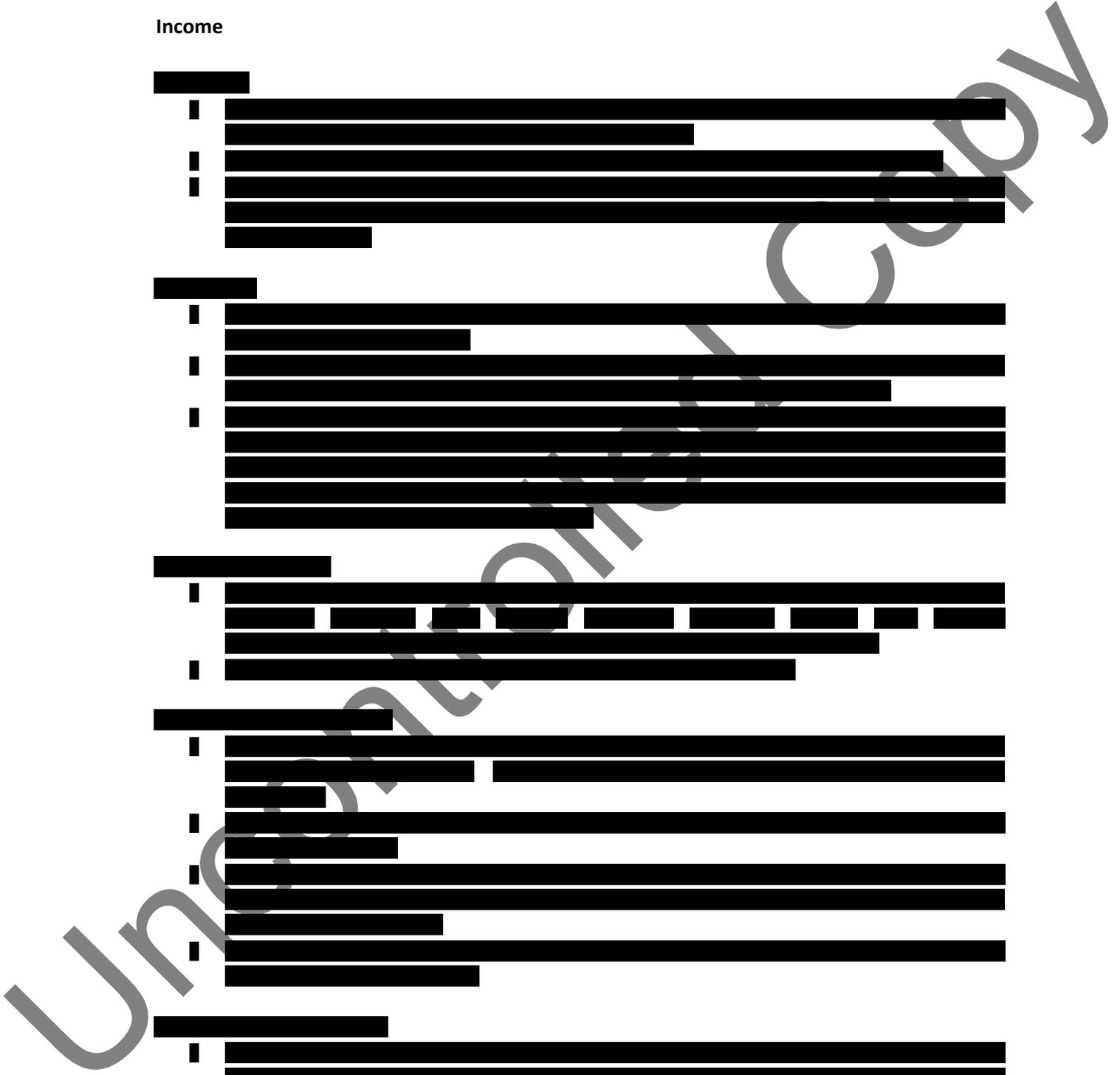
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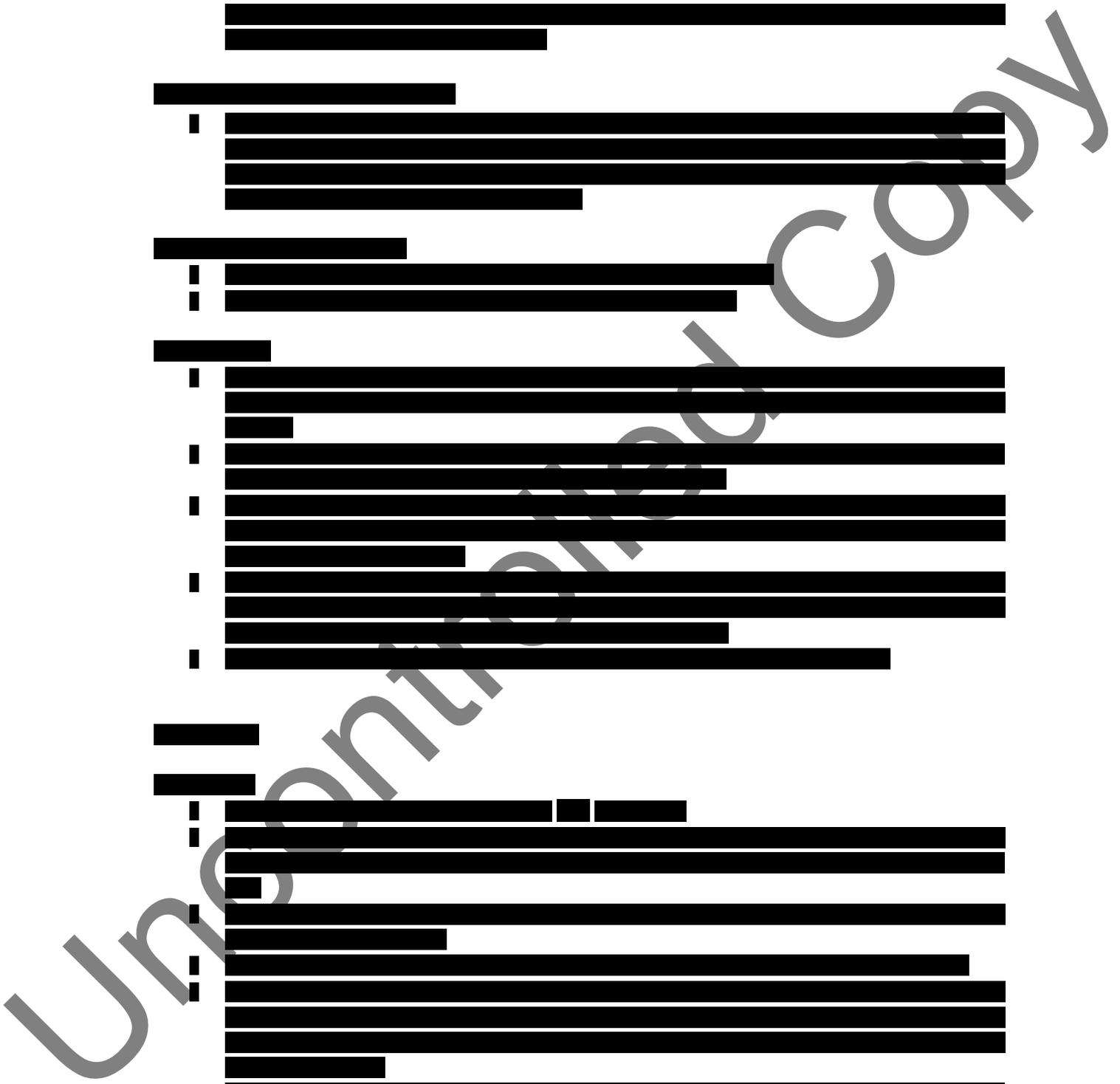
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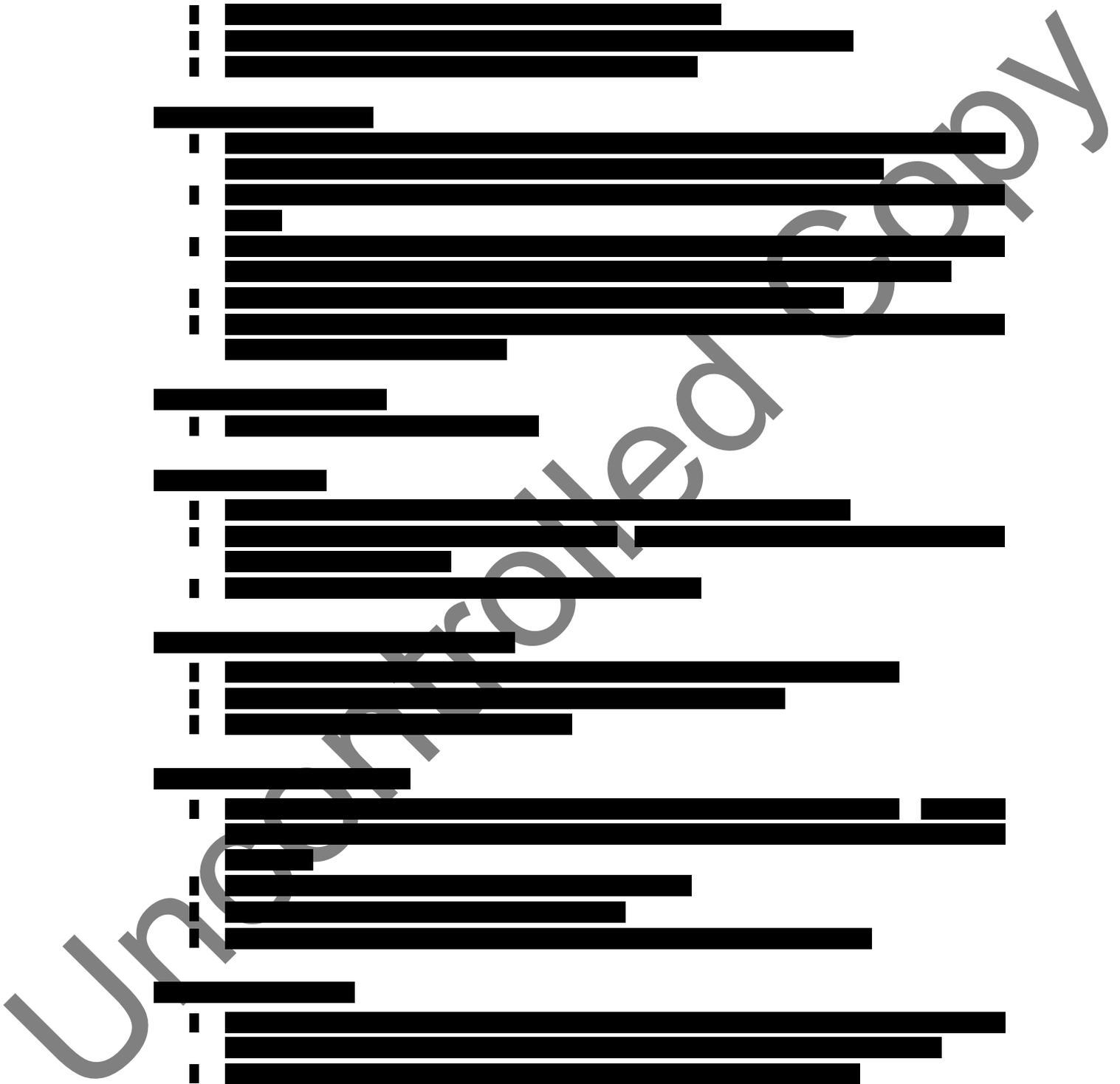
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Appendix 3

Capital & Maintenance Budget

**Forth Valley College
Capital Budget April 2018 - March 2019**

Project	Dept	Campus	Project	Finance Committee Budget
	IT	Alloa	MS Surfaces (Phase 4 of roll out, within Alloa workroom project costs)	52,045
	IT	Alloa	MS Surface Docks (Classrooms at Alloa)	4,121
	IT	Stirling	Apple Macs (3 Apple Mac suites, 3 machines in LRC to allow current software)	118,800
	IT	Alloa	Apple Macs (Apple Mac suite where devices need replaced to allow current software)	37,400
	CI		Sound Reinforcement System	14,095
	CI		Additional AV	9,663
CPCB1901	Est		Mini bus	29,105
Total Capital Spend on Current Year Projects				265,229

**Forth Valley College
SFC Revenue Maintenance Budget April 2018 - March 2019**

Project	Campus	Project	Finance Committee Budget
			£
	All	Estates	252,878
		Total for Maintenance Projects	252,878
		Interest on Borrowings	168,000
		Total for Maintenance Projects and Interest on Borrowings	420,878

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 2018.

2. Recommendation

That members approve the accounting policies for application to the Report and Financial Statements for the year ended 31 July 2018.

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 SMT on 4 September 2017.

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.

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1. Purpose

To provide the members with an overview of the International Financial performance since 2014/15 to date and to identify future direction for International at FVC.

2. Recommendation

The recommendation is that members consider the historical information and note the proposed new focus for International for the new two years.

3. Background

After consultation work by an external contractor it was decided in 2014 to extend FVC's remit into the International sector again. As such a Strategy, Operational Plan and Budget were developed and approved. The strategy had 4 key themes, *Partnership, Mobility, Business Engagement and Student Recruitment*. There has been some success and progress against Mobility and Student Recruitment in the last four years however despite generating a wide range of partnerships in the targeted regional markets, sustainable business engagement has not been achieved. It was therefore decided that the future strategy for internationalisation at FVC needed to be reviewed and any future activity needed to align with the recently approved Strategic Plan for 2017 – 2022.

4. Key Considerations

Review of 2015 – 2018 Activities

Staff have worked hard over the last three years to develop FVC's international footprint. From the starting position in 2015, we set out to grow college activities across the four strategic themes of *Recruitment, Mobility, Partnership and Business Engagement*. During this time the International team has positioned the college as a provider of quality Vocational Educational and Training (VET) in markets supported by FVC stakeholders including Scottish Development International (SDI), Department for International Trade (DIT), Local Authority and University Partners. Progress against these are noted below.

Student Recruitment

At the beginning of the strategy we had anticipated income generation from this area to be significant, however in summer 2015 the Home Office changed immigration rules which dramatically affected the international student market for all UK colleges. The policy resulted in the loss of significant commercial income across the sector. For FVC, the change meant, our forecasted recruitment income beyond year 17/18 would not be achieved.

Despite the policy change, we tried to innovate our position and proposed to work in partnership with our University partners to deliver an 'International Degree Programme (IDP)' sponsored by the university and serviced (delivered) by the FVC in years one and two. There was the potential to deliver these IDP's with the [REDACTED]

Although these partnerships were an excellent vehicle to achieve greater financial impacts, they required specialist resource and further work and commitment from the university institutions to maximise potential and realise a financial return.

have recently re-engaged with this possibility and this is something that we will evaluate further.

There have been 13 international students since 2015 noted in Table 1 below:

Table 1 – International Students at FVC since 2015 to date

Year	Course	Years to study	Notes
2015	HND Chemical Process Technology	2	Withdrawn after year 1
2015	HND Chemical Process Technology	2	Completed but did not achieve
2016	BSc Applied Computing	4 (2 + 2)	Withdrawn after year 1
2016	Applied Science	1	Completed and achieved
2016	Applied Science	1	Completed and achieved
2016	Applied Science	1	Completed and achieved
2017	HND Computing: Software Development	2	Currently studying
2017	HNC Chemical Process Technology	1	Currently studying
2017	HNC Chemical Process Technology	1	Currently studying
2017	HNC Chemical Process Technology	1	Currently studying
2017	BA Heritage & Tourism	4 (2 + 2)	Currently studying
2017	HND Computer Aided Draughting	2	Currently studying
2017	NC Computing	1	Currently studying

Mobility

The last 24 months has seen an increase in our participation in mobility projects with Access & Progression and Health and Social Care departments involved in Strategic Partnerships via the Erasmus+ programme. This engagement has built our capacity and awareness of transnational projects and the teams involved have both contributed to projects and emphasised the FVC strategy of 'Making Learning Work'. Involvement has also led to the introduction of new practices into learning and teaching. Construction and Hospitality departments have also engaged in Charles De Gaulle activities enabling around 20 students to undertake in an exchange programme to France in 2017 and 2018. We are also anticipating mobility opportunities over the next 2 years for staff and students in creative industries, again funded via the Erasmus+ programme. Each of these projects will increase both staff and student competitiveness in preparation for the world of work.

In addition, FVC hospitality students now have the opportunity of internships at the globally renowned hotel group 'Jumeriah'. The College have now placed two students in world leading hotels in Dubai offering a truly global experience laying the foundation for further FVC student opportunities.

Partnership

A major driver behind FVC's international strategy was the opportunity to generate additional income streams by utilising our expertise and experience of training particularly in the Oil & Gas and Petrochemical industry. We were successful in positioning our capability within our external stakeholders' network including Scottish Development International (SDI) and Department of International Trade (DIT), HE institutions and membership bodies. This engagement allowed the college to leverage on external international trade networks and specialised industry teams including Education and more specifically Vocational Education and Training (VET). In addition to positioning our Engineering capability at operator and technician level, diversification to other academic areas such as Hospitality, Professional Cookery were becoming of increasing interest to our international network. We do believe there remains demand for Vocational Education and Training (VET) opportunities internationally and have worked hard on FVC profile to be recognised by partners as having the experience and expertise to help deliver on an international basis. However the conversion from early partnership discussion and scoping to project delivery has been small.

Business Engagement

Over the last three years, the International team has made significant strides in identifying commercial and partnership opportunities for FVC, however being able to bring these to fruition has been challenging due to the fragmented nature of real opportunities, converting project scope to delivery, difficulties in identifying key staff to take forward proposals and changing customer demands.

We had initial success in [REDACTED] the 2017 signing of an International Partnership Agreement with [REDACTED], however the project was put on hold by [REDACTED] due to an internal business restructure. They have intimated that they are now willing to continue with the work however we took the decision to withdraw following diplomatic advice following recent political activity. FVC has had success with our capacity building projects in Engineering with [REDACTED], although client feedback was positive we have not been able to achieve repeat business to date despite on-going discussions with the organisations. We have also had limited success with [REDACTED] [REDACTED] with whom we have delivered training to both in [REDACTED] and Scotland. Again, whilst the feedback has been positive the numbers of students that were initially expected have not been realised. Other significant market opportunities have been identified as a result of senior ministerial visits to FVC from Ghana and Senegal. Whilst these are potential future opportunities the pace at which they are able to engage with us at is slow and uncertain.

From a hospitality perspective we have had moderate success in this sector. FVC were selected as the provider of choice for curriculum design and training for [REDACTED] however due to contracting issues we were not able to take this forward. We have also had

initial discussions with [REDACTED] with regards a proposal from their [REDACTED] campus for the delivery of joint programmes including 'foundation' and standalone HNC/D in various subjects but mainly hospitality and heritage tourism.

5. Financial Implications

At the outset it was anticipated that during the first four years of operation there would be an initial start-up cost, breaking even after year three and the expectation that into the fourth year of operation 2017/18 we would start to see that investment turning to a profit. See table 2, 4-year Budget forecast.

Unfortunately, this has not been the case and table 3 shows the actual position to date. At present we are forecasting a loss of £170,976 against budget for 2017/18 which will have a significant impact on FVC budget outturn. Part of this differential is due to the significant reduction in International Student Recruitment of £215,000 vs £97,000. It is now recognised that given the policy change we have very little scope to do anything on this other than partner with Universities which, again, has not been successful to date. The area which we had more ability to leverage was in project delivery. Over the four years we achieved just over 50% of budgeted income and whilst we had a good year in 2016/17 this has not been the case in 2017/18 with none of the budgeted projects coming to fruition.

FVC continue to work on a number of projects but these have remained static at the verbal intent stage and there appears little commitment from partners to progress at this time. The financial situation to date from four years of hard work with little return against a conservative budget has prompted our review of the international position.

Table 2: 4-year Budget forecast

Year	2014/2015	2015/2016	2016/2017	2017/2018
income				
International Student Recruitment	0	30,000	65,000	120,000
Project Delivery	0	120,000	150,000	150,000
total income	0	150,000	215,000	270,000
expenditure				
Staff Costs	(59,603)	(90,000)	(95,000)	(100,000)
Project Delivery Costs	0	(60,000)	(75,000)	(75,000)
Other Expenditure (including travel, subscriptions and events)	(6,863)	(40,000)	(45,000)	(65,000)
total expenditure	(66,467)	(190,000)	(215,000)	(240,000)
(Deficit)/Surplus	(66,467)	(40,000)	0	30,000
				(76,467)

Table 3: 4-year Actual

Year	2014/2015	2015/2016	2016/2017	2017/2018 (YTD)
income				
International Student Recruitment	0	15,120	34,384	48,452
Project Delivery	1950	41,885	147,346	43,212
total income	1,950	57,005	181,729	91,664
expenditure				
Staff Costs	(63,761)	(89,984)	(92,685)	(62,490)
Project Delivery Costs	0	(27,696)	(59,968)	(26,180)
Other Expenditure (including travel, subscriptions and events)	(14,942)	(11,731)	(42,584)	(11,296)
total expenditure	(78,702)	(129,411)	(195,237)	(99,965)
(Deficit)/Surplus	(76,752)	(72,407)	(13,508)	(8,301)
				(170,967)

6. Outcome of Review and way forward

The review of our international portfolio has concluded the following:

1. The College approved its Strategic Plan for 2017 to 2022 recognising the importance of international work. Under the vision for “Enhancing our position as the business and community partner of choice” and the objective to maximise commercial opportunities; we say we will do this by “operating a successful international model and being recognised in the international arena”.
2. Our analysis of the International strategy 2014 – 2018 has shown that business engagement and student recruitment has been problematical due to a number of reasons including political and policy change at the UK Government level.
3. We have however, been successful in supporting staff and student exchanges through the Erasmus+ model and through partnership development. These projects have been self-funding.
4. We have been working very closely with our strategic University partners, namely [REDACTED] and most recently, we have been advised of an opportunity with [REDACTED] and have had discussions with [REDACTED] to develop international projects in partnership. The [REDACTED] continues to be a potential partner.
5. Two years ago we were very close to signing an international contract to support delivery of hospitality in [REDACTED]. We withdrew our interest because of legal issues around contracting with the [REDACTED] and advice from our lawyers. Two years on and the [REDACTED] have approached us to be international partner as the previous Australian College failed to deliver. The [REDACTED] have indicated they will be willing to reassess contractual arrangements and we have had indication from the [REDACTED] support FVC with our legal position given their experience in this field.

6. Consequently, we intend focussing our international programme on three key areas:
 - a. International operations working with [REDACTED] to develop identified opportunities.
 - b. Work with the [REDACTED] to maximise opportunities in hospitality and tourism.
 - c. With immediate effect we will maximise opportunities in cultural exploration through Erasmus+ partners for students and staff exchanges. In addition, where international students that fit our criteria, approach us we will support them with their application and education.
7. We see international as an opportunity for cultural exploration for our staff and students and a vision to develop opportunities in collaboration with our University partners maximising the University status and the name of Forth Valley as a renowned UK College. Indeed, we believe there is the potential for a College/University Tertiary Education Collaboration (CUTEC) Programme which we believe will be unique in Scotland if not in the UK.
8. It is therefore our intention to develop a two-year operational plan which will see real benefits for our staff and students from the three key areas noted above, the first and second through partnership and the third through mobility.
9. We will ensure the costs of all the international work will be cost neutral in year one with a surplus identified from year two onwards. At that point, we will develop a new international strategy based on the success of the previous two years.

7. Equalities

Assessment in Place? – Yes No

If No, please explain why –

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

8. 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	X
Medium		
Low		
Very Low		

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

Risks

The level of current international student fees covers the staffing costs of the activity however there needs to be a moderate level of income to cover the additional staff associated with this

work, given the position that we have been in for the last 2 years despite significant effort the college has not met these costs and that could continue in the future.

We are relatively inexperienced in commercial contracting internationally

Mitigation of Risks

Working with a university partner who has established, resources, systems and processes in international will reduce our exposure and offer us a level of security.

Refocusing the strategy to a smaller market will allow us the opportunity to focus our efforts on taking this forward

Risk Owner – Andrew Lawson

Action Owner – Jennifer Tempany

9. Other Implications –

Please indicate whether there are implications for the areas below

Communications – Yes No

Health and Safety – Yes No

There are no new implications.

Paper Author – Jennifer Tempany

SMT Owner – Andrew Lawson

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1. Purpose

To present the Forecast Outturn for Academic Year 2017-18 to members for discussion.

2. Recommendation

For members to consider the Forecast Outturn for the year to 31 July 2018.

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 outturn for the Academic Year 2017-18 compared to the original budget for 2017-18 that was approved by SMT and Finance Committee in June 2017, and the Q2 forecast that was presented to SMT and Finance Committee in March 2018.

Due to the anomaly between Colleges' reporting on a financial year basis under recognised accounting standards, and the need to balance Scottish Government Resource Budgets, SFC and Scottish Government have issued direction that it is acceptable for Colleges to report operating deficits to a level equivalent to their net depreciation.

4. Key Considerations

The forecast is showing an operational deficit of £216k against the Q2 surplus of £141k. We have previously forecast for all of the costs of the New Falkirk Campus to be funded by the Forth Valley College Foundation. However, since we are forecasting an operating surplus before New Falkirk and non-cash items of £504k, we will use this to fund £490k of the New Falkirk costs, reducing the amount we need from the Foundation. The final net deficit of £216k is equal to the net depreciation charge, as explained above.

Since the Q2 forecast there has been a significant loss of income in 2 key areas - SFC grants and International income. SFC grant income relating to the Flexible Workforce Development Fund has decreased due to difficulties in scheduling the delivery of courses within this academic year. International income has not materialised as projected, with none of the projects forecast at Q2 coming to fruition in time to be included in 2017/18. This loss of income has been partially offset by additional SDS funding for both Modern Apprentices and Foundation Apprentices, and additional Modern Apprentice training charges.

Significant cost savings have been made across many of the expenditure lines, with total savings from Q2 forecast amounting to £248k. The key saving has been made in salary costs, as a result of posts not being filled or remaining vacant for periods of time.

Net depreciation

SFC confirmed that for 2017/18 net depreciation cash can be spent to ensure the Resource Return was fully utilised at 31st March 2018. Therefore the net depreciation was used to fund the Loan Repayments, Pay Award 2015-16 and Early Retirement Pension Costs.

5. Financial Implications

Overall the underlying operating position is improved on the Q2 forecast. Any variation from this surplus will impact the drawdown from the ALF.

6. Equalities

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

7. Risk

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

	Likelihood	Impact
Very High		
High		x
Medium		
Low	X	
Very Low		

The underlying Q3 forecast is improved on the Q2 position however there is a small risk that commercial income does not materialise sufficiently as forecast, which could result in unplanned deficits.

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

8. Other Implications

Communications – No

Health and Safety – No

Paper Author – Senga McKerr

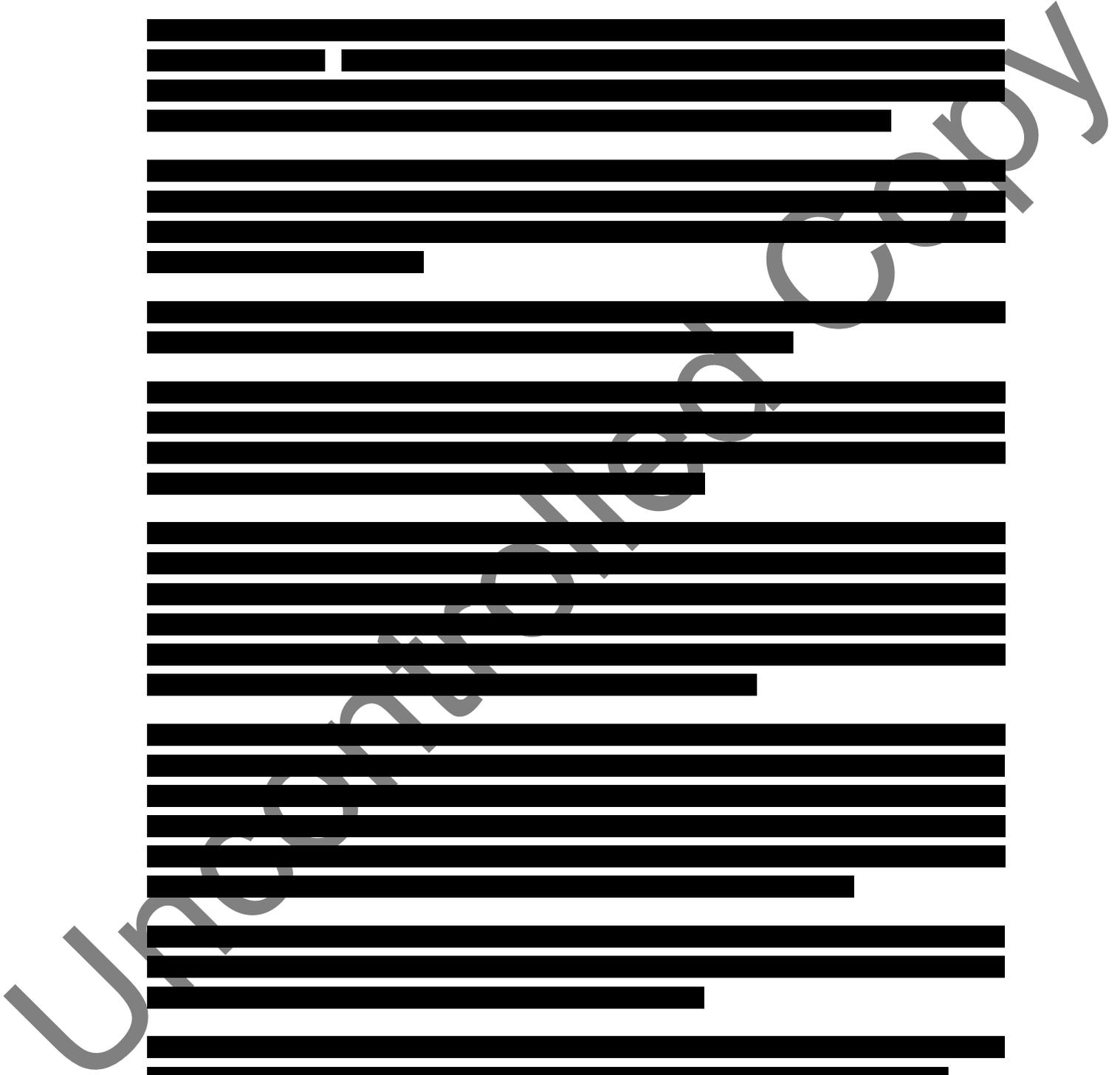
SMT Owner – Alison Stewart

Appendix 1

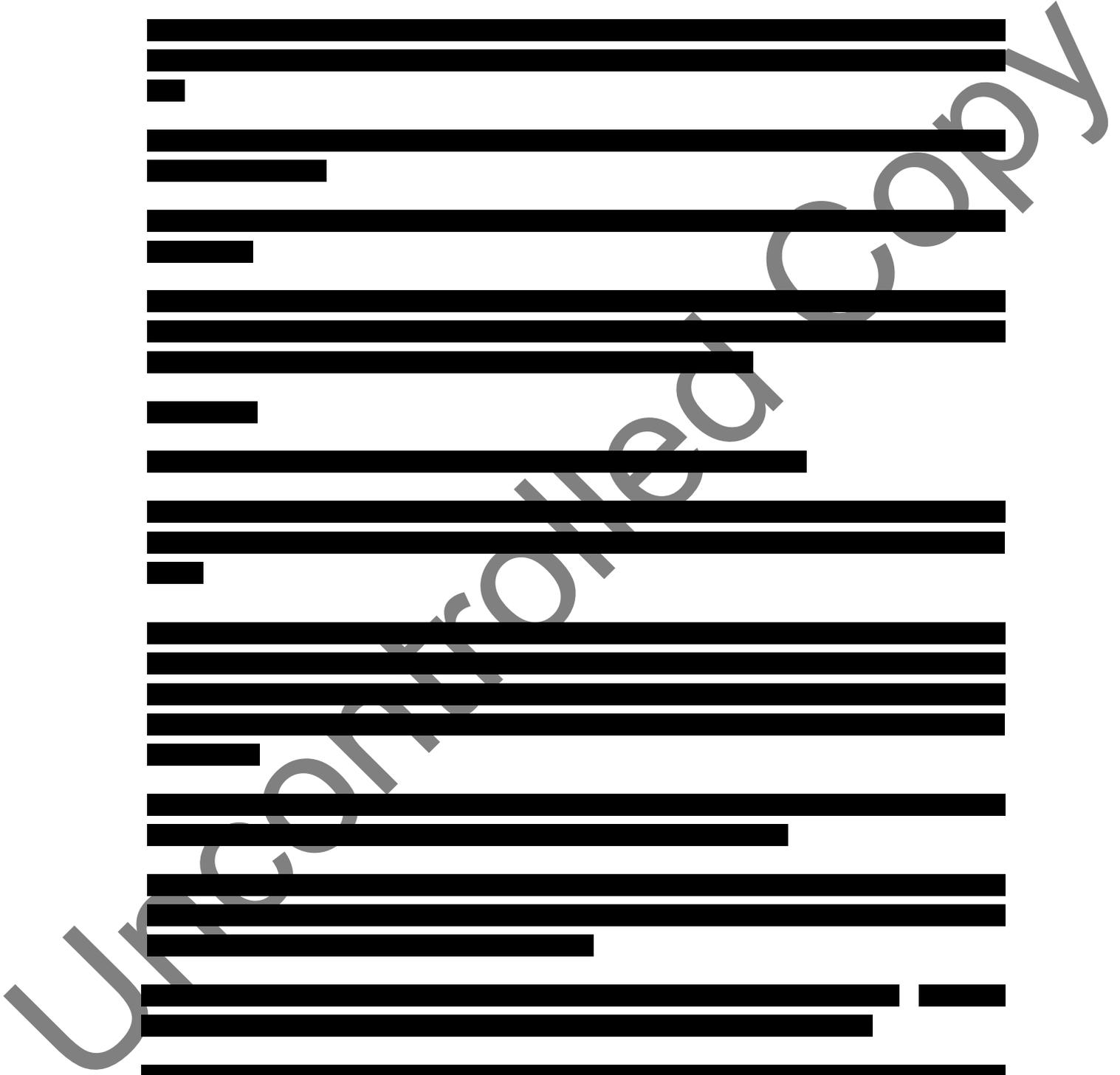
Income and Expenditure				
	2017/18 Budget £'000	2017/18 Q2 Forecast £'000	2017/18 Q3 Forecast £'000	Variance £'000
Income				
SFC Grants	21,425	21,733	21,623	(111)
Tuition Fees	1,545	1,477	1,453	(25)
HEI Tuition Fees	1,511	1,414	1,434	20
International Income	339	236	83	(153)
Evening Provision	172	240	244	5
Commercial Training Income	856	736	723	(13)
Modern Apprentice Income	2,379	2,476	2,564	88
Foundation Apprenticeship Income	128	147	166	19
Catering and Hospitality Income	829	841	823	(18)
Other Income	402	528	543	15
Total Income	29,585	29,829	29,657	(172)
Expenditure				
Salary Costs	(23,789)	(23,818)	(23,676)	142
Staff Related Costs	(356)	(378)	(345)	33
Learning and Teaching Materials	(676)	(678)	(650)	28
Learning and Teaching Exams and Registration Fees	(511)	(537)	(503)	34
Learning and Teaching Student Support	(34)	(33)	(34)	(0)
Learning and Teaching Other	(97)	(107)	(133)	(26)
Catering and Hospitality Costs	(506)	(522)	(515)	7
Property and FM Costs	(1,533)	(1,555)	(1,619)	(64)
Equipment Costs	(192)	(202)	(218)	(16)
Marketing and Communication Costs	(210)	(205)	(197)	8
Printing Costs	(231)	(224)	(213)	12
Finance Costs	(322)	(291)	(272)	19
Governance Costs	(184)	(207)	(154)	53
IT Costs	(430)	(395)	(411)	(17)
Telecomms Costs	(94)	(94)	(99)	(5)
Other Costs	(112)	(155)	(116)	40
Total Expenditure	(29,275)	(29,402)	(29,154)	248
Recharges				
External Recharges	(2)	1	1	(1)
Total Expenditure	(2)	1	1	(1)
Operating Surplus/(Deficit)	308	428	504	76
New Falkirk				
New Falkirk Campus Expenditure	(1,103)	(1,103)	(878)	225
New Falkirk Campus Income	0	60	61	1
Grants received from ALF	1,103	1,043	327	(716)
Total New Falkirk	0	0	(490)	(490)
Donations made to ALF	0	0	0	0
Surplus/(Deficit)	308	428	13	(415)
Non Cash Expenditure				
Net Depreciation	(141)	(232)	(216)	16
Holiday Pay Accrual	6	(55)	(13)	42
Total Non Cash Expenditure	(134)	(288)	(230)	58
Operational Surplus/(Deficit)	174	141	(216)	(357)
Revaluation Reserve	29	29	29	0
Loss on disposal	0	0	(1,400)	(1,400)
Net Surplus/(Deficit)	203	170	(1,587)	(1,757)

Income

[Redacted Table Content]



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[REDACTED]

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