

Steeple Suite, Falkirk Campus, 4pm

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 13 September 2022

3. Matters Arising

3.1 F/22/005 Financial Forecast Return 2021/22 - 2026/27

4. Annual Report and Financial Statements 2021/22
(Joint item with Audit Committee)

Senga McKerr

(Paper 4 is withheld from publication on the Forth Valley College website under Section 25 Information Otherwise Accessible of the Freedom of Information (Scotland) Act 2002 – <https://www.forthvalley.ac.uk/media/9223/fvc-audited-accounts-2021-22-final-signed.pdf>

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

Ernst and Young

Paper 5 is withheld from publication on the Forth Valley College website under Section 25 Information Otherwise Accessible of the Freedom of Information (Scotland) Act 2002 - <https://www.audit-scotland.gov.uk/publications/forth-valley-college-annual-audit-202122>

6. Annual Procurement Report

Ester Vasallo

Paper 6 is withheld from publication on the Forth Valley College website under Section 25 Information Otherwise Accessible of the Freedom of Information (Scotland) Act 2002 - <https://www.forthvalley.ac.uk/media/9234/fvc-annual-procurement-report-fy2021-2022-v2.pdf>

FOR DISCUSSION

7. Q1 High Level Forecast 2022-23

Senga McKerr

(Elements of paper 7 are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

8. Student Funding Outturn 2021/22 and Forecast 2022/23

Senga McKerr

9. Review of Risk

10. Any other competent business
-

FOR INFORMATION

Quarterly Management Accounts August - October 2022

(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.)

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Zoom (commencing at 4.30pm)

Present: Liam McCabe
Trudi Craggs
Ken Richardson

Apologies: Andrew Caldwell
Lindsey Hastie
Amber Little

In Attendance: Professor Ken Thomson, Principal
Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)
Kenny MacInnes, Vice Principal Learning and Student Experience (VPLSE)
Senga McKerr, Director of Finance (DOF)
Moirra France, Finance Manager (FM)
Claire Green, Forth Valley Student Association Vice President (FVSAVP) for item F/22/006 only
Pauline Jackson, Development & Fundraising Manager (DFM) for item F/22/09 only
Stephen Jarvie, Corporate Governance and Planning Officer (CGPO)

Members discussed the arrangements for the meeting, expressing a preference to move back to face to face meetings for future Committee meetings.

The VPFACA confirmed that the November 2022 meeting was already intended to be face to face and that the remaining meetings would also be amended to in person.

F/22/001 Declarations of Interest

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

F/22/002 Minute of Meeting of 14 June 2022

Members approved the minute of the meeting of 14 June 2022.

F/22/003 Matters Arising

The VPFACA updated members on discussions with Scottish Funding Council (SFC) around the projected surplus reported at Q3. She confirmed that SFC had not approved the carry forward and, as agreed by the Board, this would now be donated to Forth Valley College Foundation.

F/22/004 Review of Committee Remit

The VPFACA presented the committee remit for review by members, noting it was good practice to do this annually.

Members highlighted one bullet point in section 5 which would benefit from a review of the language used.

Members also queried whether taxation should be added to the remit. Following discussion it was agreed to add this.

a) Members approved the remit subject to the changes above

F/22/005 Financial Forecast Return 2021/22 - 2026/27

The DOF presented the Financial Forecast Return (FFR) to members. She highlighted that the budget which was approved in June by the Board was also being updated in light of additional information that had been received.

She discussed the assumptions for the FFR that SFC were requiring the College's to use and the significant impact on College staffing that would be required to meet SFC's requirement for balanced budgets.

She informed members that a second version of the FFR had been prepared based on more realistic assumptions created by the College Finance Directors Network and discussed these assumptions such as staff pay awards which are based on what is happening in the wider public sector. Under this scenario without corrective action the College is facing deficits of £1m rising to £6m in year five of the forecast.

In relation to the 2022/23 Budget she also highlighted areas of anticipated lower income due to lower recruitment figures for this year. Members requested that additional information on this area be included in the report to the Board of Management.

She confirmed the arrangements in place to address the 2021/22 surplus which would be, for the most part, donated to Forth Valley College Foundation with the College then having to apply to the foundation to fund a number of planned operational projects in 2022/23.

She highlighted the significant risk this makes for the College.

The Principal noted that, while there were a range of possible future partnership working opportunities, these would not be in place for a number of years and would not help to address the issues being faced.

Members discussed this matter extensively and expressed their significant concern at the position the College was being placed in by SFC was not sustainable.

Members recognised that the College was mandated to provide the FFR to SFC using their assumptions but recommended the FFR, after being fully discussed at the upcoming Board of Management meeting, be accompanied by a strong statement from the Board.

Members also highlighted the risk to the sector of potential Board resignations as, if the sector is not funded adequately, the Board members cannot meet their duties under charities legislation.

The VPFAA noted the commentary and confirmed the paper would be updated but that it may go to the Board as a later paper. Members confirmed it was worth taking the time to update the position for the Board.

a) Members deferred the approval of the FFR to the full Board of Management

F/22/006

Student Association Outturn for 2021/22 & Budget for 2022/23

The FVSAVP provided an overview of the FVSA budget activity for 2021/22 and anticipated spend for 2022/23.

She noted that measures had been taken to address the surplus but, as most of the year had been held virtually and a staff member had resigned with the position yet to be filled, there remained a surplus.

She highlighted the planned spend activity for the year ahead.

Members queried whether the vacant post would be filled this year and how the salaries for FVSA staff posts were determined.

The FVSAVP confirmed that recruitment was going to go ahead. The VPFAA noted that the remuneration and overall governance of staffing was being looked at as, given the FVSA is autonomous, this had in the past been left to their discretion. A review of the sector showed most SA staff were employed by the relevant College and something similar would be put in place for the College.

Members queried whether, given the pressures on all aspects of College budgets, would this impact on the budget for FVSA.

The DOF noted that the majority of funding at this time came from the ALF which funded salaries which was the major expenditure.

Members noted the ALF has a limited amount of funding and this should be looked at in the future, along with measures to help FVSA become more resilient.

The FVSAVP noted that they had launched an e-shop and were looking to sell branded merchandise. Members highlighted the upcoming graduations may be an excellent selling point.

a) Members noted the Outturn for 2021/22 and approved the 2022/23 budget

F/22/007 Financial Regulations

The DOF presented the updated financial regulations for member's consideration and approval.

She outlined the main changes to the regulations which included changes to the approval limits for senior level staff as outlined in Appendix B of the paper. Members agreed that senior level staff should be able to have the relevant authorities to support their role.

Members noted that the language in section 14.4 should be reviewed.

a) Members approved the financial regulations subject to the change outlined above

F/22/008 Management Accounts 2021/21 Forecast Outturn

The FM presented the latest draft management accounts. She informed members that all anticipated major movements had been incorporated so any additional changes should be smaller.

She noted, as discussed earlier, that there would be a donation to Forth Valley College Foundation up to the level approved by the Board of Management.

She highlighted that the included balance sheet was still in draft at this time and that there would be a range of changes and also outlined the current cash position of the College.

a) Members noted the content of the report

F/22/009 Progress Review: Development and Fundraising

The DFM presented a report outlining the successful activity in development and fundraising over the last year and anticipated activity in the current academic year.

She discussed how, while smaller pots of funding were still being applied for, the College was focussing on large strategic funding areas such as the city deals across forth valley, including a £4m bid under the Falkirk growth deal.

She informed members that both she and the Principal were representatives on a range of growth deal groups.

She confirmed to members that there was a new development and fundraising strategy under review at this time as the current one ends this year. She noted this would be brought to the Committee for approval.

Members welcomed the report and noted that working on the growth deals can be labour intensive and queried whether there was enough resource in place. The DFM

confirmed this was the case and also that a specialist consultant was being brought on to ensure submissions meet the relevant criteria.

Members noted that, if the Board could be of assistance, the DFM should contact them.

a) Members noted the content of the paper

F/22/010 Review of Risk

The financial risks highlighted in the minute were noted.

F/22/011 Any Other Competent Business

None

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1. Purpose

To present to members an early financial forecast for Academic Year 2022-23 for discussion.

2. Recommendation

For members to consider the Q1 High Level Forecast for the year to 31 July 2023 and note changes from the updated budget.

3. Background

In September, the Board of Management approved amendments to the original June Budget for 2022-23 which reflected the income & expenditure position being reported to SFC as the realistic alternative FFR submission. This was taking account of significant known changes between June and September, including SFC's refusal to allow carry forward of surplus from 2021-22, and applying uplifted pay awards of 5%. The adjusted operating position following these changes was a deficit of £1,066k, a shortfall which this Q1 forecast addresses.

Appendix one provides a summary of the College's Income & Expenditure account comparing this Q1 forecast with both the original and the updated Budgets. Only key areas and/or known variances have been looked at and adjusted at this time. The full Q2 forecast for the Finance Committee in March will be a thorough and detailed exercise.

Appendix two sets out the current position with the Capital budget for Fiscal year 2022-23. A request has been made to SFC to reallocate the £250k earmarked for the distillation lab works to revenue funding, but at the time of writing no response has been received. The distillation lab has been delayed and will now fall in to the following fiscal year.

4. Key Considerations

Overall income is an increase of £314k and overall expenditure is a saving of £219k, giving an overall impact at the operating level of a positive £533k. In addition to this operating improvement, we will offset the excess surplus from 2021-22 [REDACTED] which amounted to £536k, as this is insignificant in overall SFC terms. Combined, these elements address the Budgeted shortfall of £1,066k, albeit we will be reporting a deficit of £533k.

The main amendments to this Q1 forecast are:

- HEI student numbers are now settled, and income is amended to reflect this
- [REDACTED]
- Graduate Apprenticeship income – there has been a transfer of students from Heriot Watt in to the 2nd year of the GA programme

- Catering income, mainly refectory income, is performing strongly. Price rises were applied from the start of term, and volume of activity is healthy. Income & associate costs for the year are therefore amended to reflect this going forward
- [REDACTED]
- Grants from the FVC Foundation are increased following a recent meeting where various proposals were presented to, and approved by, the Trustees
- [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]

It is too early in the academic year for commercial targets, including FWDF, to be either stretched or scaled back. The original budget assumptions as to the economic environment remain broadly similar, and year to date activity levels are not causing concern when viewed overall, with known reasons for variances at this stage.

The savings from gap posts in the first quarter are notable due to the time currently required to recruit from a busy employment market. This level of saving is not anticipated to continue, although there is always a small element of saving from gap posts.

The forecast for the bank balance as at 31 July 2023 is £1.9m, and this is on the assumption that there are no non-operating items remaining to be paid.

Unresolved issues and areas of risk

The final operating outturn for the year will depend on the outcome of various issues, which could financially impact FVC, notably:

- The overdue announcement of FWDF allocations
- The outcome of pay negotiations with both Unison and EIS
- The outcome of any future severance programme, and how this will be funded
- Requests for funding beyond our contracted levels from SDS being awarded. This has not previously been an issue, however SDS has indicated that there is no extra funding this year. Conversations seeking a resolution to this for FVC, are underway
- Resolution of discussions with the University of Stirling on the HEI block grant.

5. Resource Implications (Financial, People and Estate)

Overall the forecast operating position is balanced, however, the financial impact of the noted unresolved issues will be monitored closely to ensure any significant impact on the final outturn is identified early. The scope for dealing with any unexpected financial downside will be reduced from previous years, as the Q1 forecast has less flexibility remaining within it than usual.

SFC has reintroduced the concept of a short-term 2% leeway in regards to the delivery of Credit targets, and this is an avenue we might look at should this be deemed necessary following the completion of the detailed Q2 forecast. This would have staffing implications.

6. Equalities Assessment

An equalities assessment is not applicable given the nature of this report.

7. Risk and Impact

	Likelihood	Impact
Very High	x	x
High		
Medium		
Low		
Very Low		

The existence of risk within finances is a constant in the College sector, and FVC is no different. Between the current economic and funding climate, and the noted unresolved issues, the impact of risk must be determined to be Very High at this time.

If SFC refuses the request to reallocate the £250k earmarked for the distillation lab works to revenue funding, additional projects will need to be identified to spend this funding on capital items. The short timeframe remaining will create challenges for the procurement manager.

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

1. Purpose

To update members on the final position for Student Funding in Academic Year 2021-2022 and provide a forecast for 2022-2023.

2. Recommendation

That members:

- Note the underspend for 2021-22, and the reasons behind this
- Note the forecast outturn for 2022-23

3. Background

SFC issues allocations for Student Support around April and then in November Colleges have the opportunity through the in-year redistribution process to either request further funding for Student Support or relinquish funding based on the demand from students.

The return for this year's re-distribution has not been requested as yet, but we intend to neither request more funding, nor relinquish funds from our current allocation. Instead, the Finance Funding team is seeking ways to utilise the available funding for the benefit of FVC students.

4. Key Considerations

a. 2021-22

The Outturn for 2021-22 is detailed in Appendix 1. Our initial allocation from SFC for the total FE Student Support Budget was £4,715k, and we received additional discretionary funding of £214k. Including SAAS funding for HE students, the College was therefore working to an overall Budget of £5,087k for 2021-22, which was underspent by £1,530k. As we anticipated this underspend earlier in the year, we reduced the cash draw down from SFC by £1,250k leaving £280k to now be repaid.

The total Student Support spend was thus £3,557k, which to put in context, is below that for both 2020-21 and 2019-20 of £3,821k and £4,190k respectively. The main drivers of this are lower student numbers, free travel for under 22s provided by Scottish Government, and lower childcare claims.

After reducing the drawdown by £100k the Discretionary Funding was still underspent by £234k, £191k in FE and £43k in HE. This funding is held in the event of students requesting support with unforeseen financial circumstances, such as rent arrears, car repairs etc. This part of the budget is difficult to predict on an annual basis. We were given additional funding for our discretionary pots for students struggling due to COVID-19, although in reality we did not receive many applications for additional support. Our discretionary funding is also used for the Housing Fund to provide students with support for their rent payments. In line with previous years, we were able to make additional payments in June 2022 towards rent costs over the summer period, totalling £93k for FE students and £32k for HE students.

b. 2022-23

The only significant policy change for Student Support that will impact on the funds for 2022-23 is the reintroduction of the £4,000 cap for Discretionary funds for HE students, which had been removed during Covid. SFC has not reintroduced their equivalent cap, creating disparity between FE and HE students.

Our 2022-23 allocation for Student Support is currently £4,671k. Appendix 2 details the Budget and the Forecast Outturn for 2022-23.

For FE Bursary the weekly maintenance rates have increased by 4% for session 2022-23.

Weekly Maintenance	2021-22	2022-23
Parental Supported	£85.90	£89.42
Self-Supporting	£108.55	£113.00
Care Experienced	£202.50	£202.50
Universal Credit	£28.00	£28.00

Currently the College has committed to pay 524 students £2,129k in FE Maintenance. This includes 111 students on the Care Experienced bursary, which is slightly fewer than 2021-22 but we expect further applications. We are estimating a further commitment of £668k for additional awards and January starts, taking our forecast spend for FE Maintenance to £2,797k.

The College pays students their FE Travel based on the cost of a weekly bus ticket and the number of zones a student has to travel. The introduction of free bus travel for under 22s has reduced the amounts paid to students for travel.

	Zone 1	Zone 2	Zone 3
2021-22	£19.40	£22.20	£23.20
2022-23	£20.70	£23.20	£24.00
% change	6.7%	4.5%	3.45%

Currently the College has committed to pay 212 Students £163k in FE Travel. We are estimating a further £78k commitment for additional awards and January starts, bringing the forecast spend for FE Travel to £241k.

Overall, including Maintenance, Travel and Study Materials, we are predicting FE Bursary spend of £3,100k against a budget of £3,793k.

For Childcare we have accepted applications from 68 students (43 FE and 25 HE). Based on these commitments we are paying an average of £3,039 for FE student's childcare and £3,054 for HE student's childcare. We are forecasting a further 54 applications, taking Childcare spend to £371k for the year, which is under the budgeted allocation of £398k.

For both FE & HE Discretionary funds we assume at this stage of the academic year that we will spend the full budget.

Overall there is a predicted underspend of £719k for Student Support funds. However, we do not wish to relinquish any funds at this time as the Funding team is looking at how we could best utilise this underspend as Discretionary payments to our FE students.

Currently the Finance Funding team is launching a 'Cost of Living' type grant whereby students will sign up monthly to state that they are responsible for contributing to the costs of gas, electricity etc. in the home that they live in enabling us to make additional payments to them. This scheme will be similar to the one we ran from April to June 2022. The amount of £30 per week is considered a reasonable and affordable amount to cover the winter period.

In line with prior years, we will endeavour to make an additional summer housing payment to both FE and HE students, however we will need to take into account the cap for HE students.

5. Financial Implications

In the unlikely event of overrun on budgets after allowing for available virement, core College budget could be impacted. The risk of this is deemed to be very low given our historical outturns of £3,821k in 2020-21 and £3,557k in 2021-22, compared with the budget of £4,671k.

Given that the projections for 2022-23 are a core underspend, the additional payments noted above are discretionary and can therefore be stopped when available funds are exhausted.

6. Equalities

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

7. Risk

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	x	X

Risk Owner – Senga McKerr
Paper Author – Allison Hewitt

Action Owner – Allison Hewitt
SMT Owner – Alison Stewart

Appendix One

Student Support Spend 2021-22								
Fund	2021-22 Budget	Additional Funding Received	In Year Redistribution	In Year Virement of Funds	Reduction of Drawdown	2021-22 Forecast Spend	2021-22 Spend	Variance
FE Bursary	3,949,910	0	0		(955,000)	2,994,910	2,950,980	43,930
FE & HE Childcare	414,848	0	0		(195,000)	219,848	217,241	2,607
FE Discretionary	350,996	213,824	0		(100,000)	464,820	274,285	190,535
HE Discretionary (SAAS)	157,189	0	0		0	157,189	113,938	43,251
Totals	4,872,943	213,824	0	0	(1,250,000)	3,836,767	3,556,444	280,323

Appendix Two

Student Support Spend 2022-23				
Area	2021-22 Spend	2022-23 Allocation	2022-23 Forecast Spend	Variance
FE Bursary	2,950,980	3,792,674	3,100,145	692,529
FE & HE Childcare	217,241	398,334	371,414	26,920
FE Discretionary	274,285	337,024	337,024	0
HE Discretionary (SAAS)	113,938	142,520	142,520	0
Total	3,556,444	4,670,552	3,951,103	719,449

1. Purpose

To present to members the quarterly management accounts for the period August to October 2022.

2. Recommendation

That members note the College performance for the first 3 months of the year.

3. Background

This report provides a summary of the College results for the first 3 months of the year, including the Income & Expenditure account, Balance Sheet and spend of the Capital & Revenue maintenance grant.

Monitoring of the College finances is essential for good governance and to allow for corrective actions to be implemented, should that be necessary to avoid FVC reporting an unscheduled deficit, running short of cash, or over/underspending on the capital & maintenance grant.

4. Key Considerations

Income and Expenditure as set out in Appendix 1

There is an operational deficit for the 3 month period, before non-cash items, of £662k compared to a projected deficit of £1,214k.

Given a high level Q1 forecast has just been completed, many of the variances are a matter of timing, where the phasing of the income or expenditure is different to that forecast, but where the phasing is anticipated to fall back in to line during the year.

The staffing variance is made up of a delay in back pay and gap posts. Although some of the gap post variance will unwind for block 2 and element of this will be permanent. A detailed review of salaries will be carried out as part of the Q2 forecast exercise.

There is no indication from the performance so far, or from budget monitoring discussions, that the Q1 2022-23 forecast will not be achieved.

The unresolved issues and areas of risk highlighted during the Q1 forecast exercise are still present and are noted below to recap and keep these at the forefront of discussions:

- The overdue announcement of FWDF allocations
- The outcome of pay negotiations with both Unison and EIS
- The outcome of any future severance programme, and how this will be funded
- Requests for funding beyond our contracted levels from SDS being awarded. This has not previously been an issue, however SDS has been asked to find in-year savings by Scottish Government raising concerns in the sector
- Resolution of discussions with the University of Stirling on the HEI block grant.

In addition to the above it is worth noting the position on Foundation Apprenticeship travel as reimbursement of our costs has not yet been finalised with SDS. The Learning & Quality team are

having ongoing discussions with SDS, and whilst we do acknowledge the risk of not being reimbursed is low, in the first 3 months we have already incurred c£27k of travel costs for FA students.

Balance Sheet as set out in Appendix 2

The balance sheet as at 28th October 2022 is attached for information. There are significant movements from 31st July 2022 as we prepare yearend financial statements on an accruals basis and include yearend adjustments. The balance sheet at 28th October 2022 does not include these equivalent adjustments.



Capital & Revenue Maintenance Budgets set out in Appendix 3

Appendix 3 highlights the April 2022 – October 2022 position for our SFC Capital and Revenue Maintenance budgets. Other than the £250k capital set aside for the distillation lab works, these projects are in hand and are expected to be invoiced by 31st March 2023.

A request has been made to SFC to reallocate the £250k earmarked for the distillation lab works to revenue funding, but as yet no response has been received.

5. Resource Implications (Financial, People, Estates and Communications)

There are no resource implications from this report.

6. Equalities

Assessment in Place? – No, as not applicable given the nature of this report.

7. Communities and Partners

Given the nature of this report, it does not involve, or provide benefit to, stakeholder groups.

8. Risk and Impact

At the moment there is no indication that the Q1 forecast position will not be met. However, continued monitoring of income and expenses will take place to ensure if this changes the financial impact is highlighted as soon as possible

	Likelihood	Impact
Very High (5)		
High (4)		x
Medium (3)		
Low (2)	x	
Very Low (1)		

Total Risk Score – 8

The College has a Strategic Risk appetite for categories of risk as defined by the Board of Management. Decisions being taken at LMT must have cognisance of this. Please indicate the single most relevant risk category in the table below.

BoM Risk Categories & Risk Appetite (Select one area only)			
Cautious <15	Open 15> <20	Eager >20	
Governance	Strategy	People	
Legal	Financial	x Project/Programme	
Property	Reputational		
	Technology		

Unplanned losses of revenue or increased expenditure which would result in a budget overspend which is not acceptable to Scottish Funding Council. Close financial scrutiny will be essential during the year, with continual monitoring of income and expenses

Is the score above the Board Risk Appetite level? No, the score is less than the risk appetite for this category.

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

Paper Author – Moira France

SMT Owner – Alison Stewart

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