



21 November 2024

FINANCE, RESOURCE & INFRASTRUCTURE COMMITTEE

Steeple Suite, Falkirk Campus 4.00pm

AGENDA

		Publish on Web?	Type	Lead
1	Apologies, Declaration of Interests and Changes to Members' Register of Interest	N/A	Discussion	Liam McCabe
2	Draft Minutes and Matters Arising of meeting of 12 September 2024	Yes	Approval	Liam McCabe
3	Review of Action Tracker	Yes	Discussion	Alison Stewart
4	Annual Procurement Report	Yes	Approval	Ester Vasallo
(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/11143/cm1637-procurement-document_2024_proof_v3.pdf)				
5	Management Assessment of Going Concern	Yes	Discussion	Alison Stewart
6	Q1 High Level Forecast 2024-25	No	Discussion	Moira France
(Paper 6 is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)				
7	Student Funding Outturn 2023/24 and Forecast 2024/25	No	Discussion	Senga McKerr
(Paper 7 is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)				
8	Scottish Prison Service Tender	No	Approval	Colin McMurray
(Paper 8 is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)				
9	Review of Risk	Yes	Discussion	All
10	Any Other Competent Business	Yes	Discussion	All
	10.1 Audit Scotland S22 Report	No	Discussion	Alison Stewart
	10.2 UNISON FE Stewards Strike Letter	No	Discussion	Alison Stewart
(Items 10.1 and 10.2 are withheld from publication on the Forth Valley College website under Section 36 Confidentiality of the Freedom of Information (Scotland) Act 2002.)				



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|----|---|----|----------|--------------|
| 11 | Annual Report and Financial Statements 2023/24
(Joint item with Audit Committee) | No | Approval | Senga McKerr |
|----|---|----|----------|--------------|

(Paper 11 is withheld from publication on the Forth Valley College website under Section 27 Information Intended for Future Publication of the Freedom of Information (Scotland) Act 2002.)

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| 12 | Draft External Auditors Annual Report to the Board of Management
(Joint item with Audit Committee) | No | Approval | Mazars |
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(Paper 12 is withheld from publication on the Forth Valley College website under Section 27 Information Intended for Future Publication of the Freedom of Information (Scotland) Act 2002.)

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| 13 | Finance Update 3 Months to October 2024 | No | Information | |
|----|---|----|-------------|--|

(Paper 13 is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

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| 14 | Forward Agenda | Yes | Information | |
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2. Draft Minute of Meeting 12 September 2024 For Approval

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FINANCE, RESOURCE & INFRASTRUCTURE COMMITTEE

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

Present: Liam McCabe
Paul Devoy (via teams)
Philip Harris
Graham Leebody

Apologies: Craig Arthur
Kirsten Kennedy, FVSA Vice President (FVSAVP)

In Attendance: Kenny MacInnes, Principal
Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)
David Allison, Vice Principal Infrastructure and Communications (VPIC)
Colin McMurray, Vice Principal Business and Innovation (VPBI)
Senga McKerr, Director of Finance (DOF)
Moira France, Finance Manager (FM)
Karina Buchanan, Human Resources Business Manager (HRBM)
Stephen Jarvie, Corporate Governance and Planning Officer (CGPO)
Elena Strachan, FVCA President (FVSAP) for item F/24/005
Martin Loy, Head of Estates, Facilities Management & Health & Safety (HEFMHS) for items F/24/011 and F/24/012) only

F/24/001 Apologies, Declaration of Interests and Changes to Members' Register of Interest

The apologies were noted

F/24/002 Draft Minutes and Matters Arising of meeting of 11 June 2024

Members considered the minute of the previous meeting

a) Members approved the minute of the meeting of 11 June 2024

F/24/003 Review of Action Tracker

The Chair noted that this was the first time the action tracker was coming to the Committee and welcomed the report.

He noted that most actions were complete and that the update on the development and fundraising strategy would be deferred to a future meeting.

Members requested that this be brought as a paper and substantive update.

a) Members noted the content of the tracker



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F/24/004 Review of Committee Remit

The Chair noted that this was the annual review of the Committee remit for members to consider if the remit meets the needs of the Committee.

Members noted that the remit remained correct but that an amendment to state that the Board may assign other matters to the Committee for consideration should be added.

a) Members agreed the remit subject to the amendment above

F/24/005 Student Association Outturn for 2023/24 & Budget for 2024/25

The FVSAP presented members with a paper on the outturn for 2023/24 and proposed budget for 2024/25.

She outlined a range of activities which had taken place and the plans for the coming year, noting her desire to create a culture of greater interaction between students.

She highlighted the desire to expand the number of Student Awards and that sponsors had been approached to support this.

She discussed the feedback Friday activity and the upcoming election for FVSA Executive Officers.

She noted the underspend in the previous year and confirmed this was due to staffing changes during the year.

She outlined the budget ask for the current academic year and the proposed activities of the President and Vice President.

a) Members welcomed the report, proposed expansion of student engagement and approved the budget for 2024/25

F/24/006 HR Policies - Family Friendly Policies

The HRBP presented a paper covering updates to four family friendly policies. She noted that the changes were not material and that copies of the updated policies had been included in the 'for information' section of the Committee papers.

She confirmed that the College Unions had been involved in the review of the policies.

The Principal confirmed that, during the consideration of these policies by the Leadership Management Team, discussion had taken place on how best to communicate these changes to the College staff.

a) Members approved the policies as presented



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F/24/007 Forecast Outturn 2023-24

The FM presented members with a paper outlining the Q3 position and identified risks.

She discussed the overall position and highlighted significant changes to income and expenditure since the last paper to the Committee.

She highlighted the variance in the grant in aid allocation and the Principal is leading then review into this position and how to mitigate against future losses. The Principal confirmed that an independent review and been carried out and he had accepted the recommendations made. The report and response to recommendations will be reported to the next Audit Committee.

Members noted a significant increase in commercial income and queried the reason for this. The FM noted that this mainly related to increased activity in courses such as electrical safety.

The Principal reported on a potential £83k clawback from SDS related to employers of MA's not actually employing the MAs. He noted that this was all external to the College and did not impact on our delivery but that SDS were potentially going to ask the College to collect and pass on payroll information, to prove the MAs are employed, on a quarterly basis and that the College was pushing back on this additional administrative burden that is not related to College activity.

Members queried if the identified MA's did exist. The Principal confirmed that they did and had been in College for training so this could be verified.

Members queried the increase in external audit fees and asked if the College was reviewing the content of these. The VPFA confirmed that this had been asked for and had been reviewed and now agreed with Mazars.

a) Members noted the content of the report

F/24/008 Finance Update

The HOF presented a financial update covering finance matters not covered in the previous paper.

She confirmed that the 24/25 budget would be brought to the upcoming Board management.

She noted that the Board had agreed in June 2024 that the College should look to identify £600k of savings as part of measures to address the projected £1.6m deficit. Between this work, the outcome of the consultation and additional commercial activity, a total of £706k improvement had been made.



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Members queried whether any of the identified savings would be recurring or were one off savings.

The HOF confirmed it was a mix of the two.

[REDACTED]

[REDACTED]

The HOF discussed the current cash balances for the College and anticipated demands on the cash.

Members queried what the College could do in response to an unexpected demand on cash. The VPFA confirmed that the College had the option to pull down funding early from SFC to meet unexpected demand.

The HOF discussed capital budgets and also noted that the Falkirk Growth Deal was signed off by the Government that day.

She outlined capital projects that were anticipated to take place and the associated costs. Members noted that there was some uncommitted capital funding and queried whether this would be allocated within year.

The HOF confirmed that this is the case but that the College was waiting for a decision from Scottish Government on transfer between CDEL/RDEL which would influence the final decision.

The Principal confirmed that requests for capital works were being triaged.

Members queried the levels of margin involved in the commercial activity and the HOF confirmed the normal margin levels which depends on the specialism being delivered.

The HOF discussed procurement activity and confirmed that a 0.5FTE is being recruited to start in October to support the anticipated increase in procurement activity associated with the upcoming Skills Transition Centre.

Members queried if the additional staffing costs could be recharged to the project and it was confirmed that this was the case.

The HOF discussed Student Funding levels, noting a slight increase in SAAS funding levels for the year.

a) Members welcomed the report and noted the content



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F/24/009 People Strategy Update

The HRBM presented an overview of progress against People Strategy. She confirmed that all objectives had been met with targets achieved in each quarter.

She noted in relation to the few amber rated items on the dashboard that some changes were being rolled out in a structured matter and also in relation to the consultation savings.

She discussed the new induction process in place for new staff members, noting that two sessions had been conducted to date and the induction materials were being updated based on the feedback of those involved.

The Principal confirmed that the in person induction had been developed to meet new staff and ensure that they are aware of the culture of the College and to help them embed better and have a positive on boarding experience.

It was noted that the Unions had expressed an interest in participating in the induction process and that HR had confirmed that once the new process was established this would be looked at.

The HRBM noted that the internal audit of the new HR Payroll system had been very positive with a strong rating achieved.

a) Members noted the content of the report

F/24/010 Health and Wellbeing Dashboard

The HRBM presented the dashboard and confirmed that the project had met the objectives it had set out to achieve.

She noted the focus of the previous academic year had been men's health and outlined the activities to support this.

She also noted that a reasonable adjustment passport for staff with additional support needs and that training with managers was underway to support discussions with staff.

She informed members that the wellbeing project questionnaire was conducted again and an action plan was being developed based on the feedback. This included further work task analysis work which was currently being tendered for.

She highlighted that the College had gained "experienced" level in relation to being a carer positive organisation and that further improvements would be sought in coming years.

Members commented on the positive range of activity underway and that it contributed to the culture of the College.



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Paul Devoy commented that Investors In People had recently released a report that was relevant to this topic. It was agreed that he would share the report with the CGPO who would distribute it to the Committee members.

a) Members noted the content of the report

F/24/011 Estates Update

The HEFMHS presented an update on the College estate. He confirmed that the risks related to backlog and lifecycle maintenance remained unchanged as the funding had not increased.

He confirmed matters relating to health and safety continue to be prioritised and there were no issues at this time.

The HEFMHS discussed the SFC infrastructure plan work, noting that there was a lot of work involved for the College but any benefit from this plan was unlikely.

He also confirmed that SFC were launching a review in relation to net zero which would require input from the College.

The Principal informed members that he continues to raise the funding issues with SFC at a range of levels.

The VPFACA also noted that the funding issues were raised in the FFR narrative each year.

The HEFMHS reported on the on boarding of the new total facilities manager (TFM) who commenced on 1 July 2024. He confirmed that the process had been fairly smooth so far and the team were impressed with the TFM provider's team.

The Principal noted the amount of work involved with the TFM contracting and on boarding and noted his thanks for the HEFMHS and the team.

a) Members noted the content of the report

F/24/012 Health & Safety Dashboard

The HEFMHS presented members with the dashboard on health and safety in the College.

He discussed mandatory training levels within the College. He commented that developments with the new HR system would allow for more accurate data, as the current system recorded all staff and that some of the training, for example display screen equipment, was not relevant to staff such as cleaners and kitchen staff.



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The new system would also take into consideration staff on maternity leave or long term sick.

Members noted that regular reports on mandatory training be provided to the Committee.

The HEFMHS confirmed to members that accident statistics were below anticipated levels, in many way thanks to proactive actions from staff in workshops and kitchens.

a) Members noted the content of the dashboard

F/24/013 Skills Transition Centre (Verbal)

The VPFCA informed the committee that a paper would be going to the Board of Management for approval of the Full Business Case which will likely be submitted in October 24 once the growth deal has been formally signed by UK and Scottish Governments.

a) Members note the update

F/24/014 Review of Risk

Risks were identified in their covering papers

F/24/015 Any Other Competent Business

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

3. Review of Action Tracker

Meeting	Date	Minute Ref	Action	Assigned to	Deadline to report?	Status	Output Required	Comment
FRAIC	11/6/24	F/23/043	Members agreed a cost benefit analysis of the development and fundraising strategy should be conducted	Colin McMurray	CM to advise	Cancelled	Analysis to be brought to FRAIC	Now included in the overally college efficiency review
FRAIC	11/6/24	F/23/046	Members requested an accompanying letter to the FFR be prepared and taken to the next Board meeting	Alison Stewart	20/06/2024	Completed	Letter for SFC	
FRAIC	12/9/24	F/24/004	Committee remit to be updated to reflect that the Board may assign other matters to the Committee for consideration	Stephen Jarvie	n/a	Completed	Updated remits in admincontrol	



5. Management Assessment of Going Concern For Discussion and Confirmation

21 November 2024

FINANCE, RESOURCE & INFRASTRUCTURE COMMITTEE

1. Purpose

To discuss with members the **Going Concern Assessment** document required for the **Annual Report and Financial Statements for the year to 31 July 2024**.

2. Recommendation

Members consider the draft document prepared for the audit of the Annual Report and Financial Statements for the year ended 31 July 2024, and provide confirmation of their agreement with the conclusions therein.

3. Background

Audit Scotland published a guide for auditors in respect of Going Concern in the public sector (December 2020), stating that in determining the appropriateness of the going concern basis of accounting, the continued use of the assets to deliver services is more important than the continued existence of a particular public body, and as such the use of going concern basis of accounting will always be appropriate for public bodies, and as such does not require justification by future forecasts and cash flow projections.

As part of their wider-scope work, which includes financial sustainability, our auditors require a formal management assessment of going concern to be prepared. This includes forecast income & expenditure, and cash flows from August 2023 to July 2026.

The draft Q1 forecast for 2024-25 and the 2025-26 scenario submitted to SFC for the FFR prior to corrective actions have been updated with current information, and these I&E forecasts are used in the assessment of Financial Sustainability discussed below. Without corrective actions the College will run out of cash by the final quarter of the year to July 2026, however, there are various options and opportunities available to the management team to address this situation.

4. Key Considerations

It is important to distinguish between **Going Concern** and **Financial Sustainability**. This is referred to within the Annual Report and Financial Statements as the College continuing to operate on a "going concern" basis.

Financial Statements are required to categorically state whether, or not, they are prepared on a going concern basis. As a public body Forth Valley College is able to confirm the appropriateness of preparing its' financial statements on a **Going Concern** basis without further justification.

Separate to the concept of going concern is the **Financial Sustainability** of the College, which considers the ability to generate cash from day to day operational activities, and evidence that liabilities can be met as they fall due. Given the uncertainty in the current economic environment, high wage demands, tightening of government finances, and high inflation, the assessment of financial sustainability is more complex. Ultimately, the financial sustainability of the College, and indeed the sector, requires one or more of the following – reduction in delivery volumes, increases in funding levels and/or fundamental restructures. All of these require input from Scottish Government.



5. Management Assessment of Going Concern For Discussion and Confirmation

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

There are no specific resource implications arising from this paper

6. Equalities

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

7. Communities and Partners

As this is a finance report it does not involve stakeholder groups.

8. Risk and Impact

The risk of FVC not being considered a going concern by the auditors is very low, as the forecast cash flows provided along with the Audit Scotland guidance is sufficient to satisfy their audit requirements.

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

Total Risk Score – 2

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

Is the score above the Board Risk Appetite level? No

Risk Owner – Alison Stewart
Paper Author – Senga McKerr

Action Owner – Senga McKerr
SMT Owner – Alison Stewart

MANAGEMENT ASSESSMENT OF GOING CONCERN

AS AT YEAR ENDED 31 JULY 2024



Management has assessed the financial position of the College for the year ended 31 July 2024 and its future financial position to support the going concern basis of preparation in the financial statements, and ensure completeness and accuracy of related disclosures. The assessment period considered was up to 31 July 2026 based on the operating cycle of the College, which is more than 12 months from the date of signing these accounts. Management has also considered any known factors that may occur immediately after the end of the going concern assessment period and has not identified any significant matters to impact its conclusion.

Basis of Preparation Conclusion

Management has concluded that it is appropriate for the going concern basis of preparation to be used in the Financial Statements for the year ended 31 July 2024. This conclusion is based on the following factors:

- The concept of a going concern assumes that an entity's functions and services will continue in operational existence for the foreseeable future. As a public entity, the College cannot be dissolved without statutory prescription, as such they must prepare their financial statements on a going concern basis of accounting. **In accordance with the FREM and HE/FE SORP, the College is therefore required to prepare its financial statements on a going concern basis unless informed by the relevant government body of the intention for dissolution without transfer of services or function to another entity.** The College has received no such notification, in particular from the SFC. The accounts are prepared on the assumption that the College will continue in operational existence for the foreseeable future.
- **Audit Scotland** published a guide for auditors in respect of Going Concern in the public sector (December 2020), stating that in determining the appropriateness of the going concern basis of accounting, the continued use of the assets to deliver services is more important than the continued existence of a particular public body, and as such **the use of going concern basis of accounting will always be appropriate for public bodies, and as such does not require justification by future forecasts and cash flow projections.**

Financial Sustainability

The Financial Sustainability of the College considers the ability to generate cash from day to day operational activities, and whether it has sufficient income and liquidity to evidence that liabilities can be met as they fall due. Given the uncertainty in the current economic environment, high wage demands, tightening of government finances, and high inflation, the assessment of financial sustainability is more complex. Ultimately, the financial sustainability of the College, and indeed the sector, requires one or more of the following – reduction in delivery volumes, increases in funding levels and/or fundamental restructures. All of these require input from Scottish Government.

- In respect of its current financial position:
 - At the balance sheet date the College had net current liabilities of £2.4 million, due to an element of deferred government capital grants being disclosed as creditors in accordance with FRS102. They do not represent future cash outflows. Adjusting for this would result in net current assets of £1.3m. Liabilities also include pension provision and liabilities which will be met by future College income or grant in aid which cannot be drawn down in advance of need.
 - The College has liquid cash reserves of £4,446k as at 31 July 2024.
 - In the year to July 2024 the College made an adjusted operating surplus of £794k after allowing for loan repayments and excluding FRS102 pension adjustments. However within this surplus is an accounting adjustment (credit) for support staff and middle management job evaluation costs of £340k offset by £640k for severance payments funded from cash reserves, thus the underlying position is a strong surplus.

- The draft Q1 forecast for 2024-25 plus the forecast scenario for 2025-26 as presented to the Board in September 2024, is an adjusted operating deficit over the 2 academic years of £2,763k, and assumes:
 - Flat grant in aid;
 - 4.14% pay awards for September 2025;
 - Continuing general inflationary pressures;
 - But with no corrective actions.
- Based on these deficit projections, the **College cash forecasts show a cash deficit of £0.4m by July 2026**, and therefore additional financing will be required to meet its liabilities before the end of academic year 2025-26.
 - **However**, these forecasts take no account of actions that management will take to improve the financial situation of the College.
 - Should there be a short term need for cash, the Forth Valley College Foundation is permitted to provide short term loans to the College.
- It is abundantly clear from the FFR projections that the projected flat grant in aid cash from SFC requires fundamental change within the sector, and direction from Scottish Government on the way forward. The management team will continue to seek ways of increasing income streams and reducing costs, and continually scenario plans for longer term solutions.
- Until SFC provides strategic direction and some funding certainty, any strategic plans created now are likely to quickly become obsolete. This includes scenarios and sensitivities, and as such sensitivity analysis has only been undertaken to the extent that, where a risk exists, the financial impact has been assessed and the potential for variations noted in LMT, Finance, Resource & Infrastructure Committee and/or Board papers.

The following documents provide more detailed financial analysis and have been provided to the auditors:

Description	Period Covered
Budget for 2024-25 approved by Board of Management 26 September	1 August 2024 – 31 July 2025
Financial Forecast Return FVC paper – approved by Board of Management 20 June	1 August 2023 – 31 July 2027
FFR submission and commentary to SFC including cash flow forecasts	1 August 2023 – 31 July 2027

Assessment approved by:

 Alison Stewart, Vice Principal Finance & Corporate Affairs
 November 2024