

Board of Management Finance and General Purposes Committee

Date: 23 May 2017

Time: 2pm

Room: 1074b

A G E N D A

**Presented
by**

- | | | | |
|----|---|------------|----|
| 1 | Welcome and Apologies for Absence | | JH |
| 2 | Declaration of Interest | | JH |
| 3 | Minute of Meeting of 14 March 2017 | (attached) | JH |
| 4 | Matters Arising | | |
| | 4.1 Government Banking | (verbal) | KH |
| 5 | 2017-18 Draft Budget | (attached) | KH |
| 6 | Estates Update | (verbal) | HP |
| 7 | Engineering Equipment | (attached) | HP |
| 8 | Voluntary Severance Scheme Update | (attached) | HP |
| 9 | Industrial Action by EIS Update | (verbal) | HP |
| 10 | Financial Update (inc Management Accounts) | (attached) | KH |
| 11 | Aged Debt Report | (attached) | KH |
| 12 | Cash Flow Forecasts | (attached) | KH |
| 13 | Any Other Business | | |
| 14 | Date and Time of Next Meeting - Tuesday 26 Sept 2017 at 2pm | | |

Board of Management Finance and General Purposes Committee

Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Tuesday 23 May 2017 at 2.00 pm in Room 1074b, Dumfries Campus.

Present: John Henderson (Chair) Ros Francis
Karen McGahan Carol Turnbull
Kenny Henry

In attendance: Karen Hunter, Finance Manager
Helen Pedley, Director of Organisational Development and Facilities
Ann Walsh, Secretary to the Board

Minute Taker: Heather Tinning, Executive Team Assistant

1 Welcome and Apologies for Absence

The Chair welcomed members to the meeting, in particular Ann Walsh to her first Finance and General Purposes Committee meeting.

The Secretary to the Board confirmed the meeting was quorate with enough members present to allow decisions to be made.

2 Declaration of Interest

Members agreed to indicate declarations of interest as appropriate throughout the meeting.

3 Minute of Previous Meeting

The Minute of the Finance and General Purposes Committee held on 14 March 2017 was approved.

4 Matters Arising

4.1 Government Banking

The Finance Manager provided an update on Government Banking, reporting that the Bank Account has now transferred to a Royal Bank of Scotland Government Bank Account. The old Account will be kept open for a period of time, to allow for Direct Debits to be transferred to the new Account. RBS provide regular updates and also training for Finance Staff. The Finance Manager advised that although we won't receive any interest in the Government Bank Account, the charges will be much lower.

The Chair thanked the Finance Manager for the update on Government Banking.

5 2017-18 Draft Budget

The Finance Manager spoke to the report which had been issued, based on the final allocation of funding received from the Scottish Funding Council. The costs for migration to the new pay scale have been assumed in the draft budget. The Finance Manager advised that overall the budget will show a deficit including depreciation, also advising that Salaries are a main cost in the budget. Discussions have taken place with Budget Holders across the college in terms of savings. Members noted the reduction in energy costs for last year. The Finance Manager highlighted that the

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current year also includes some Operational Plan spends in some areas. She advised that going forward, we hope to have confirmation that the government will pay for migration costs.

Members discussed the Pay Award and the potential impact of the support staff pay award and any potential changes to their conditions following negotiation with the support staff union. The Director reported on the National Job Evaluation Scheme, which will aim to remove inconsistencies in the role.

In terms of the UWS re-charges of £80,000, the Principal advised that the University Funded Places are indicated for the student at the start of the HN Course on the assumption that they will progress. Members agreed that this was a low risk.

The Chair indicated that at this present time with the cost and funding implications of pay negotiations still uncertain, the Committee would be uncomfortable recommending a budget deficit to the Board, but in the current circumstances there appeared to be no alternative.

The Chair thanked the Finance Manager for the report.

Decision: Members recommended the 2017-18 Draft Budget for approval by the Board, with a caveat to aim for a balanced budget.

6 Estates Update

The Director of Organisational Development and Facilities provided an update on Estates, advising that a detailed report will be presented to the Finance and General Purposes Committee at the start of Academic Session 2017-18. In terms of the Voluntary Severance Scheme, following advice from the Scottish Funding Council, Depreciation money was allocated for the Scheme amounting to £278,000.

The Director advised that there were no planned major estates work over the summer period. In terms of the heating works at the Stranraer Campus, which has gone out to tender, there have been two site visits. Work is progressing in preparation of works over the summer.

A review of carbon management is being progressed, in terms of energy savings. Flood Prevention works have now been completed, with an update provided to the Insurers. The claim amounted to around £50,000 without the clean-up costs.

The Chair thanked the Director of Organisational Development and Facilities for the Estates Update.

7 Engineering Equipment

The Director of Organisational Development and Facilities spoke to the report which had been issued, requesting the purchase of new Engineering Equipment. The Director advised of the benefit to Learners, which will also enhance the whole learning environment. Employers have commented that the equipment is out of date, which is forming the rationale behind the bid. The Funding for the equipment, totalling approximately £310,000, is sought for in two stages, initially

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to start works over the summer for session 2017-18, and the final funding to be released in April 2018 for delivery in session 2018-19.

The Chair thanked the Director of Organisational Development and Facilities for the report.

Decision: Members noted the report and approved the application for the release of funds from the Arm's Length Foundation to fund the Engineering Equipment.

8 Voluntary Severance Scheme Update

The Director of Organisational Development and Facilities spoke to the report which had been issued, advising on the current position following the completion of the Voluntary Severance Scheme. The scheme closed for applications on 31st March 2017. There was a lot of initial interest and 27 formal requests were received. The Principal had delegated authority to approve packages below £40,000 and all requests did fall below this amount. The total redundancy costs have come in within the budget allocation of £278,000, at £251,847, with £104, 564 to re-invest elsewhere and go towards funding some of the operational plan requests that were put forward. The Director advised that the first signing of all settlement agreements had taken place, as of yesterday. A second signing of the agreements will take place towards the termination date of 31 July 2017.

The Voluntary Severance scheme was approved for a two year period. The Director advised that a discussion would be brought back to the Board if there was any reason to apply the Voluntary Severance Scheme again within this period. A more detailed paper on the Structure will accompany this report for the full Board Meeting on 6th June.

The Chair thanked the Director of Organisational Development and Facilities for the report.

Members noted the report.

9 Industrial Action by EIS Update

The Director of Organisational Development and Facilities provided an update on the Industrial Action by EIS, advising that the Strikes have been suspended at present. She advised that during the 6-strike days so far, attendance by Lecturers in the college varied on a daily basis, with more classes running as each day progressed. In terms of withholding of money, the Director advised that the calculations have been based on staff working over a 5-day period and the deductions in the pay will be made in accordance to this as our Lecturing Contract stipulates a 5-day period. Some colleges have 7 day weekly contracts with their lecturing staff and EIS are pressing for a 1/365 deduction.

The Director advised that timetabling is currently being progressed for 2017/18.

The Principal advised that the key priority at this stage is for an agreement to be reached, with additional funding to prevent increased pressure on the staffing budget. College Principals are looking at a cross-sector proposal, to be discussed further at the Employers Association meeting arranged for next week. The Principal advised that she is attending a Funding and Finance

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Committee tomorrow to look at costs and scenarios. The Principal reported that although Strikes have been suspended at this stage, the agreement is still very much in discussion in relation to:

- Working Hours
- Annual Leave
- Salary Conservation

Until any additional funding is confirmed, the pay award has been included in the budget on the assumption that it will be funded by the College. Promoted posts have been costed in the budget also as worst case scenario.

The Chair thanked the Director of Organisational Development and Facilities for the update.

10 Finance Update (including Management Accounts)

The Finance Manager spoke to the report which had been issued, reporting on the aim to achieve an underlying break even position at the end of July. In terms of the balance sheet, members noted that the cash at bank figure has increased substantially since February. By the end of July, expenditure from depreciation cash is expected to be £355,000

The Principal confirmed that there are sufficient funds to cover extra teaching days if deemed necessary following the strikes. In answer to a question in terms of targets, she advised that we are on target for our credit activity.

The Chair thanked the Finance Manager for the report.

Members noted the report.

11 Aged Debt Report

The Finance Manager spoke to the report which had been issued, advising that the figures included in the report are as at March 2017, reporting that overall the debt has increased by around £10,000 as at April 2017. Following advice from the debt collection agencies, the balances have been written off for the irrecoverable older debts. Following Scottish Government direction on debts, the Finance Manager advised that we have to pursue student debts and any over payments, as per the Student Support Audit. The college is responsible for paying debt collection fees, which cannot be claimed from Bursary Funds.

The Chair thanked the Finance Manager for the report.

Decision: Members noted the aged debt balances at March 2017 and approved the proposed balances to be written-off totalling £3,251.11

12 Cash Flow Forecasts

The Finance Manager spoke to the report which had been issued, giving a summary of projections up to 31st July 2017. She advised that the Lennartz payments will be completed in July 2018. In answer to a question, the Finance Manager advised that VAT cannot be claimed in terms of Engineering equipment, however a partial reclaim may be submitted for the Restaurant and Salons.

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The Finance Manager reported that the Scottish Funding Council have advised that if any colleges experience any issues in terms of cash flow, an early payment would be made to support colleges.

The Chair thanked the Finance Manager for the report.

Members noted the report, including the forecast movements and closing bank balances in the period.

13 Any other Business

13.1 Recruitment

The Principal advised that she had been meeting with the Heads of Faculties to discuss recruitment for next session. A final review meeting has been arranged to ensure that places have been maximised. In terms of Electrical Engineering, the Director reported on a day release programme for next year. For Foundation Apprentices there are 17 confirmed places, and approximately 238 school pupils for the DEC (Design Engineering Construction) programme.

The Principal advised that any impact from the Industrial Action will be monitored when reviewing recruitment.

14 Date and Time of Next Meeting

The next meeting of the Finance and General Purposes Committee will take place on Tuesday 26 September 2017 at 2 pm.

Board of Management Finance and General Purposes Committee

Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Tuesday 14 March 2017 at 2.00 pm in Room 1074b, Dumfries Campus.

Present: John Henderson (Chair) Ros Francis
Karen McGahan Carol Turnbull
Kenny Henry

In attendance: Jannette Brown, Vice Principal Corporate Services & Governance and Secretary to the Board
Karen Hunter, Finance Manager
Helen Pedley, Director of Organisational Development and Facilities
Brian Johnstone, Chair of the Board of Management

Minute Taker: Heather Tinning, Executive Team Assistant

1 Welcome and Apologies for Absence

The Chair welcomed members to the meeting, and thanked Karen McGahan for Chairing the last meeting on his behalf.

The Secretary to the Board confirmed the meeting was quorate with enough members present to allow decisions to be made.

2 Declaration of Interest

Members agreed to indicate declarations of interest as appropriate throughout the meeting.

3 Minute of Previous Meeting

Members asked for item 4.2 of the minute to be amended to 'The College's inability to set aside cash for future developments. The Minute of the Finance and General Purposes Committee held on 29 November 2016 was then approved.

4 Matters Arising

4.1 Sale of Catherinefield

The Director of Organisational Development and Facilities reported that the missives had now been concluded and payment received for the sale of Catherinefield.

4.2 Five-year Financial Strategy

The Vice Principal Corporate Services & Governance reported that the College Sector Finance Directors Steering Group are looking to develop a template for the sector to use which can then be tailored for individual colleges. The strategy will come to this committee for consideration prior to going to the full board.

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4.3 Update on Lennartz Ruling

The Vice Principal Corporate Services & Governance advised that no change in the information relating to Lennartz since the committee last met. However, the College will continue to keep this under review and update the Committee if the situation changes.

5 Climate Change Action Plan Update

The Director of Organisational Development and Facilities spoke to the report, which had been issued providing members with progress on the actions, detailed in the plan. The Director confirmed that the College was on target to achieve the reductions planned over the five-year period. The College is in the process of agreeing tenders to replace the boilers at the Stranraer campus, new energy efficient gas boilers have been installed at the Dumfries Campus, as well as replacement to and upgrading of lighting. The Director reported that early indications show cost savings in energy bills when compared to the same period last year. A college wide Sustainability Working Group including student reps and the college's climate change officer, had been set up to help meet the Scottish Government's aim to transition to a low carbon economy.

Members noted the report.

6 Indicative Funding 2017-18

The Vice Principal Corporate Services & Governance spoke to the report, which had been issued, on indicative funding allocation for next year. The Vice Principal highlighted the differences from last year to this, and whilst there is a slight increase overall the increase will not cover the increased pay costs.

The Principal provided members with an update on the current EIS situation following an Employers Association meeting she and the Director of Organisational Development and Facilities had attended.

Members noted the report.

7 Financial Update (inc Management Accounts)

The Finance Manager spoke to the report, which had been issued. The February Accounts had been updated to reflect the sale of Catherinefield. She reported that the College is on target to achieve an underlying operating break-even position. She also reported that the forecast deficit includes planned 'depreciation cash' expenditure of £355k to meet the 2015-16 consolidated pay award and estimated voluntary severance scheme costs.

Members noted the report.

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8 Aged Debt Report

The Finance Manager spoke to the report, which had been issued, providing members with an update on debtor balances and bad debts arising since 31 October 2016. She advised that there were no debts to write off and asked members to note the position.

Members noted the report.

9 Cash Flow Forecasts

The Finance Manager spoke to the report, which had been issued, summarising the cash flow forecasts up to 31st July 2017. She advised that all capital maintenance projects to be paid by the end of March and Voluntary Severance Scheme Payments to be paid by the end of July.

Members noted the report.

10 Any Other Business

10.1 College Banking

The Chair of the Board advised members that the College is on course to switch to government banking with the Royal Bank of Scotland by the agreed 1st April deadline.

10.2 Vice Principal Corporate Services & Governance

To conclude, the Chair of the Finance and General Purposes committee thanked Jannette Brown for all her help and commitment over the years. He advised that she was a great pillar of support and knowledge, and wished her well with her plans for the future.

11 Date and Time of Next Meeting

The next meeting of the Finance and General Purposes Committee will take place on Tuesday 23 May 2017 at 2 pm.

Finance and General Purposes Committee

BUDGET FOR 2017/18

1. PURPOSE OF REPORT

The purpose of this report is to review the initial budget proposals for the 2017/18 financial year.

2. REPORT

The Scottish Funding Council have provided the final allocations of grant funding for 2017/18, including core grant and student support funding. The grant allocations include additional core grant of £37,947 and 268 additional credits for childcare activity.

The draft budget shows an underlying deficit of £113,000. Prudent assumptions have been used in preparing the draft report, which includes an estimate of costs of £191,000 for migration to new pay scales for lecturers and promoted lecturing posts. The net out-turn will be monitored and revised as further information is available, with the aim of achieving an underlying break-even position for the year to July 2018.

The budget is based on the forecast out-turn for the current academic year, with adjustments made for developments and other changes planned. A summary of the income and expenditure is attached, which shows the 2016/17 forecasts and the draft budget for 2017/18.

The 2017/18 budget has been prepared taking into account the operational supplies, services and support required in order to deliver the same level of services as the current year. Detailed discussions have been held with all College budget holders in order to assess any changes planned for next academic year, and the effect on related income and expenditure for each area. The main changes have been noted in this report.

SFC have indicated that the priorities for depreciation cash grant will be the same in 2017/18 as the current year, and the draft budget includes planned expenditure from those funds.

Student support income and expenditure is shown separately, as those funds are ring-fenced, and can only be used in accordance with rules set by the Scottish Funding Council and the Student Awards Agency for Scotland. Any changes in demand will be highlighted and reported to the Executive Management Team and this Committee.

The budget will be reviewed on an ongoing basis, with income, expenditure and projections monitored and reported back to the Executive Management Team in order to make adjustments to meet targets and re-align plans where necessary.

Finance and General Purposes Committee

Key Assumptions

The key assumptions made for the draft budget are as follows:

Income

SFC Grant Allocation

The indicative allocation of core grant was £8,783,907 which represents a 2.2% increase from 2016/17. The credit target has increased to 30,336, an increase of 0.89%.

SFC Projects

The budget for SFC Project income is in line with the current year as follows:

	2016/17	2017/18
ESOL	34,000	34,000
EMA Admin	<u>12,000</u>	<u>12,000</u>
Total	<u>£ 46,000</u>	<u>£ 46,000</u>

Capital maintenance

Capital maintenance grant of £373,918 has been included in the grant allocation from SFC. Maintenance grant of this amount will be £84,560 lower than the amount received in 2016/17, which included additional grant of £178,030.

Other Income

Other income has been included in the budget as follows:

	2016/17	2017/18
SAAS fees	£570,000	£570,000
SDS contracts	300,000	205,000
CTS fees	230,000	240,000
SVQ fees	110,000	120,000
UWS teaching hours	80,000	80,000
UWS re-charges	80,000	80,000
Salary re-charges	34,000	0
Other partnership working	80,000	80,000

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Expenditure

Salaries

Salary costs have currently been estimated at £8,446,000. The budget includes gross pay, national insurance, and pension costs for each current member of staff, with assumptions made for vacancies, development posts, pay awards and costs of migration to new pay scales as set out below.

The budget includes salary costs at scale point 12 for lecturing vacancies, budget of £10,000 to cover additional national insurance relating to joint posts, and a contingency of £30,000.

Of the estimated payroll costs for the year, £80,000 has been allocated against depreciation cash grant which equates to ongoing costs of the 2015/16 pay award.

Pay Award

The payroll budget includes £82,000 which would be needed to cover a 1% pay award for all staff, together with £107,000 for migration of lecturer's salaries to the new pay scales, and £84,000 for migration to the new scales for promoted lecturing posts.

Terms and conditions including teaching hours and annual leave entitlements are still being discussed as part of the ongoing negotiations, and the impact of those changes will require to be costed when details are available.

Property costs

The budget is expected to cover core costs for ongoing estates maintenance and repairs.

Energy costs are expected to decrease due to recent developments including the installation of energy-efficient lighting, and changes to heating systems.

Any future developments will require to be costed and assessed against budget available.

Telephones

The budget for telephone charges reflects the expected decrease in the costs of calls due to the changes implemented during 2016/17.

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Operational Plan

£250,000 has been set aside to meet operational plan developments. Total requests for resources and staffing developments in 2017/18 amount to £332,000 and some budget has been set aside in 2016/17 to meet some of the costs. The remaining requests are expected to be met from funding released from the recent staff redundancies, which has not been included in the budget projections.

Other expenditure

Supplies and services forecasts are based on 2016/17 budget levels, with minimal changes made following budget holder meetings.

Depreciation Cash Grant

Net depreciation costs for 2017/18 are forecast to be £354,000.

Costs have been allocated to these funds as follows:

Consolidated pay award for 2015/16 - £80,000

Operational Plan/ developments - £250,000

Those costs have been shown separately in the budget summary as 'depreciation cash expenditure'.

Arms Length Foundation

The budget for 2017/18 does not include any income or related expenditure from the Scottish Colleges Foundation.

Student Support Funding

Student support grant funding reflects the SFC allocation which was £2,039,137. EMA expenditure and related income has been estimated as £250,000 and SAAS funding for HE Discretionary funds is estimated to be £44,000 in line with the current year. The projections are based on nil overspend for the year.

Assets

Depreciation and the corresponding release of deferred capital grants have been calculated based on the fixed assets at 31 March 2017. Any changes to fixed assets will impact on depreciation costs.

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Contingency

No general contingency has been included in the budget at this time.

Out-turn for the period

The draft budget shows an underlying net deficit of £113,000 for the year.

3. RECOMMENDATION

The Committee are requested to review the draft budget for 2017/18, and recommended it for approval by the Board.

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APPENDIX

		Academic Year 2016/17	Academic Year 2017/18	
Budget Summary:		Forecast August 2016 to July 2017	August 2017 to July 2018	Change from 2016/17 forecast
Income		£'000	£'000	£'000
Grant Income		(9,143)	(9,239)	(96)
Release of deferred capital grant		(758)	(758)	0
Fee Income		(1,790)	(1,691)	99
Other Income		(50)	(58)	(8)
Total Income		(11,741)	(11,746)	(5)
Expenditure				
Total Pay Costs		7,984	8,366	382
Property Costs		680	654	(26)
Supplies and Services		565	545	(20)
Other Employee Costs		161	149	(12)
Telephones and Computing		446	420	(26)
Refectory		21	9	(12)
Other		379	313	(66)
Registration costs		195	210	15
Depreciation		1,195	1,193	(2)
Contingency		115	-	(115)
Total Other Costs		3,757	3,493	(264)
Total Expenditure		11,741	11,859	118
Underlying Operating Surplus/ (Deficit)		(0)	(113)	113

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		Academic year 2016/17		Academic Year 2017/18	
		Forecast August 2016 to July 2017		August 2017 to July 2018	Change from 2016/17 forecast
		£'000		£'000	£'000
Depreciation cash expenditure		354		330	(24)
Overall Operating Surplus/ (Deficit)		(354)		(443)	(89)

		Academic year 2016/17		Academic Year 2017/18	
		Forecast August 2016 to July 2017		August 2017 to July 2018	Change from 2016/17 forecast
		£'000		£'000	£'000
Student Support:					
Income		2,278		2,333	55
Expenditure		2,278		2,333	55
Net costs		0		0	0

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ENGINEERING EQUIPMENT

1. PURPOSE

The purpose of this report is to request permission from the Committee to utilise funds in the Arm's Length Foundation for purchase of engineering equipment.

2. BACKGROUND

Dumfries and Galloway College moved into its new Dumfries campus 8 years ago. At that time, due to financial constraints, it transferred all its existing engineering equipment used in the delivery of engineering curriculum to the new campus, with a view to purchase new when funds become available and stagger the cost of replacement over the coming years. Much of the equipment will soon be obsolete or in need of costly repair. It is now time to replace almost all of this equipment. New equipment will enable the College to develop the employability skills of its students, by training them in the use of modern engineering equipment, similar to the models they will use in the workplace. This will increase students' prospects of employment and continuing professional development.

The estimated cost of the equipment is £310,00. The College currently has £335,000 in the Arm's Length Foundation therefore this would leave a balance of £25,000 if the use of funds was to be approved. The College has used existing funds to purchase equipment and resources as part of the operational planning process to the sum of £335,000.

The funding would be requested in two stages, the first payment of £255,000 in June 2017 to allow for equipment to be purchased to support delivery in 2017-18 academic session and the second in April 2018 of £55,000 to support delivery for 2018-19.

4. RECOMMENDATION

The Committee is asked to approve a request be made to the Arm's Length Foundation for the funding of the engineering equipment.

Finance and General Purposes Committee

VOLUNTARY SEVERANCE SCHEME

1. PURPOSE

The purpose of this report is to provide the Finance and General Purposes Committee (F&GP) with a summary of the expenditure related to the Voluntary Severance Scheme and actions taken.

2. INTRODUCTION

Following a review of the curriculum structure and subsequent consultation period the proposed new structure was agreed. This resulted in the reduction to two Heads of Faculty, the introduction of the post of Curriculum Manager (CM) and the removal of the role of Curriculum Leader (CL). The current CLs were therefore at risk of redundancy. The Board of Management at a meeting in December 2016 approved the opening of a Voluntary Severance Scheme (VSS) which would be open to all staff to apply subject to identifying appropriate budget. A budget of up to £270,000 was identified to fund the Scheme. The purpose of the VSS was to avoid compulsory redundancies and identify any changes to working practices which would increase efficiency and release funding to be invested elsewhere in the College. The Scheme closed for applications on 31 March 2017.

3. VOLUNTEERS

27 formal requests were received for voluntary severance. As per the College procedure on the Operation of Severance Payments the Principal has delegated authority to agree a severance package for any individual below £40,000. Any total package over this value is required to be approved by the Remuneration Committee. No individual package totalled over £40,000.

In reviewing the requests for Voluntary Severance the Executive Management Team considered the cost of the redundancy package for each individual, including strain on funds where appropriate, and if the post would not need to be replaced. A payback period of 3 years was used as a guide when determining the cost/savings benefit. However, this was only a guide as the intention was not to make cost savings but to release funding to invest elsewhere within the College.

In summary the following decisions were taken:

- 3 requests from Curriculum Leaders were accepted therefore avoiding compulsory redundancies;
- all of the requests from lecturing staff, with the exception of 1, were refused as the role would need to be replaced with the same hours, skill set etc.
- 10 volunteers from support staff were accepted therefore allowing for changes in working practices and structures within departments to gain efficiencies; and
- 7 requests from support staff were refused as they would need to be directly replaced with the same hours and skill set etc.

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The total with regard to redundancy costs was £251,847, including any strain on funds costs.

The total funding released was £104,564 to reinvest elsewhere. The salary released from the Curriculum Leaders was reinvested in the new curriculum structure.

4. RECOMMENDATION

The Committee is asked to note the report.

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Financial Update at April 2017

1. Net out-turn for Academic year 2016/17

The budget and forecasts for the academic year August 2016 to July 2017 are based on achieving an underlying operating break-even operating position. The overall forecast deficit to July 2017 includes planned 'depreciation cash' expenditure of £355,000 to meet costs for the 2015/16 consolidated pay award and Voluntary Severance Scheme costs.

Costs accrued at 30th April 2017 include £278,000 for the Voluntary Severance Scheme and replacement heating at Stranraer of £150,000.

The forecasts have been revised to reflect current information and assumptions, but is being continuously reviewed at this time to ensure that the estimated out-turn for the year is as accurate as possible.

2. Budget Changes

Some budget lines have been re-profiled in line with actual expenditure for the period to date, and other adjustments which related to the March budget cut-off. In addition, some changes were made to timing of planned expenditure.

3. Results to 30th April 2017

3.1 Key Performance Indicators

The Key Performance Indicators monitoring the forecast out-turn for the year, and working capital position at 30th April 2017 is summarised as follows:

Income and Expenditure:

Operating Surplus/ deficit as % of income	0.00%
Non-SFC income as % of total income (including ALF grant income)	16.7%

Balance Sheet:

Current Assets: Current liabilities	0.87	(31.03.16 – 1.39)
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Days cash to annual expenditure (excluding depreciation) 65 days (31.03.16 – 56 days)

The KPI's indicate that the College is operating with low net assets, in line with the requirements of Central Government budgeting and reporting. The change in financial reporting requirements to include deferred capital grants within creditors has reduced the current ratio to less than 1 but the College has sufficient cash balances to pay creditors as they fall due.

Bank balances remain higher due to the transition to the new RBS account, as both accounts are open for a period.

3.2 Income and Expenditure

Income and expenditure for the period up to April 2017 and forecasts to July 2017 are summarised in paragraph 5.

Grant income was lower than expected for the period to date, and includes a contribution towards training costs from Energy Skills Partnership and other SFC grants which were lower than budget.

Fee income has increased for the period to April, which reflects additional SAAS part-time fee grant and some additional SDS funding.

Overall pay costs are in line with the forecasts for the period to date.

Property costs include professional fees relating to replacement of the Stranraer heating system, and other overheads include recruitment costs for the new Assistant Principal.

The overall variance at 30th April is an overspend of £28,000, which has been offset against the contingency budget.

3.3 Depreciation Cash Budget Expenditure

In line with SFC guidance for depreciation cash expenditure, the following costs are included in projections for the year:

Consolidated 2015/16 pay award costs	£ 77,000
Voluntary Severance costs	<u>278,000</u>
Total	<u>£355,000</u>

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Costs to date of £335,000 have been allocated against depreciation cash in respect of consolidated pay award and voluntary severance costs.

3.4 Balance Sheet

The balance sheet movement for the period between February and April is as follows:

	April '17	February '17	Movement
			<i>£000</i>
Fixed Assets	35,724	35,923	-199
Current Assets	2,964	2,604	360
Current Liabilities	(3,399)	(2,648)	-751
Long Term Liabilities	(22,967)	(23,093)	126
Pension Liability	(8,291)	(8,291)	-
Net Assets	4,031	4,495	-464
Revaluation Reserve	(4,177)	(4,201)	24
I&E Account	146	(294)	440
	(4,031)	(4,495)	464
Cash at Bank	1,874	1,447	427
Net current assets/(liabilities)	(435)	(44)	-391

Fixed Assets – the only movement in fixed assets during the period was depreciation charges.

Current Assets and Liabilities – bank balances reflect the high level of grant claimed during April, to ensure sufficient funds were held in both the old and new bank accounts and the transfer of BACS payment facilities for student support, suppliers and payroll.

Trade debtor balances decreased by £12,000 during April and trade creditors increased by £18,000 due to supplier payments made earlier in the month than normal.

The increase in current liabilities includes voluntary severance scheme costs and other development costs which were accrued at March.

SFC core grant due for the period to date amounts to £6,443,000.

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The decrease in long-term liabilities represents a release of capital grant.

4. Student Support

The grant available for 2016/17 is forecast to be sufficient to meet demand from students, and no overspend is expected for the year.

Income and expenditure forecasts for student support funds are as follows:

	PERIODS 1 TO 9		FORECAST - 12 MONTHS TO JULY 2017				
	August 2016 to April 2017		August 2016 to July 2017				
	Actual	Budget	Forecast	Budget approved 14.03.17	Changes for approval	Revised Budget	Variance
	£000	£000	£000			£000	£000
Income	1,719	1,719	2,278	2,278	0	2,278	0
Expenditure	1,719	1,719	2,278	2,278	0	2,278	0
Net costs to be met by College	0	0	0	0	0	0	0

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5. Income and Expenditure Summary

	PERIODS 1 TO 9		12 MONTHS TO JULY 2017				
	August 2016 to April 2017		August 2016 to July 2017				
	Actual	Budget	Forecast *	Budget approved 14.03.17	Changes for approval	Revised Budget	Variance
	£000	£000	£000	£000	£000	£000	£000
INCOME							
Grant Income	6,949	6,994	9,125	9,170	0	9,170	-45
Release of deferred capital grant	568	568	759	759	0	759	0
Fee Income	1,374	1,348	1,788	1,762	0	1,762	26
Other Income	33	49	48	64	0	64	-16
Total Income	8,924	8,959	11,720	11,755	0	11,755	-35
EXPENDITURE							
Gross pay costs	4,715	4,770	6,309	6,329	-68	6,261	48
Pensions	853	844	1,132	1,155	0	1,155	-23
National Insurance	420	376	545	575	0	575	-30
Total Pay Costs	5,988	5,990	7,986	8,059	-680	7,991	-5
Property Costs	533	568	670	664	41	705	-35
Other overheads	1,382	1,352	1,782	1,720	30	1,750	32
Depreciation	897	897	1,195	1,197	-3	1,194	1
Contingency *	0	0	87	115	0	115	-28
Total Other Costs	2,812	2,817	3,734	3,696	68	3,764	-30
Total Expenditure	8,800	8,807	11,720	11,755	0	11,755	-35
UNDERLYING OPERATING SURPLUS/ (DEFICIT)	124	152	0	0	0	0	0

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DEPRECIATION CASH EXPENDITURE	335	335	355	355	0	355	0
OVERALL OPERATING SURPLUS/ (DEFICIT)	(211)	(183)	(355)	(355)	0	(355)	0

** NOTE - The forecast expenditure will be reviewed with the aim of achieving an underlying break-even out-turn, before allowing for expenditure on depreciation cash funds*

Finance and General Purposes Committee

Aged Debt Report as at March 2017

1. Introduction

- 1.1 The purpose of this report is to provide an update to members on the College debtor balances and any bad debts arising since 31 January 2017.
- 1.2 The value of sales invoices issued by the College on an annual basis is relatively small in comparison to total income. The majority of College income relates to grant funding from the Scottish Funding Council, and other grants which are received at agreed stages during the year. Approximately 1,000 invoices are issued each year, which represents less than 10% of college income.
- 1.3 The number of reminder letters issued for late payments each year is relatively low in comparison to total College income. In addition, the debts which are eventually forwarded to debt collection agents to pursue is very small in comparison to the total invoices raised each year and generally relate to invoices for student support which have been unpaid.

2. Summary of Aged Balances at March 2017

	<u>January 2017 Total</u>	<u>March 2017 Total</u>	<u>Current</u>	<u>1 Month</u>	<u>2 Months</u>	<u>3 Months</u>	<u>3 Plus</u>	<u>No of Debts</u>
Client	36,711	72,105	38,874	30,072	2,190	-	970	24
Student	7,849	2,248	-	-333	-22	-	2,602	14
Bursary 2015/16	2,917	2,917	-	-	-	-	2,917	11
Bursary 2016/17	140	140	-	-	-	-	140	1
Total	47,617	77,410	38,874	29,739	2,168	-	6,628	50

- 2.1. Net debt has increased by £29,793 since January 2017. Client debt has increased and student debt has decreased in the quarter.
- 2.2 The College continues to ensure that debtor balances are current and recoverable by following the agreed procedure for reminder letters, with difficult cases being referred to the debt collection agents to pursue.

Finance and General Purposes Committee

3. Breakdown of debtor balances

- 3.1 At 31 March, client debt had increased by £35,394 which reflects an invoice for £38,306 which was issued at the end of the month. This invoice has since been settled in full.
- 3.2 The total level of student debt has decreased by £5,601 since January 2017. A number of instalment plans which had been previously set up are now complete, with settlement being made in full. Reminder letters have been issued in accordance with College procedures for the remaining outstanding debt.
- 3.3 Bursary debt has remained the same since January 2017. The balance is made up of older debts, which have been followed up in accordance with College procedures but due to the nature of the debts, are less likely to be recovered. The balances have all been forwarded to the debt collection agency to pursue. A number of proposed write offs at this time, as detailed below. The debt collection agents have followed up those older balances but have reported that they are irrecoverable.

4. Bad debt provision

- 4.1 At 31 March 2017 the provision in the accounts is £3,138, but it is expected that this will decrease in the period to July as payments by installment are received. The provision will be reviewed on an ongoing basis.

5. Debt collection agents

- 5.1 The total balance currently at the final stage of debt collection, excluding the proposed balances to write-off, amounts to £1,309. Of this total, £885 relates to course fees, with the bursary debt making up the remaining amount of £424.

6. Balances to write-off

- 6.1 The proposed balances for write-off amount to £3,251.11. This balance is made up of a number of bursary and student support funding debts totaling £2,633.36 and one student debt of £617.75. In each case, the chase has been exhausted by the debt collection company.

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The committee is asked to approve those balances for write-off:

<u>Reference</u>	<u>Amount £</u>	<u>Debt Type</u>	<u>Date</u>
1202702	373.95	Bursary	11/03/2016
1201359	277.85	Bursary	18/01/2016
0700089	378.08	Bursary	19/02/2016
1500434	150.00	EMA	19/02/2016
0804869	90.00	EMA	23/02/2016
1302153	120.00	EMA	04/03/2016
0500429	463.50	Bursary	23/02/2016
0500667	214.05	Childcare	21/11/2015
0700429	378.08	Bursary	20/01/2016
1402724	187.85	Bursary	03/05/2016
0803614	617.75	Course Fees	17/03/2016
	<u>3,251.11</u>		

6.2 A table is attached in the Appendix, which shows the debts written-off in each of the previous six years.

7. Recommendation

7.1 Members are requested to note the aged debt balances at March 2017 and to approve the proposed balances to be written-off totalling £3,251.11.

Finance and General Purposes Committee

Appendix

Summary of amounts previously written-off:

Year debt was written- off	Year of original debt:						
	2015/16	2014/15	2013/14	2012/13	2011/12	2010/11	2009/10
2016/17	283.56						
2015/16		1,636.62	691.00				
2014/15			7,025.33				
2013/14				8,107.20	634.42		
2012/13					200.00		50.00
2011/12						2,033.17	
2010/11						220.00	1,237.00
	283.56	1,636.62	7,716.33	8,107.20	834.42	2,253.17	1,287.00

Finance and General Purposes Committee

Cash Flow Forecasts for 2016-17

1. Purpose of the Report

- 1.1 The purpose of this report is to present the updated Cash Flow forecasts for 2016-17 to the Committee and highlight the key aspects for review.

2. Report

- 2.1 The Scottish Funding Council (SFC) have established a process to manage the payment of grants to Colleges, in line with Government Financial Reporting and Budgeting requirements. The College is expected to maintain a minimum level of cash reserves required in order to operate effectively and meet costs as they fall due. The College submits a monthly claim to SFC which highlights actual and forecast bank balances, and expected expenditure each month as well as any variances from budget allocations set by SFC.
- 2.2 The format of the College's internal cash flow projections was previously updated in order to predict cash movements as accurately as possible and forecast cash requirements each month. The projections cover the sixteen month period from April 2016 to July 2017 which is required for SFC returns.
- 2.3 The cash flow report includes a section for core College cash movements and Lennartz balances. The Lennartz balances will reduce over the remainder of the agreement which is due to be completed in July 2018. The balance available at July 2017 is forecast to amount to £502,000 following the annual 'partial exemption' adjustments.
- 2.4 The monthly grant claim is calculated in order to provide total forecast bank balances of £1m each month to meet operating expenditure. The bank balance is higher in April and May to ensure sufficient funds are available to support the transition to Government Banking Service and a period when two accounts are being used.
- 2.5 The main area to highlight to the Committee is the movement at the SFC budget cut-off periods March and July, and the forecast reduction in the overall bank balances over the period to July 2017 which reflects the payment of Lennartz.

3. Recommendation

- 3.1 Members are asked to note the forecast movements and closing bank balances in the period.

Dumfries and Galloway College

Cash Flow Projections for 2016-17

May

	Actual Mar-17	Actual FY 2014- May	Actual Apr-17	Forecast May-17	Forecast Jun-17	Forecast Jul-17	Projected AY 2016- 17
	£000	£000	£000	£000	£000	£000	£000
Forecast 16-17							
Income							
SFC Grants							
SFC Core Grant	569,956	8,203,417	1,320,000	750,000	800,000	659,584	8,409,540
SFC Strategic Fund	-	47,490		27,653		-	75,143
Developing Young Workforce	-	44,735					-
Student Support							
Bursary	180,000	1,491,000	150,000	145,000	100,310	-	1,400,310
FE Childcare	55,000	275,141	25,000	20,000	15,000	-	266,000
HE Childcare	17,732	85,841	8,000	7,500	5,000	-	99,732
FE Hardship	17,500	85,600	7,500	7,500	5,000	-	84,199
Capital Maintenance	-	458,568				-	458,568
EMA Admin		0	4,710	8,000		-	12,710
EMA Student Maintenance	27,570	329,690	4,170	36,585	42,915	-	339,860
ESOL (16-17)	2,975	20,819	3,312	3,312	3,312	3,313	34,068
ESOL (2015-16)	- 1,620	13,352					1,620
Sale of Catherinefield	-	120,000	-	-	-	-	120,000
Other Income							
ERDF Grants received	-	0	-	-		-	-
Other grant income	-	18,021	-	35,280	4,208	4,212	50,500
Scottish Colleges Foundation	-	170,000					-
HE Hardship	-	54,802	23,487	-	-		78,289
SAAS Fees	20,168	687,476	-				642,489
Re-charges - UWS/ GI. Uni/ DGC	7,726	244,820	38,306	8,560	8,560	8,574	217,524
SDS fees	43,432	328,897	20,847	25,110	25,110	25,111	295,285
Other cash received	59,140	647,519	56,805	53,275	53,275	48,321	681,233
Total cash in	999,579	13,327,188	1,662,137	1,127,775	1,062,690	749,115	13,263,830
Expenditure							
Payroll	683,897	8,068,159	671,135	698,865	690,000	698,288	8,144,333
ESOL Salaries	1,465	15,184	1,188	-	-	-	10,443
ESOL (2016-17)	-	4,777	-	15,731	15,732	15,732	51,972
SPARQS Salaries	-	19,116	-	-	-	-	12,084
SFC - SPARQS	-	228					-
EMA payments	25,770	254,580	12,750	38,625	38,625	-	273,660
Bursary payments (inc. student transport)	180,150	1,423,771	80,717	145,000	287,570	-	1,588,987
FE Childcare	14,658	167,791	16,324	20,000	165,338	-	321,122
HE Childcare	12,121	93,967	7,668	7,500	20,552	0	107,001
FE Hardship	13,598	90,495	10,140	7,500	4,257	-	89,026
HE Hardship	6,822	68,510	6,962	8,000	9,972	-	78,289
Other Student Support	158	348	11			-	359
Depreciation spend - estates development	-	-	-	-	-	278,000	278,000
PL payments (excl student transport)	225,033	2,675,071	88,036	210,000	185,000	253,057	2,451,235
Maintenance costs - from SFC Capital	50,091	363,845	8,786	102,470	-	-	475,101
Catherinefield capital	-	-	-	-	-	120,000	120,000
Other payments	23,660	271,312	10,200	10,000	10,000	10,000	226,673
Total cash out	1,237,423	13,517,154	913,917	1,263,691	1,427,046	1,375,077	14,228,285
Net cash inflow/(outflow)	(237,844)	(189,966)	748,220	(135,916)	(364,356)	(625,962)	(964,455)
Balance b/f	753,093	705,215	515,249	1,263,469	1,127,553	763,197	1,101,690
Balance c/f	515,249	515,249	1,263,469	1,127,553	763,197	137,235	137,235

Lennartz:							
Quarterly payments	82,547	308,575	-	-	76,698	-	297,984
Cash outflow	82,547	308,575	-	-	76,698	-	297,984
Balance b/f	660,770	886,798	578,223	578,223	578,223	501,525	799,509
Balance c/f	578,223	578,223	578,223	578,223	501,525	501,525	501,525

ALF Funded Projects:							
Income from Foundation (Capital)	-	-	-	-	-	-	-
Total cash in	-	-	-	-	-	-	-
Payments made							
Foundation	-	11,208	-	-	-	16,397	27,605
Cash outflow	-	11,208	-	-	-	16,397	27,605
Net cash inflow/(outflow)	0	(11,208)	0	0	0	(16,397)	(27,605)
Balance b/f	32,713	43,921	32,713	32,713	32,713	32,713	43,921
Balance c/f	32,713	32,713	32,713	32,713	32,713	16,316	16,316

Total closing bank balances	1,126,185	1,126,185	1,874,405	1,738,489	1,297,435	655,076	655,076
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