Board of Management

Finance and General Purposes Committee

Monday 2 June 2014 **2.00 pm**

Room 2089

A G E N D A

1	Apologies for Absence	
2	Declaration of Interest	
3	Minute of 17 March 2014	(attached)
4	Matters Arising	
	4.1 Item 4.1 Retention Monies	(verbal update)
Standing Items		
5	Summary Income and Expenditure and Balance Sheet - March 2014	(report attached)
6	Aged Debt Report - March 2014	(report attached)
7	External Development (Income and Expenditure)	(verbal update)
8	Institutional Sustainability	(report attached)
9	ONS Reclassification of FE Colleges	
	9.1 Scottish College Foudation - grant request	(copy letter attached)
	9.2 Student Support and OA 2014-15	(copy letter attached)
Business		
10	Changes to Financial Memorandum	(report attached)
11	New Catering Contract	(report attached)
12	Hospitality Development - tender process	(verbal update)
13	Students Association Funding	(copy letter attached)
14	Regional Outcome Agreement: Annex A	(attached)
15	FFR - main assumptions	(report attached)
16	Cash Flow Projections	(report attached)
17	Any Other Business	
18	Date and Time of Next Meeting	
Restricted Session		
19	Any Other Business (Restricted)	

Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Monday 2 June 2014 at 2.00 pm in Room 2089, Dumfries campus

Present:	R Gunnell J Henderson (Chair) K Henry C Turnbull
In attendance:	K Hunter, Finance Manager J Brown, Assistant Principal (Learner Services) and Clerk to the Board S Sutherland, PA to the Principal

1 Apologies for Absence

None.

2 Declaration of Interest

Members agreed to declare any conflict of interest as appropriate throughout the meeting.

3 Minute of Previous Meeting

The Minute of the Finance and General Purposes Committee held on 17 March 2014 was approved.

4 Matters Arising

4.1 Item 4.1 Retention Monies

The Principal reported on a meeting on 27 May with representatives of Miller Construction, which had not resolved the continuing impasse. The Principal, and Assistant Principal (Estates), had pointed out all defects which had already been rectified and the concern following the recent incident with the balustrades, so much so that a full building survey had been ordered for health and safety reassurance. The College confirmed its preference that Miller waive the retention monies and the College would carry out any outstanding works, with the exception of latent defects. The representatives indicated that they would take this offer back to their Board.

The Committee discussed whether the situation may result in a legal case which, whilst it was not the Board's original preference, in view of the number of recent building defects may be the only way forward.

Standing Items

5 SI Summary Income and Expenditure and Balance Sheet – March 2014

The Finance Manager spoke to the report which had been issued, providing a summary of the draft income and expenditure account for the eight month period ended 31 March 2014, and the Balance

Sheet at that date, and highlighting the main assumptions used and changes which had affected the results for the period.

Members noted the difficulty of comparison given that the draft financial statements related to an eight month account period to 31 March 2014, whereas the previous amounts related to a twelve month period to 31 July 2013.

The main changes were to the SFC Core Grant, and a large increase in pension liability, but it was noted that this was a national situation. The Finance Manager had provided her notes on how monies had been apportioned as Annex 3 to the report

Members noted the report and requested at future meetings the report showed actual figures compared to budget as had been prepared in the past.

6 SI Aged Debt Report – March 2014

The Finance Manager spoke to the report which had been distributed. She reported on two examples of student debts as requested at the previous meeting.

Members noted that a new debt collection agency, TNC, had been appointed with effect from May.

Members approved the proposed write-offs of £1601.70

7 SI External Development (Income and Expenditure)

The Finance Manager gave a verbal update that again it was difficult to make a clear comparison because of the 8/12 month figures, but looking at the figures pro-rata for the previous year it would appear that there had been an increase in income. A full report would be available for the next meeting.

8 SI Institutional Sustainability

The Assistant Principal (Learner Services) spoke to the report which had been issued, advising Members of the need for a review of the IS framework which had been established in 2009/10. Following the ONS reclassification, the College was now a government entity for the purposes of accounting and budgeting. This change had wide implications as budgeting, reporting and accounting practices would require revision to align with government organisations, including institutional sustainability.

Following discussion the Committee agreed to recommend the revision to the Board at their meeting on 16 June, for a revised IS framework to be presented to the Board in September 2014 for consideration.

9 SI ONS Reclassification of Colleges

9.1 Scottish College Foundation – grant request

The Assistant Principal (Learner Services) confirmed that the College's request to the Scottish Colleges Foundation had been granted and £2.1M had been transferred into the College's bank account, to cover the cost of the Hospitality Development. A copy of the letter from SCF had been distributed, and it was noted that the College would require to provide regular progress reports on the use of the money.

9.2 Student Support and OA 2014/15

The Assistant Principal (Learner Services) spoke to the SFC letter, a copy of which had been issued. SFC was aligning student support funds with outcome agreements.

The letter advised that, as in previous years, there would be an in-year redistribution but that it would be more important than ever for colleges to give accurate estimates of their expected spend. The Committee acknowledged that prediction of student support was fraught with difficulty and could change on a daily basis.

The letter also advised College Boards to take similar over-commitment risks but to inform SFC of the likely scale of this so that they could obtain a sector wide view and plan for any mitigating action. The Principal advised that in the previous year many colleges, including DAGCOL, had to use reserves to provide extra bursary support, but there had been no response from SFC as to how this could be treated in the future as the College longer had reserves.

The College was one of three regions involved in a parallel running exercise to assess a new funding system in 2014-15, and in particular in relation to student support eligibility.

The Committee noted the position

Business

10 Changes to the Financial Memorandum

The Assistant Principal (Learner Services) spoke to the report which had been issued on the consultation draft of the SFC Financial Memorandum with Colleges.

Members noted the Consultation Draft, Financial Memorandum and the work in progress regarding insurance.

11 New Catering Contract

Members noted the report which had been issued, and that Baxter Storey had been awarded the contract for the period August 2014 – July 2017.

12 Hospitality Development – tender process

The Assistant Principal (Learner Services) reported that the tender process had been completed and APK Scotland had been appointed as main contractor. A first meeting had taken place on 23 May and a sum of £1.3M + VAT was agreed, which was within budget. Works would commence on 16 June.

The Principal advised that the main concern was that Phase 1 was completed over the Summer recess, as the works in this phase would be very noisy and dirty. She had informed University partners regarding possible disruption in the Library.

13 Students Association Funding

The Principal spoke to the SFC letter of 22 April, a copy of which had been issued, advising the College of £71k per year for two years towards the cost of developing single college Students Associations in each of the four single college regions.

She advised that NUS had negotiated this funding with SFC and initially the offer of paid sabbatical posts had been made. However, consultation with Students Associations had identified that not all , including DUMGAL, wished the funds to be used this way, and so an additional paragraph was added to allow individual SAs to decide how monies would be used.

The Assistant Principal, Quality and Estates was working with the Student Association to agree how best to use the funding.

14 Regional Outcome Agreement: Annex A

Members noted Annex to the Dumfries and Galloway College ROA, which identified overall funding allocations related to the OA for the annual year 2014-15.

15 Financial Forecast Return (FFR) – main assumptions

The Finance Manager spoke to the report which had been issued, to advise the Committee on the key assumptions for 2015/16 FFR which was required to be submitted to SFC at the end of June 2014.

16 Cash Flow Projections

The Finance Manager spoke to the report which had been issued, updating the Committee on the revised format which had been provided for the monthly Cash Flow Projections.

In order to comply with the Scottish Public Finance Manual (SPFM), SFC have established a calendar of monthly cash flow returns to provide detailed cash flow projections. Funding now required to be drawn down to meet needs as required rather than in line with a fixed profile.

Members noted the position, and discussed the revised format in respect of Lennartz payments and the hospitality development income and expenditure.

17 Any Other Business

17.1 Membership of the Committee
The Chair thanked Rona Gunnell for her service on the Committee as this would be her last meeting.

18 Date and Time of Next Meeting

The next meeting was scheduled to take place on Tuesday 26 August 2014 at 2.00 pm.

Board of Management

Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Monday 17 March 2014 at 2.00 pm in Room 2089, Dumfries campus

Present: R Gunnell
J Henderson (Chair)
K Henry
C Turnbull

In attendance: K Hunter, Finance Manager
J Brown, Assistant Principal (Learner Services) and Clerk to the Board
S Sutherland, PA to the Principal

1 Apologies for Absence

Apologies were intimated on behalf of Mr B Johnstone.

2 Declaration of Interest

Members agreed to declare any conflict of interest as appropriate throughout the meeting.

3 Minute of Previous Meeting

The Minute of the Finance and General Purposes Committee held on 18 November 2013 was approved.

4 Matters Arising

4.1 Item 4.1 Retention Monies

The Principal advised that the College had written to Millers outlining its continuing stance. The Assistant Principal (Quality and Estates) had received a note in response which was ambiguous but did hint at acceptance. He has asked them for written confirmation of this. In the meantime, the Committee was advised that there was still provision in the Accounts for the retention monies.

4.2 Item 9 Institutional Sustainability

The Principal reported that she had not yet added the establishment of a company limited by guarantee until the position was clearer, but that she would now add both the umbrella trust and college foundation as potential risks.

Standing Items

5 SI Capital Expenditure 2013/14

The Finance Manager spoke to the report which had been distributed.

The Committee noted that the operational plans for 2013/14 had been reviewed and refined through SMT discussions, in order to prioritise works and ensure that the requests were in line with the Strategic Plan and Regional Outcome Agreement. In addition, funds from 2012/13 were available to carry forward and a request for an allocation of funds to complete the Transform project and e-business Strategy during 2013/14 was included.

The remaining items from the operational plan requests as approved at the previous meeting of the Committee were summarised as an Appendix to the report.

Members approved the allocation of capital expenditure to be used by 31 March 2014.

6 SI Management Accounts for February 2014

The Finance Manager tabled the financial report for February 2014.

The Committee noted that an operating deficit of £114,000 for the period to 31 March 2014 was forecast. However the accounting treatment of the core grant which should be recognised for the period was currently being clarified, in view of the change to the year end.

The Principal advised that both SFC and the External Auditors were aware and accepted that all college accounts to the end of March would be unusual and not comparable with previous years. However, the College was content as far as was possible that, had this been a normal year, it was still on course to return a slight surplus**.**

The Principal reported that whilst it was difficult to give the Committee the normal comparisons and assurances, SMT had been monitoring the cash flow position on a monthly basis and during March, the situation would be closely monitored in order to identify any amounts which should go into Trust prior to the end of the period.

The Committee noted the situation, and the lack of clear guidance available.

7 SI Aged Debt Report

The Finance Manager spoke to the report which had been distributed. It was noted that the Lewis Group had closed their debt collection department in January 2014, and the College was still trying to identify an alternative.

The Principal reported that it in terms of student funding, the balance of supporting students, whilst not overpaying so that monies could be recouped, was difficult and where students were in receipt of a bursary, housing and childcare benefits, their circumstances could change on a monthly basis.

Following discussion, the Committee agreed to write off the amount of £5,785.71, but noted that this figure was higher than previous years and so asked that the situation be closely monitored, and that the Finance Manager investigate the background to two individual student debts.

8 SI Budget 2014/15

The Finance Manager spoke to the report which had been distributed.

The Committee noted that the budget setting process for 2014/15 had had to commence much earlier in order to support the change in the year end. SMT had agreed the Curriculum Development Plan in December 2013, which had informed the staffing and resource costs for the budget.

The Committee reviewed the processes undertaken, and the key assumptions in the draft Budget, and recommended it to the Board for approval.

9 SI Institutional Sustainability

The Principal spoke to the table which had been distributed. She highlighted a few minor additions to the narrative, in that capital funding had been maintained for 2014/15 (10) and that, whilst in year funding had been received, the College was still overspent on student funding (11).

In respect of efficient space utilisation (24), the Principal advised that the new hospitality development would be accommodated but thereafter any future expansion would be difficult.

The Committee noted the report.

10 ONS Reclassification of Colleges

The Assistant Principal (Learner Services) reported that, following an external audit meeting on 11 February 2014, the Chair of Audit had issued an email to all Board Members proposing that the Board decision to transfer reserves to the D&G Foundation was reversed, and that reserves (other than the Lennartz commitment) be transferred to the SFC Umbrella Trust. This proposal was subsequently agreed and approval was given (by email) from the Chair of the Board for the College to sign up to the SFC Umbrella Foundation.

As a result the College had formally lodged a request to join the SFC Trust, and the Principal and Assistant Principal (LS) would meet with the Trustees in the near future to discuss the reserves to be lodged by 31 March, and in particular that the funds lodged would be “restricted”, and the date when these would require to be returned.

The Committee noted the position, and agreed that the College lodge reserves of up to £2M with the Scottish Colleges Foundation before 31 March 2014.

In the meantime, the College would continue with the process of setting up the D&G FE Foundation, although the Board may ultimately decide that this should remain dormant.

Business

11 Hospitality Curriculum Development

The Principal reported on progress to date, and tabled key dates for the hospitality tendering process.

She advised that the budget for the build and adjacencies was still forecast to be within the £2M budget, and that it was anticipated that the build would be complete by 31 March 2015, for the first student intake in August 2015.

12 Any Other Business

None

13 Date and Time of Next Meeting

The next meeting was scheduled to take place on Monday 2 June 2014 at 2.00 pm.

Board of Management

DRAFT INCOME AND EXPENDITURE AND BALANCE SHEET AT 31 MARCH 2014

1. PURPOSE OF REPORT

The purpose of this report is to provide a summary of the draft income and expenditure account for the eight month period ended 31 March 2014 and the Balance Sheet at that date, and highlight the main assumptions used and changes which have affected the results for the period.

A draft copy of the Income and Expenditure Account for the period and Balance Sheet at 31 March 2014 are attached at Appendices 1 and 2.

2. BACKGROUND

The College accounting year has been revised to 31 March with effect from 31 March 2014 following ONS re-classification. As the financial year is no longer co-terminus with the academic year, some assumptions require to be made in order to ensure that the accounts for the eight month period continue to correctly reflect the income and expenditure for that period.

SFC have updated their Accounts Direction guidance for the 2013/14 financial statements in line with the changes which have arisen, and take account of key technical issues which were raised recently with Audit Scotland and college audit firms.

3. KEY ASSUMPTIONS

Comparative amounts – the draft financial statements relate to an eight-month accounting period to 31 March 2014, and the comparative amounts relate to a twelve month period to 31July 2013. A comparison between the results for both years is more difficult given this change. In addition, the balance sheets show the position at different periods during an academic year.

Income Recognition – the income and expenditure account for the period includes a number of grants, fees and other income which relate to the academic year as well as funding for projects and other areas which are for a specific period.

The options available in accounting for the SFC core grant have been set out in the attached notes at Appendix 3. The Draft Income and Expenditure Account for the period to 31 March 2014 and the Balance Sheet at 31 March 2014 have been prepared on the basis that the third option, an apportionment of grant in line with the academic year, is the most appropriate methodology to account for core grant for the period. The resulting adjustment to the accounts for the period is to show additional core grant due at 31 March of £388,768 to reflect the amount of core grant earned up to 31 March but not yet received from SFC.

Each of the main sources of income for the year, including SAAS fees and project income, have been reviewed to ensure that an appropriate portion of income has been recognised for accounting purposes.

Unpaid Annual leave – as the College staff holiday year relates to the period September to August, a calculation of unused annual leave as at 31 March now requires to be made. An assessment of the unused annual leave at 31 March 2014 shows total costs of £236,000. This has been accrued in the draft accounts.

Donations to Arms Length Foundation – SFC guidance on transfers made to Arms Length Foundations indicates that, as colleges cannot distribute profits, the transfers should be more appropriately shown as within the other operating costs heading, but clearly disclosed in order to ensure transparency within the financial statements. As the transfer to the Foundation is significant, and represents surpluses which have accumulated over a period of time, the draft figures show a large operating deficit for the period.

Property Valuation – in order to ensure that the valuation for both College campus buildings and the Catherinefield building are up to date at 31 March, an interim valuation was requested from J&E Shepherd. The valuation report is awaited, and the accounts may require to be updated if the valuation has varied significantly from the previous calculations at 31 July 2013.

4. **RESULTS FOR THE PERIOD**

The income and expenditure for the period to 31 March 2014 and Balance Sheet at 31 March 2014 reflect the following:

SFC Core Grant – additional core grant of £388,768 has been accrued at 31 March in order to reflect an 8/12 portion of the full grant for the academic year. SFC income includes core grant of £5,554,000 for the period;

Capital Grant – the capital grant received during the period has been fully released to match expenditure in the period;

Fee Income – a portion of SAAS full and part-time fees for the academic year to date has been included in fee income;

Staff costs – the costs for the period include costs for the backdated element of the pay award for 2013/14, as well as the value of unused holiday pay at the balance sheet date;

Transfer to Arms Length Foundation – the budget and out-turn for the period to 31 March 2014 were monitored to maximise the transfer to the Scottish Colleges Foundation (SCF), and leave sufficient funds to allow the College to meet liabilities falling due – including accrued costs, provisions and Lennartz liabilities. Total funds transferred to SCF before the 31st March 2014 deadline amounted to £2,120,000;

Student Support Funding – the net overspend on FE and HE childcare for the period amounted to £86,000 and the College also met additional costs for Bursary and Discretionary funds amounting to £95,000. Due to the budget changes which take effect from 1st April 2014, some funding was repaid to SFC at 31 March in order to ensure funding is available to cover commitments for the remainder of the 2013/14 academic year. Total student support paid during the period, including EMA and bursary funding, amounted to £1,967,000, and costs for the remainder of the academic year are forecast to be approximately £820,000;

Pensions – the valuation report for the Local Government pension scheme at 31 March has resulted in a net charge to income and expenditure of £88,000 for the period. The valuation report shows an increase in the Pension Liability by £1,154,000 to £3,928,000. The actuarial loss of £1,066,000 will be applied through the 'Statement of Total Recognised Gains and Losses' (STRGL) rather than the income and expenditure account, and the increase in pension deficit is reflected in the draft Balance Sheet at 31 March 2014;

The briefing notes from the pension scheme actuaries sets out the key changes over 2013/14, and note that the deterioration in balance sheet position is a result of a reduction in the net discount rate over the period to 31 March 2014;

Lennartz – the income and expenditure account includes an adjustment to update the estimated future Lennartz liability up to completion of the scheme in July 2018. A net credit of £111,000 has been applied to reduce the outstanding creditor in line with the current repayment calculations;

Bank Balances – the decrease in overall bank balances reflects the transfer to the Arms Length Foundation. Total funds of £2,127,000 have been retained in order to meet the future Lennartz liabilities, and other creditors at the year-end.

Net Results - the draft accounts for the period show a deficit of £1,646,000 which includes the transfer to the Arms Length Foundation of £2,120,000.

Balance Sheet - the draft Balance Sheet at 31 March 2014 shows a net reduction in net assets of £3,235,000 due to the net deficit for the year following the Foundation transfer, and the increased pension liability.

5. RECOMMENDATION

Members are asked to recommend to note the draft results for the eight month period to 31 March 2014, and the balance sheet at that date.

Appendix 1

DRAFT Income and Expenditure Account for the period ended 31 March 2014

	Period ended 31 March 2014	Year ended 31 July 2013
	£000	**£000**
INCOME		
SFC grants	7,067	9,630
Tuition fees and education contracts	1,283	1,622
Other grant income	283	468
Other operating income	351	587
Endowment and investment income	24	31
Total Income	**9,008**	**12,338**
EXPENDITURE		
Staff costs	5,004	6,957
Other operating expenses	2,743	3,880
Transfer to Arms Length Foundation	2,120	0
Depreciation	787	1,405
Interest payable	0	62
Total Expenditure	**10,654**	**12,304**
(Deficit)/ Surplus on continuing operations after depreciation of assets at valuation and before tax	(1,646)	34
Taxation	0	0
(Deficit)/ Surplus on continuing operations after depreciation of assets at valuation and after tax	**(1,646)**	**34**
(Deficit)/ Surplus for the year retained within general reserves	**(1,646)**	**34**

Appendix 2

DRAFT Balance Sheet as at 31 March 2014

	31 March 2014 £000	31 July 2013 £000
Fixed Assets		
Tangible assets	40,519	41,308
Current Assets		
Debtors	990	552
Cash at bank and in hand	2,127	4,622
Total current assets	3,117	5,174
Less: Creditors - amounts falling due within one year	(2,446)	(2,691)
Net Current Assets	**671**	**2,483**
Total Assets less Current Liabilities	41,190	43,791
Less: Creditors - amounts falling due after more than one year	(1,184)	(1,496)
Less: Provision for liabilities	(750)	(959)
Net Assets excluding pension liability	39,256	41,336
Pension liability	(3,929)	(2,774)
NET ASSETS INCLUDING PENSION LIABILITY	**35,327**	**38,562**
Deferred capital grants	26,980	27,502
Reserves		
Income and expenditure account excluding pension reserve	5,662	7,088
Pension reserve	(3,929)	(2,774)
Income and expenditure account including pension reserve	1,733	4,314
Revaluation reserve	6,614	6,746
Total reserves	8,347	11,060
Total Funds	**35,327**	**38,562**

Appendix 3

NOTES – SFC Core/ Fee Waiver Grant for AY 2013/14

Background

SFC is providing core and fee waiver grant to the College for the Academic Year 2013/14, and set-out a profile of payments for the period to March 2014. The grant provided for the academic year is linked to targets set out in the College outcome agreement with SFC.

The accounting treatment of the grant requires to be considered for the College financial statements for the period to 31 March 2014, as the amount of revenue which requires to be recognised for the period may be materially different from the amount actually paid by SFC.

SFC have agreed a total Core and fee waiver grant of £8,330,738 for AY 2013/14. The payment profile for the grant shows cash payments of £5,165,057 for the period August '13 to March '14, which represents 62% of the total AY grant.

Accounting Standards

The accounting treatment of the grant is governed by FRS 5 'Reporting the Substance of Transactions' and application note G – 'Revenue Recognition', as the SFC core and fee waiver grant is a 'single substantial asset', which, due to the change in the College financial year-end, now falls into different accounting periods.

FRS 5 states that a seller recognises revenue under an exchange transaction with a customer, when, and to the extent that, it obtains the right to consideration in exchange for its performance. This right does not necessarily correspond to amounts falling due in accordance with stage payments which may be specified in a contractual arrangement.

Where a seller has partially performed its contractual obligations, it recognises revenue to the extent that it has obtained the right to consideration through its performance. **Revenue should be measured at the fair value of the right to consideration; this should be derived from an assessment of the fair value of the goods and services provided to its reporting date as a proportion of the total fair value of the contract**. The guiding principal is to consider the stage of completion of contractual obligations

SFC Grant and Outcome Agreement

Details of the final allocation of grant from SFC is set out in their letter of 11 April 2013, which states that the funding allocations are subject to the region agreeing a satisfactory outcome agreement with the Council. The core and fee waiver grant funding relates to academic year 2013/14.

SFC's letter states that, in return for a final allocation of grant which is higher than earlier indications, SFC 'in return expect to secure improvements in learner success through the outcome agreement process', and that the additional funding provides an opportunity to allocate funding in proportion to the regional demographics to allow colleges to offer more courses to older learners, and an encouragement to provide part-time provision that meets the needs of the region, including women returners.

The outcome agreement sets out several targets for the College for the academic year which include a mixture of targets which can be quantified, including achieving the WSUMS target of 42,529 and other less tangible targets, including delivering an efficient, regional College structure, a curriculum that delivers high-quality, innovative education and training, developing job-related skills for learners, and more learners achieving qualifications and progressing to further study. A number of specific objectives are detailed within the outcome agreement, with progress targets and responsibilities also set out.

The SFC Outcome Manager liaises with the College management throughout the academic year to monitor how the College is performing in relation to the targets.

Measurement of Performance to 31.03.14

The College Management and Board plan the curriculum and developments for the College in order to achieve the targets set out in the over the outcome agreement over the academic year, during the period August to July.

The College measures achievement towards the targets in a variety of ways:

- Full Time enrolments at the start of the academic session are monitored and reported to SMT, in order for them to take any correcting actions such as additional recruitment for specific classes;

- Up to date WSUMS are available on the College intranet, and curriculum teams monitor this on a regular basis. In addition, quarterly FES returns are submitted to SFC in order for them to gauge progress towards the WSUMS targets within the academic year;

- Board of Management and Committee meetings are held regularly over the academic year, and reports on WSUMS/ enrolments/ community work/ staffing/ projects and developments, and financial reporting are assessed;

- The SFC Outcome manager meets with the college senior management team on a regular basis to review the progress to date and likely achievements for the year.

Potential Calculations

SFC guidance in ONS Communication no. 14 and the Accounts Direction for the 2013/14 financial statements states that individual colleges must demonstrate that they have applied an appropriate methodology to arrive at an acceptable estimate.

Other technical updates with the College Finance Network have highlighted the following potential methodologies for calculating the value of the SFC core and fee waiver grant for the period to March '14:

1. Percentage of staff time/ staff utilisation to 31.03.14
2. WSUMS delivered to 31.03.14
3. Portion of the academic year up to 31.03.14

Option 1 – a calculation based on staff costs or staff utilisation would not be appropriate for Dumfries and Galloway College to measure its performance against the SFC outcome agreement, as the total staff costs include staffing employed to directly and indirectly to meet the planned curriculum which includes full-cost recovery courses, and other work streams which are not funded from the core and fee waiver grant, as well as externally funded projects, and staff who are employed in order to fulfil contracts for external partners. The staffing costs for any period do not reflect the College's achievement towards the outcome agreement targets.

Option 2 – the College curriculum plan for each academic year includes a mixture of full time and part time courses, as well as full-cost recovery work and externally funded projects. The curriculum is planned to achieve the WSUMS target by 31st July and the mix of full and part time courses are planned throughout the year in order to achieve this.

The cut-off point for claiming WSUMS is part way through the academic year for full-time students, and the WSUMS reports reflect the WSUMS for the full academic year. However, delivery of the curriculum includes ensuring learners completing their courses, sitting exams, and receiving their results in order to progress. In addition, the WSUMS relating to Extended Learning Support (ELS) throughout the year are estimated, and are only reviewed at the end of the academic year.

In addition, some of the objectives detailed in the outcome agreement do not relate directly to WSUMS, such as community work and partnership working. Also, the raw WSUMS data does not reflect College activity to increase learner satisfaction, retention and achievement, and various other intangible targets set out in the outcome agreement.

For these reasons, a measure of WSUMS at 31.03.14 will not give an appropriate measure of the College's performance towards the outcome agreement for 2013/14.

Option 3 – a calculation based on the portion of the academic year August '13 to March '14 is the most appropriate method to calculate the College's performance towards the 2013/14 outcome agreement.

As noted above, the College curriculum plan for each academic year includes a mixture of full time and part time courses, as well as full-cost recovery work and externally funded projects. The curriculum is planned to achieve the WSUMS target by 31st July and the mix of full and part time courses are planned throughout the year in order to achieve this, and in-year adjustments are made to achieve the targets by 31st July each academic year.

The SFC outcome agreement represents several different objectives for the College, and achievement of these objectives is made gradually over the academic year.

The SFC core and fee waiver grant is the main part of College annual funding, and represents an integral part of the College planning and budget monitoring each academic year. Therefore a measure of time for the year to date is the most appropriate method to calculate the College's performance for the period to 31 March 2014.

Conclusion

In order to ensure that the College financial statements to 31 March 2014 reflect the correct measurement of the performance against the SFC outcome agreement for the academic year 2013/14, a portion of 8/12 of the academic year core and fee waiver grant should be recognised. This calculation leaves a portion of core and fee waiver grant of £5,553,825.

Board of Management

Aged Debt Report as at 31 March 2014

	January 2014 Total £	March 2014 Total £	Current £	> 1 mth £	> 2 mths £	> 3 mths £	3+ £	*No Debts 3+
Client	8,679	47,615	14,478	29,510	3,647	-	(20)	21
Student	6,367	(2,823)	(100)	(445)	(5,001)	-	2,723	38
Bursary 2008/09	310	290	-	-	-	-	290	1
Bursary 2011/12	434	-	-	-	-	-	-	-
Bursary 2012/13	6,112	661	-	-	-	-	661	3
Bursary 2013/14	4,173	5,443	-	728	1,819	-	3,624	16
Grand Total	**26,076**	**51,186**	**14,378**	**29,065**	**465**	**-**	**7,278**	**79**

The No Debts 3+ column shows the number of debtors that are classed as "bad debts" and are being pursued through a Debt Collection agency i.e. it excludes those paying by instalments.

General Comments

The total level of debt has increased by £25,510 or 96.29% since the last Aged Debt Report at January 2014.

The system of regular reminder letters for overdue debts is in place to ensure that debtor balances are current. Following the closure of the College debt collection agents, Lewis Group Debt Collection, the college has signed up to a new debt collection agency, TNC, with effect from May 2014.

Client Debt

Client debt has increased £38,936 since January 2014. The balance includes an invoice for £40,000 to the Energy Skills Partnership for grant funding to allow the College to develop a Wind Turbine Lab, for which payment was received in April 2014. The balance also includes a number of smaller invoices.

There are no balances in dispute at 31 March 2014.

Student Debt

The total level of student debt has decreased by £9,190 since January 2014. This includes a payment of £5,000 received for an overseas fee paid in advance. There are some smaller balances where students are paying with regular instalments.

Bursary Debt

The overall level of bursary debt has decreased by £4,635 since January 2014. This reduction is mainly due to write offs previously agreed by the Committee amounting to £5,786. Other debt includes to a number of invoices relating to overpayments of childcare and bursary costs. In particular an amount of £1,050 relating to an overpayment of childcare costs and an amount of £639 relating to a bursary overpayment were the result of a delay in the Student Funding Department being notified of the students leaving the courses.

Provision for Bad Debts

At 31 March 2014 the provision included in the accounts amounted to £1,577 which reflects the low level of older debts at the year-end.

Debt Collection Company

The total balances currently at the final stage of debt collection amounts to £6,134.43 and these cases were forwarded to the new debt collection agency, TNC, in May 2014

Proposed Write-offs

Reference	Amount	Position @ 31 October 2013	Debt Type	Date
0300558	200.00	W5 – Irrecoverable	Student	2011-12
0505103	392.50	W5 – Irrecoverable	Student	2012-13
0402463	180.00	W5 – Irrecoverable	Student	2012-13
0301138	187.00	W5 – Irrecoverable	Student	2012-13
1202818	642.20	W5 – Irrecoverable	Student	2012-13

Summary of Amounts Written Off

A table is attached at Appendix 1 which shows the debts written-off in each of the previous six years.

APPENDIX 1

Summary of amounts previously written-off:

Year debt was written-off	Year of original debt:						
	2012/13	**2011/12**	**2010/11**	**2009/10**	**2008/09**	**2007/08**	**2006/07**
2013/14	6,705.50	434.42					
2012/13		200.00		50.00	50.00		
2011/12			2,033.17		320.58		
2010/11			220.00	1,237.00	3,942.00	191.00	
2009/10					25,653.00	6,276.00	90.00
2008/09						26,210.00	4,826.00
2007/08						1,539.00	12,990.00
	6,705.50	**634.42**	**2,253.17**	**1,287.00**	**29,965.58**	**34,216.00**	**17,906.00**

Board of Management

INSITUTIONAL SUSTAINABILITY

1. Purpose of Report

The purpose of this report is to advise members of the need for a review of the College Institutional Sustainability framework.

2. The Report

The current institutional sustainability (IS) table was developed following the SFC requirement for the Board of Management to have in place a framework to support institutional sustainability. Back in 2009/10 following various scenario planning events the Board agreed upon a set of indicators to be monitored by means of the current IS table.

Following the reclassification of colleges by the ONS on 1April 2014, the College is now a central government entity, to be referred to as Arms-Length Bodies for the purposes of accounting and budgeting. This change has had wide implications for the College where we need to change budgeting, reporting and accounting practices to align with those of that apply for central government organisations. The College IS framework now needs to be reviewed to reflect this reclassification. Looking at first 6 items on the attached IS table (attached) demonstrates the need for this review.

3. Recommendation

Members are asked to note that a revised IS framework will be presented to the full Board of Management in September 2014 for consideration.

Jannette Brown
Assistant Principal (Learner Services)

Board of Management

	Goals	*Suggested Evidence*	*BoM Chairs Grade*	*Supporting Evidence*	Risk	F+GP	E = External I = Internal
1	Generate sufficient level of operating surplus to finance other key resources	Operating surplus as % of total income	H	Audited financial statements, annual budgets/Financial Forecast Returns and monthly financial reports. Main Grant Letter. Uncertainty over ability to do this as a result of ONS re-classification.	3	F	I
2	Diversify income streams	Non-SFC income as % of total income	H	External funding bids and projects, CTS income, Training income, Partnership Contracts (e.g. DGHP, Construction Skills) and student income (e.g. SAAS) *(importance has increased due to need to offset SFC funding cuts. Challenge has increased due to Gov policy re international students and impact of downturn)*	3	F	I
3	Maintain sufficient cash reserves to deal with unexpected events	Ratio of days cash to total expenditure, current ratio	H	Repayment of Lennartz money has increased degree of risk. ONS reclassification of colleges has had a significant impact on how reserves ~~will be~~ are now treated ~~in the future~~	3	F	I

4	Service borrowings	Interest cover, long-term liabilities to total reserves, financing costs, depreciation costs	L	Low risk issue as College currently has no borrowings. Balance sheet Key Performance Indicators demonstrate financial well-being and are reported via monthly financial reports. Would now require ministerial approval (from 1.04.2014).	1	F	I
6	Sound budget setting and financial management arrangements	Internal, external audit reports	H	ONS reclassification of colleges will have significant impact on college financial management arrangements. It will be difficult to compare "like for like" budgets and accounts	3	F	I
8	Efficient procurement practices	Delivery of efficiency gains	L	Procurement Capability Assessment provides an independent audit of College practices. Indicators of procurement performance and record of savings made	2	F	I
9	Continuous improvement in business processes	Delivery of efficiency gains	M	Submission of Efficient Government Return identifies savings made each year	3	F	I
10	Capital Funding	Reduction in capital funding may impact on future ability of college to maintain and develop new capital assets/facilities	M	Capital Expenditure Programme agreed by the Board of Management. Regular capital expenditure monitoring reports. Periodic returns/submission to SFC. Transitional arrangements agreed with SFC to support ERDF projects. Increase in capital funding allocation for 2013/14, but ONS reclassification of colleges may impact on ability to develop future capital projects. Capital funding maintained for 2014/15.	3	F	E

11	Student Support Funds	Foreseeable trends indicate funding could be reduced and/or demand will be greater than availability of supply	H	Monitoring reports produced every two weeks. Demand for Student Support Funds is difficult to predict as is estimate withdrawals. Risk rests with College - policy reviewed annually to reflect available finance. Funding for 2012/13 confirmed at existing levels. No increase for 2013/14 despite increased WSUM target. No guarantee of in-year funding. In year funding received but College still overspent.	3	F	I
12	External Financial Environment	Effects of recession, depressed state of the economy, unknown Political environment and uncertainty of public sector financial allocations	H	Economic indicators/statistics/reports. Current Climate is unpredictable	3	F	E
13	Office of National Statistics Reclassification of Colleges	Ensure accounting and reporting practices comply with requirements	H	Full impact unknown as yet but accounting year end date has changed to 31 March.	3	F	I

23	Continuous investment in estate to address backlog maintenance issues and/or maintain high quality facilities	Capital and maintenance spend on estate/insurance replacement value, estate condition data	M	Capital Expenditure reports. Planned and reactive maintenance programme. Property valuation reports. Reduction in capital funding in 2011/12, but maintained at same level for 2012/13. Capital funding increased in 2013/14 and is maintained for 2014/15	2	F	I
24	Efficient space utilisation	College data (seat utilisation)	M Note: Timetabling system	Room occupancy surveys undertaken on a sample basis. Timetabling system. Hospitality development will be accommodated but any future expansion will be difficult.	2	F	I
26	Good practice in environmental sustainability	Climate action plan, energy consumption, emissions reporting	M	Climate Change Action Plans for Dumfries, Stranraer, Waste and Transport. Energy monitoring data. Sustainable procurement practices. Green Travel Plan/Initiatives	2	F	I

27	Transport		MNote: contracts could change suddenly affecting transport availability and student concerns exist at present	Utilising public transport for student travel. Replacement of fleet vehicles with low emission models. Promotion of sustainable travel options for staff/students. The cost of bus contracts in future could potentially be subject to large variations and may rise significantly at short notice. (tender prices and fuel cost variation)	2	F	I
36	Commitment to environmental sustainability	Participation in *Climate Change Commitment*, development of climate change action plan and monitoring of progress against plan	M	The college has signed up to and is committed to the Climate Change Commitment. An analysis of the college carbon performance has been conducted by the Carbon Centre resulting in an action plan for improvement which is supported by the Board with funds committed and action on-going. As the building is new there may be limited scope to make major improvements	2	F	I

SCOTTISH COLLEGES FOUNDATION
PRINCES EXCHANGE, 1 EARL GREY STREET, EDINBURGH, EH3 9EE
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Scottish Charity Number: SC044621

Jannette Brown
Assistant Principal
Dumfries & Galloway College
Bankend Road
Dumfries
DG1 4FD

Our Ref S.8176.001
Date 15th May 2014
Email p.peattie@tiscali.co.uk

Dear Jannette

Scottish Colleges Foundation
Registered Charity Number: SC044621

As Chair of the Board of Trustees for Scottish Colleges Foundation, I wanted to thank you for your application which was considered at the meeting of the Board of Trustees on 9th May 2014.

I am pleased to confirm that, having considered your grant request carefully, the Trustees have decided to approve the grant in principle. The Trustees would like you to provide us with a note of the exact contractual payments that are due by the College to the contractors.

I appreciate that this information will not be available until the tenders have been completed and the contracts awarded.

Having reviewed the timetable for the project, it appears that it is due to continue until the very end of the financial year. The Trustees appreciate that the timetable on such projects can run beyond the planned end date and were mindful that this could result in you having unnecessary funds on your balance sheet at the end of the financial year.

With that in mind, the Trustees would be willing to make over the £2,000,000 in two or more tranches in order to fit in with your contractual payments if that would be helpful to the college. Alternatively, a Grant Agreement could provide that any funds that had not been spent at, say, 15th March 2015 would be returned to the Foundation. Perhaps you could confirm if these options would be helpful.

We would also like you to provide us with a progress report about the project in time for us to consider it at our meeting on 12th December. Please can you confirm that this does not cause a problem for you?

If there are any material changes to the project including timescales and changes of personnel or if there are any changes at the College which would affect the funding of the project such as a change to the date on which the financial year will end, the Trustees would expect to be informed of this at the earliest possible opportunity.

Finally, it would be helpful if you could confirm the details of the account to which you would like the grant to be paid. If you would like the grant to be split into tranches, please confirm the size of the tranches and the dates on which you would like each of them to be paid. The details should be intimated to Tom Duguid (Tom.Duguid@turcanconnell.com) and David Welsh (David.Welsh@turcanconnell.com).

Please also contact Tom and David if you have any queries at all about the grant.

The Trustees look forward to seeing how the project develops over the next year.

Kind regards

Yours sincerely

Patricia Peattie
Chair of the Board of Trustees
Scottish Colleges Foundation

9 May 2014

To: Regional Leads & College Principals

Student support for academic year 2014-15

1. I am writing to advise colleges of our plans for dealing with student support funds in academic year 2014-15 and beyond. We intend to review our student support funding in light of the inclusion of colleges within the scope of public sector budgetary control and our plans to introduce a simplified funding method.

2. Our aim is to maximise the ability of regions to support students with the available funds.

3. We have made initial allocations of student support funding in your outcome agreement. As in previous years we anticipate that there may be differences between that initial allocation and the eventual need. We are aware that the initial allocation in the outcome agreements differs from the final allocation in 2013-14 including the in-year redistribution. However, we did not have the opportunity to discuss and agree with the sector a method for changing that initial allocation in a way that better matches need in time for the 2014-15 initial allocations.

4. We recognise the pressure on some colleges arising from additional need for student support funds. As in previous years we will carry out a full in-year redistribution within the year. It will be more important than ever for colleges to give accurate estimates of their expected spend to the redistribution process because colleges are now subject to public sector budgetary controls and unused student support funding cannot be carried forward over the year end.

5. We will expect multi-college regions to conduct redistribution internally where that is possible, in advance of the national exercise.

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6. For 2014-15 the new arrangements should mean more funds will be available for redistribution during the year, as expenditure is more closely monitored and action can be taken to ensure available funds are in the correct location within the year. In previous sessions funds have been returned to SFC after annual spend has been audited, and therefore have not been available to reallocate in-year.

7. We cannot guarantee to meet all requests for additional student support funding. However, our experience to date is that it has been able to meet the majority of need. This year, it would assist us in making best use of the funding if regions let us know as soon as possible if they believe their initial allocation is **either** well short of or well above their estimate of need. We will monitor the amounts drawn down against the student support budgets through the monthly cash flow returns.

8. We intend to engage with the sector to help us match the initial allocation of student support to better meet regional need. We will take account of the change in budgeting and cash draw down practices and investigate the potential to revise our support guidance to improve equity of access to student support funds across the regions.

9. Colleges will be aware that SFC is introducing a simplified funding system from 2015-16. We are currently engaged in a parallel running exercise with three regions over AY 2014-15. Again we want to engage with the sector to assess the impact of the new system on student support eligibility.

10. This will include checking if our proposed changes impact on students' entitlement to other welfare benefits or council tax exemptions. But also whether or not the changes are likely to lead to increased demand for SFC and other student support funds.

11. We intend to carry-out this review over the summer and report around the start of the next academic session.

12. In conclusion, for 2014-15, College boards should feel able to take similar over-commitment risks as in previous years but should inform SFC of the likely scale of this. This is so that we can obtain a sector wide view and plan for any mitigating action that may be required.

13. SFC will work with the sector to aim to have in place a different initial allocation of student support funds for 2015-16 that more closely reflects the current pattern of demand.

Laurence Howells
Chief Executive

cc: Outcome Agreement Managers

CHANGES TO FINANCIAL MEMORANDUM

1. PURPOSE OF REPORT

The purpose of this report is to update the Finance and General Purposes Committee on the Consultation Draft of the SFC Financial Memorandum with Colleges.

2. REPORT

The recent changes to the College governance framework have necessitated a review of the Financial Memorandum between the Scottish Funding Council and Colleges. SFC has issued a revised Financial Memorandum (FM) for consultation, a copy of which is attached.

The revised Financial Memorandum consolidates the accountability requirements which have arisen from changes in legislation, and the additional requirements from ONS re-classification, including the detailed requirements for the proper handling and reporting of public funds set out in the Scottish Public Finance Manual.

The key changes which have affected the College initially relate to the changes to budgeting and cash management, as well as other technical accounting requirements. The Board Scheme of Delegation will be updated to reflect changes should it be required. The College is currently working through the ONS Project Action Plan to ensure that changes are implemented as necessary.

Colleges Scotland are currently preparing a Business Case for insurance, and the College has submitted a response to the survey issued by Scotland’s Colleges. A note of the Key Points and the College response is attached. The Scottish Government currently has a derogation whereby the current commercial insurance arrangements can be extended to 31 July 2015, pending the outcome of the business case.

3. RECOMMENDATION

Members are asked to note the Financial Memorandum with Colleges: Consultation Draft and the work in progress regarding insurance.

Scottish Funding Council

Promoting further and higher education

Financial Memorandum with Colleges: Consultation Draft

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FINANCIAL MEMORANDUM

Introduction

Purpose of this document

This Financial Memorandum (FM) sets out the formal relationship between the Scottish Further and Higher Education Funding Council (SFC) and fundable bodies[1] in the college sector, and the requirements with which fundable bodies are expected to comply in return for payment of grant by SFC.

Scope of this document

This Financial Memorandum applies to Regional Colleges, Regional Boards, Regional Strategic Bodies, and other colleges eligible to receive payment of grant-in-aid from SFC.

Definition

In this document the term 'institution' is used in place of 'fundable body'.

Compliance with the Financial Memorandum

The responsibility for ensuring that the institution complies with this FM rests with the governing body. Questions about the interpretation of the FM may be raised with officers of SFC at any time. The SFC's interpretation of this FM shall be final.

Effective date

This Financial Memorandum shall take effect from 1 August 2014.

Structure of this document

The Financial Memorandum is in four parts:

- Part 1: defines the relationship between SFC and the institution and the responsibilities of each for the proper stewardship of public funds
- Part 2: contains the general requirements that apply to all institutions
- Part 3: contains additional requirements for different types of institution
- Annex 1: contains derogations for, and actions required of, incorporated colleges and Regional Strategic Bodies to meet Scottish Government requirements.

[1] As defined by the Further and Higher Education Act (Scotland) 2005, as amended by the Post-16 Education Act (Scotland) 2013.

Part 1: The relationship between SFC and the institution

Responsibilities of the Scottish Funding Council

The Scottish Funding Council is the national, strategic body with responsibility for funding further and higher education, research and other activities in Scotland's colleges, universities and other higher education institutions. Its funding decisions support the Scottish Government's national priorities.

SFC is a Non-Departmental Public Body (NDPB) of the Scottish Government and undertakes its functions under the terms of the Further and Higher Education (Scotland) Act 2005, as amended by the Post-16 Education (Scotland) Act 2013. In particular, SFC may make grants, loans or other payments to the governing bodies of institutions for the provision of further education, higher education, research and related activities.

The legislation also confers certain duties and responsibilities on SFC, including securing coherent, high quality further and higher learning provision by institutions, and the undertaking of research.

Under the terms of the 2005 Act, SFC may attach terms and conditions to the payment of grant made to institutions. It is a condition of grant payment from SFC that the governing body and its designated officers comply with the requirements set out in this Financial Memorandum.

Accountability

SFC is accountable to Scottish Ministers for the use of public funds provided to it under the terms of the relevant legislation.

The Chief Executive of SFC has also been appointed Accountable Officer under the terms of the Public Finance and Accountability (Scotland) Act 2000 and is responsible and accountable to the Scottish Parliament for ensuring that funds provided to SFC are used for the purposes for which they have been given, and in ways that comply with the conditions attached to them. The Accountable Officer has a personal responsibility for the propriety and regularity of the public finances provided to SFC, and for ensuring that funding is used economically, efficiently and effectively.

Assurance

In order to meet his or her responsibilities, the Chief Executive of SFC must be satisfied that the governing body of the institution meets the requirements of this Financial Memorandum as a condition of receiving grant funding from SFC. SFC will therefore seek financial management and other information

from the institution but, as far as possible, will rely on data and information that the institution has produced to meet its own needs. The information should be of a satisfactory quality and should be provided at the times and in the formats required by SFC.

Where SFC has concerns or insufficient information to provide the assurance required, it will, in the first instance, seek to resolve matters with the chief executive officer of the institution. Where this has not proved possible, or in the case of significant concerns, SFC's Accountable Officer will inform the chair of the governing body and the institution's chief executive officer in writing – and without delay – and will specify what action is required to address these concerns.

Where circumstances warrant it, SFC's Accountable Officer may suspend the payment of any or all grants to the institution. SFC may also use its powers to attend and address a meeting of the governing body.

What the institution can expect of SFC

SFC will conduct its affairs to high standards of corporate governance and public administration. It will maintain a complaints procedure and a separate appeals process for funding decisions.

SFC recognises that the institution is an autonomous body and will act reasonably on the basis of the fullest available evidence and objective analysis. Subject to any legal requirement to observe confidentiality, it will be open and transparent with the institution, and with other stakeholders, and will give or be prepared to give a public justification of its decisions.

In discharging its responsibilities, SFC will seek to make regulation efficient and meet the principles for better regulation.

SFC's requirements of the institution

The SFC must be able to rely on the whole system of governance, management and conduct of the institution to safeguard all funds of the institution deriving from Scottish Ministers and achieve the purposes for which those funds are provided.

As a recipient of public funds, the governing body of the institution will strive to achieve at all times best practice in the governance, management and conduct of the institution.

The governing body will ensure that it has in place – and effectively implemented – the proper arrangements for governance, leadership and management of the institution as required by statute, its instrument and

articles of governance. This includes the appointment of the chief executive officer.

SFC expects the governing body to meet the principles of good governance set out in the Good Governance Code for Scottish Colleges and the other principles identified in this Financial Memorandum. The governing body is also expected to meet the principles of the UK Corporate Governance Code – in so far as these apply to educational institutions.

SFC also expects the governing body to ensure that:

- Public funds are used in accordance with relevant legislation, the requirements of this Financial Memorandum and only for the purpose(s) for which they were given. Strategic grant funding should only be used for the purpose for which it is provided by SFC
- The institution strives to achieve best value and is economical, efficient and effective in its use of public funding
- There is effective planning and delivery of the institution's activities in accordance with its mission and its Outcome Agreement agreed with SFC
- The institution plans and manages its activities to remain sustainable and financially viable. An institution is being managed on a sustainable basis if, year on year, it generates sufficient income to cover its costs and allow for maintenance of and investment in its infrastructure (physical, human and intellectual) at a level which enables it to maintain adaptive capacity necessary to meet future demands
- The institution has a sound system of internal management and control, including an audit committee, an effective internal audit service, and adequate procedures to prevent fraud or bribery
- The institution has an effective policy of risk management and risk management arrangements
- The institution has regular, timely, accurate and adequate information to monitor performance and track the use of public funds. Such information will be made available to SFC on request, as necessary, for the exercise of its functions and to gain assurance
- The institution is engaged actively in continuously enhancing the quality of its activities and involves students and other stakeholders in these processes

As well as being accountable directly to the governing body for the proper conduct of the institution's affairs, the chief executive officer is also accountable directly to SFC's Accountable Officer for the institution's proper use of funds deriving from Scottish Ministers and its compliance with the requirements of this Financial Memorandum.

The chief executive officer of the institution must inform SFC's Accountable Officer without delay of any circumstance that is having, or is likely to have, a significant adverse effect on the ability of the institution to deliver its education programmes, research and other related activity, including delivery of its Outcome Agreement with SFC. He or she should also notify SFC's Accountable Officer of any serious weakness, such as a significant and immediate threat to the institution's financial position, significant fraud or major accounting breakdown or any material non-compliance with any requirement of this FM.

Revisions to the Financial Memorandum

SFC will notify the institution of any changes made to the requirements in this Financial Memorandum. SFC will make material changes to this document only after consulting institutions or their representative bodies and any other relevant stakeholders, as appropriate.

Part 2: General requirements

Unless otherwise stated, the following general requirements apply to the institution.

Incorporated colleges and Regional Boards are also required to comply with the requirements of the Scottish Public Finance Manual (SPFM), except where directed by SFC's Accountable Officer. Annex 1 to this document contains derogations for, and actions required of, incorporated colleges and Regional Boards to meet Scottish Government requirements.

Where the specific requirements of the SPFM differ from any of the requirements in this Financial Memorandum, the former shall take precedence, except where directed by SFC's Accountable Officer.

Financial Memorandum

It is a condition of grant payment from SFC that the governing body and its designated officers comply with the requirements set out in this Financial Memorandum.

Fundable Body criteria

In undertaking its functions, the Governing body should keep under review and have in place satisfactory provision in relation to the list of matters set out in section 7 (2) of the Further and Higher Education (Scotland) Act 2005, as amended by the Post-16 Education (Scotland) Act 2013.

Outcome Agreement

The institution should deliver its Outcome Agreement, including undertaking an annual self-evaluation. The institution should note SFC's guidance on the process for managing outcome-based funding decisions, which is available on SFC's website.

Payment of SFC Strategic Grants

Where the SFC makes a payment to the institution of a Strategic Grant, the institution will be required to comply with any additional requirements attached to the Grant, as well as with this FM.

Changes to grant payments

If the Scottish Government revises its payment of grant to SFC, then SFC reserves the right to make in-year adjustments to its payment of grant to the institution. In this case, SFC may renegotiate its Outcome Agreement with the institution.

Repayment of grant

If the institution fails to comply with the requirements of this FM, and any other specific terms and conditions attached to the payment of grant from SFC, it may be required to repay SFC any sums received from it and may be required to pay interest in respect of any period during which a sum due to SFC in accordance with this or any other condition remains unpaid.

If, in the opinion of SFC, any provision set out in this FM is not observed by the institution, SFC will be entitled, in respect of the payment of grant from SFC:

- In the case of funding by way of grant (general or strategic): to require immediate repayment of any and all grants or any part or parts of any grants at any time after the SFC becomes aware of such failure to observe (without prejudice to further demands until the whole of all sums made available by way of grant shall have been paid in full)
- In the case of funding by way of loan (notwithstanding the terms of any agreement attached to the same): to require immediate repayment of the whole or part of each such loan at any time after SFC becomes aware of such failure to observe (without prejudice to further demands until the whole of all sums made available by way of loan shall have been repaid in full).

Public sector pay policy

The institution should have regard to public sector pay policy set by the Scottish Government.

Tuition fees

Where applicable, the institution should charge student tuition fees at the levels set by Scottish ministers under either the Student Fees (Specification) (Scotland) Order 2006 or the Student Fees (Specification) (Scotland) Order 2011, whichever is applicable. However, the tuition fee levels set by the Scottish Ministers under the student Fees (Specification) (Scotland) Order 2011 do not apply to students who do not have a relevant connection with Scotland or are not excepted students within the meaning of the Education (Fees) (Scotland) Regulations 2011.

Capital finance

As a condition of SFC's Framework Document with the Scottish Government, SFC is required to "make provision for the monitoring and control of borrowing by institutions to protect the public investment in institutions and to maintain accountability for the use of exchequer funds".

Incorporated colleges and Regional Boards are subject to the requirements of the Scottish Public Finance Manual and, therefore, the requirements in paragraphs 15 to 22 below do not apply.

In order that SFC can discharge this requirement, the institution is required to meet all of the conditions on capital finance set out below:

- The institution can demonstrate its ability to repay the finance, and to pay interest thereon, without recourse to requesting additional grant from SFC
- The institution can demonstrate that its ability to maintain financial and academic viability will not be impaired as a result
- The institution can demonstrate the value to be generated by the transaction, whether it involves refinancing, or purchase of any new investment or assets, the acquisition of which is to be financed by the borrowing
- The institution can demonstrate that any such new investment or asset acquisition is in accordance with the institution's strategic plan and, where appropriate, its estate strategy
- The institution can confirm that its governing body has approved the proposed capital finance arrangements

For the purposes of this document, 'capital finance' includes borrowing, finance and operating leases, and other schemes, such as private finance initiative projects, non-profit distribution projects, loan support projects and revolving credit facilities where borrowing is the substance of the transaction, in line with relevant accounting standards.

A revolving credit facility should be considered in the same way as an overdraft facility; for example, in terms of the institution's maximum exposure over the term of the facility. An even annual cost of capital finance is assumed, unless the institution can demonstrate otherwise. The institution is required to provide the annualised cost of the capital finance calculation with any request to SFC for borrowing consent.

When the Council's formal consent is required in respect of capital finance arrangements

The Institution shall obtain prior written consent from SFC before it undertakes a level of capital finance where the annualised costs of all capital finance (being the sum of the servicing and capital repayment costs of each loan or other arrangements spread evenly over the period of the relevant loan or arrangement) would exceed

- Four per cent of: total income as reported in the latest audited financial statements; or

- Of the estimated amount of total income for the current year, if that is lower.

In assessing total capital finance commitments, the institution shall ignore low-value financial commitments, provided that the combined annualised servicing costs of such financial commitments do not exceed 0.5% of total income.

The institution shall also seek consent from SFC before raising capital finance on the security of assets in which Scottish Ministers have an interest. For the purposes of this document, such an interest exists where the institution has used funds provided by Scottish Ministers to acquire an interest in or to develop any land, building or other asset, and where those funds were provided subject to a condition which has the effect of requiring the institution to obtain Scottish Ministers' consent before raising capital finance on the security of those assets.

Scottish Ministers have directed that SFC will exercise their functions in relation to any such interests.

In seeking SFC's approval, the institution should demonstrate to SFC, in writing, its compliance with the requirements set out above.

Disposal of exchequer funded assets

In disposing of exchequer funded assets, the institution should follow the guidance in the relevant procedure notes on the SFC website as amended from time-to-time.

Granting of security

As a result of a condition in SFC's Framework Document with the Scottish Government, the institution is required to seek SFC's prior written consent if it intends to offer as security for a loan any land or property which has been provided, improved, or maintained with the aid of grant.

Contingent commitments

As a requirement of the Further and Higher Education (Scotland) Act 1992, the institution is required to seek SFC's prior written consent if it intends to lend or give a guarantee, indemnity or letter of comfort. The value of the guarantee should be equal to the total contingent liability over the term of the guarantee. In all cases, the institution must take steps to restrict the contingent liability to a minimum and should undertake a careful appraisal of the risks before accepting any contingent liability.

The institution should also provide assurance that, in the event of the contingent liability arising, it can be met from within the institution's own resource, or that appropriate insurance cover has been arranged.

However, SFC's written consent is not required for such arrangements if:

- An actual or effective value is less than 4% of total income as reported in the latest audited financial statements or of the estimated amount of total income for the current year if that is lower; or
- The indemnity is of a standard type contained in contracts and agreements for 'day-to-day' procurement of goods and services in the normal course of business.

Severance payments

The institution should adhere to the following principles when taking decisions about severance payments:

- The actions of those taking decisions about severance payments, and those potentially in receipt of such payments, should be governed by the standards of personal conduct set out by the Committee on Standards in Public Life (the Nolan Principles)
- The governing body should take account of SFC's expectation of the institution in this Financial Memorandum regarding the use of public funds

Incorporated colleges and Regional Boards should comply with the requirements of the Scottish Public Finance Manual, which requires severance schemes and payments to be approved by the SFC.

Based on the principles above, the following requirements should be met:

- Severance packages should comply with the SPFM (unless there is a contractual entitlement to a greater payment). This means that, when entering into employment contracts, remuneration committees should take care not to expose the institution to excessive potential liabilities
- Negotiations about severance packages and payments should be informed, on both sides, by appropriate legal advice
- When a severance arises following poor performance on the part of an individual, any payment should be proportionate and there should be no perception that poor performance is being rewarded
- Final year salaries should not be inflated simply to boost pension benefits
- Notice of termination of appointments should not be delayed in order to generate entitlement to payments in lieu of notice
- The remuneration committee or equivalent should oversee and approve severance arrangements for staff and all decisions should be recorded

An institution should ensure its internal auditor includes a review of systems for the determination and payment of severance settlements in their strategic audit plan.

An institution must seek the view of its auditors and approval from the SFC if it plans to make any novel or contentious severance payments, including those where enhancements are proposed.

The institution's external auditor must review severance settlements. Such a review will normally take place after settlements have been agreed (normally as part of their financial statements audit) and should be carried out by senior audit staff because of the complexity and sensitivity of the issues. If final settlements do not materially conform to this guidance, auditors should report the facts to the institution in their management letter, and inform members of the Governing Body. The auditors should also recommend that the institution informs the Council immediately.

These settlement agreements should not contain confidentiality clauses, except where it is necessary to protect commercially sensitive information. Commercially sensitive information does not include information on the details of the package itself, nor generalised clauses whereby individuals undertake not to make statements that might damage the reputation of an institution. However, there may be exceptional cases not covered by commercial considerations, where it is in the public interest to include a confidentiality clause. Where a confidentiality clause is included in a severance agreement, it must be consistent with the institution's whistleblowing policy.

Audit and accounting

The Governing body must appoint an Audit Committee and ensure the establishment and maintenance of effective arrangements for the provision of internal and external audit. For incorporated colleges and Regional Boards, Audit Scotland will appoint external auditors.

The Audit Committee must produce an annual report to the governing body of the institution.

Accounts direction

The institution shall follow the SFC's current Accounts Direction in the preparation of its annual financial statements.

Student activity

The institution must provide data returns requested by the SFC by the deadlines and to the standards specified. Our Student Activity Data Guidance for Colleges can be found on the SFC website.

Student support guidance

The institution must follow SFC's Student Support Guidance.

European Social Funds

Where the institution is in receipt of European Social Fund funding, it must follow SFC's ESF guidance.

Internal audit

The institution must have in place an effective internal audit service. The operation and conduct of the internal audit service should conform to the professional standards of the Chartered Institute of Internal Auditors. For incorporated colleges and Regional Boards, the operation and conduct of internal audit should comply with Public Sector Internal Audit Standards and, where relevant the Scottish Public Finance Manual.

The institution must inform SFC when an internal auditor is appointed and must inform SFC immediately if the internal auditor is removed before the end of their term of office.

The internal audit service should provide the governing body and senior management of the institution with an objective assessment of adequacy and effectiveness of risk management, internal control, governance, and Value for Money.

The internal audit service must extend its review over all the financial and other management control systems, identified by the audit needs assessment process. It must cover all activities in which the institution has a financial interest, including those not funded by SFC. It should include review of controls – including investment procedures – that protect the institution in its dealings with organisations, such as subsidiaries or associated companies, Arms-Length Foundations, students' unions, and collaborative ventures or joint ventures with third parties.

The head of internal audit must produce an annual report for the governing body on its activities during the year. The report should include an opinion on the adequacy and effectiveness of the institution's risk management, internal control, and governance. The report should be presented to the institution's audit committee and a copy sent to SFC.

Best Value

The institution must have a strategy for systematically reviewing management's arrangements for securing Best Value, including Value for Money.

As part of its internal audit arrangements, the institution must obtain a comprehensive appraisal of management's arrangements for achieving Best Value, including Value for Money.

External Audit

The external auditor should be entitled to receive all notices of and other communications relating to any meeting of the governing body which any member of the governing body is entitled to receive. They should also be entitled to attend any such meeting and to be heard at any meeting which they attend, on any part of the business which concerns them as auditors.

The external auditor must also be entitled to attend the meeting of the governing body or other appropriate committee at which the institution's annual report and financial statements are presented.

The external auditor is expected to attend, as a minimum, any meetings of the audit committee where relevant matters are being considered, such as planned audit coverage, the audit report on the financial statements and the audit management letter. It is the responsibility of the secretary to the audit committee to notify the external auditor of such meetings.

The external auditors, notwithstanding responsibilities to their clients, are expected to co-operate fully with any enquiries or routine monitoring that the SFC undertakes.

The institution must not in any way limit SFC's access to the institution's external auditors.

Part 3: Additional requirements

The following additional requirements apply to different types of institution.

A. ADDITIONAL REQUIREMENTS FOR REGIONAL BOARDS

Financial Memoranda

The Regional Board should put in place a financial memorandum with each of its assigned colleges, which sets out the formal relationship between the Regional Board and the assigned college and which contains the terms and conditions for the use of grant to the assigned college. The financial memoranda should be agreed in advance with SFC's Accountable Officer.

Scottish Public Finance Manual

The Regional Board should follow, and ensure that its incorporated colleges follow, the requirements of the Scottish Public Finance Manual (SPFM) except where otherwise directed by SFC's Accountable Officer. Annex 1 to this Financial Memorandum sets out the derogations for, and actions placed on, incorporated colleges and Regional Boards by the Scottish Government.

In addition to the SPFM, the Regional Board should ensure its incorporated colleges follow the guidance in the relevant SFC Procedure Note on the Disposal of Exchequer-funded Assets and the Accounts Direction.

B. ADDITIONAL REQUIREMENTS FOR OTHER REGIONAL STRATEGIC BODIES

Financial Memoranda

The Regional Strategic Body should put in place a financial memorandum with each of its assigned colleges, which sets out the formal relationship between the Regional Strategic Body and the assigned college and which contains the terms and conditions for the payment of grant to the assigned college. The financial memoranda should be agreed in advance with SFC's Accountable Officer.

Scottish Public Finance Manual

The Regional Strategic Body should ensure that its incorporated colleges follow the requirements of the Scottish Public Finance Manual (SPFM) except where otherwise directed by SFC's Accountable Officer. Annex 1 to this

Financial Memorandum sets out the derogations for, and actions placed on, incorporated colleges by the Scottish Government.

In addition to the SPFM, the Regional Strategic Body should ensure its incorporated colleges follow the guidance in the relevant SFC Procedure Note on the Disposal of Exchequer-funded Assets and the Accounts Direction.

Senior management structure

The Regional Strategic Body should ensure that its senior management structure comprises of the Principal and Vice-Chancellor, an Associate Principal Further Education, and an Associate Principal Specialist and Research, as referred to in the institution's Articles of Association.

C. ADDITIONAL REQUIREMENTS FOR OTHER COLLEGES: NEWBATTLE ABBEY COLLEGE AND SABHAL MÒR OSTAIG

Insurance

The institution is responsible for taking out and paying for adequate insurance in respect of its assets and activities.

ANNEX 1

Incorporated colleges: derogations and actions to meet Scottish Government requirements

Introduction

The following derogations and actions have been agreed with the Scottish Government and should be read in conjunction with the Scottish Public Finance Manual (SPFM). Where reference is made to the SPFM, please refer to the relevant section of the SPFM for the detailed requirements.

Where the specific requirements of this Annex and the SPFM differ from any of the requirements in the body of this SFC's Financial Memorandum, the former shall take precedence, except where directed by SFC's Accountable Officer.

Definitions of key terms used in this document are contained in Appendix B.

Borrowing

1. All borrowing by the institution will require the approval of Scottish Ministers. Requests to borrow should be submitted to the SFC.

Cash management and banking

2. Grant payment will not be made in advance of need, as determined by the level of unrestricted cash reserves and planned expenditure. Unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operation of the institution and the level of funds required to meet any relevant liabilities at the year-end. Grant-in-aid not drawn down by the end of the financial year shall lapse. Grant-in-aid shall not be paid into any restricted reserve held by the institution. Transfers to arms-length-foundations are permitted.

3. Banking arrangements should ensure they offer best value and comply with the Banking section of the SPFM unless specific derogation has been given to do otherwise.

4. Scottish Government has approved a derogation which delays the move to the Government Banking Service (GBS) to 2016-17 at the earliest.

5. Institutions can extend existing banking arrangements provided they are not extended beyond Financial Year 2016-17. Any extension beyond Financial Year 2016-17 requires Scottish Government agreement.

6. The institution can operate bank overdraft facilities to assist it in managing the timing of income and expenditure through its bank account. Overdrafts should not be used as a means of increasing borrowing.

Delegated authorities

7. The institution's specific delegated financial authorities are set out in Appendix A. The institution shall obtain the SFC's prior written approval before entering into any undertaking to incur any expenditure that falls outwith these delegations. Prior SFC approval must always be obtained before incurring expenditure for any purpose that is or might be considered novel, contentious or repercussive or which has or could have significant future cost implications.

8. The institution should establish appropriate documented internal delegated authority arrangements consistent with the Delegated Authority section of the SPFM and this document.

Gifts made, special payments and losses

9. Unless covered by specific delegated authority as detailed in Appendix A, the institution shall not, without the SFC's prior approval, make gifts or special payments or write off losses. Special payments and losses are subject to the guidance in the Losses and Special Payments section of the SPFM. (Losses and Special Payments)

Impairments, provisions and write-offs

10. Assets should be recorded in the Balance Sheet at Depreciated Replacement Cost for Land and Buildings and at Historic Cost less depreciation for Equipment in accordance with the FReM. Where an asset, including investments, suffers impairment, it is important that the prospective impairment and background is communicated to the SFC at the earliest possible point in the financial year to determine the budget implications. Any significant movement in existing provisions or the creation of new provisions should be discussed with the SFC.

11. Write-off of bad debt and/or losses score against resource Departmental Expenditure Limits (DEL) and are subject to specific delegated limits (see Appendix A).

Income generation

12. The institution will be able to retain all commercial income, gifts, bequests or donations received. These funds will be in addition to any grant or funding the institution receives from the SFC.

Insurance

13. The Scottish Government has agreed a derogation whereby Institutions can extend their current commercial insurance arrangements for one year to 31 July 2015, to enable a business case to be submitted to the Scottish Government that would, if approved, enable colleges to continue to use commercial insurance arrangements in the longer term.

Investments

14. Institutions must not make any investments of a speculative nature without the prior written approval of the SFC.

Lending and guarantees

15. The institution is required to seek SFC's prior written consent if it intends to offer as security for a loan any land or property which has been provided, improved or maintained with the aid of grant-in-aid.

Major Investment Projects

16. Any major (greater than £5m inclusive of fees and VAT) investment programmes or projects undertaken by the institution shall be subject to the guidance in the Major Investment Projects section of the SPFM and also requires specific written authority of the SFC. (Major Investment Projects)

Pay and conditions of service

17. Institutions are not part of public sector pay policy and can set their own pay and terms and conditions of employment. However in setting their pay policy institutions should have regard to public sector pay policy and affordability.

Procurement and Payment

18. Institution procurement processes will reflect the relevant guidance contained in the Advanced Procurement for Universities and Colleges, and relevant policy and advice issued by the Scottish Procurement Directorate. (Procure) Procurement should be undertaken by appropriately trained and authorised staff and treated as a key component of achieving the institutions objectives consistent with the principles of Best Value, the highest professional standards and any legal requirement.

19. Unless covered by a specific delegated authority, any proposal to award a contract without competition (non-competitive action) must be approved in advance by the SFC. Specific delegated authority is given (see Appendix A) to award a contract without competition for £25,000 or less without advance approval.

20. Any external consultancy contracts (see Definitions in Appendix B) with a value of more than £100,000 must be approved in advance by the SFC.

Transfer of Surplus Funds to Arms-length foundations

21. The institution may transfer any surplus on its income and expenditure account as at 31 March each year to its Arms-length foundation. This transfer must take place in the financial year in which it arises, and is subject to sufficient cash and resource cover being available.

Duties to provide information on certain expenditure as required by The Public Services Reform (Scotland) Act 2010

22. As soon as is reasonably practicable after the end of each financial year each listed public body must publish a statement of any expenditure that it has incurred during that financial year on or in connection with the matters described below.

- Public relations
- Overseas travel,
- Hospitality and entertainment,
- External consultancy.

23. As soon as is reasonably practicable after the end of each financial year each listed public body must publish a statement specifying the amount, date, payee and subject-matter of any payment made during that financial year which has a value in excess of £25,000.

APPENDIX A

Delegated financial limits for incorporated colleges

External Business and management consultancies	£100,000
Gifts	£500
Extra contractual payments	£5,000
Compensation payments	£5,000
Special Severance payments	£1,000
Ex-gratia payments	£1,000
Claims Waived or abandoned	£3,000
Write off of bad debt	£3,000
Losses	£3,000
Overseas student irrecoverable loss limit	£6,000
Fraud Loss	£5,000
Operating Leases -non property	£50,000
Procurement non-competitive action	£25,000

Novel, contentious or repercussive expenditure requires the approval of SFC.

Definitions of the above terminology are contained in Appendix B

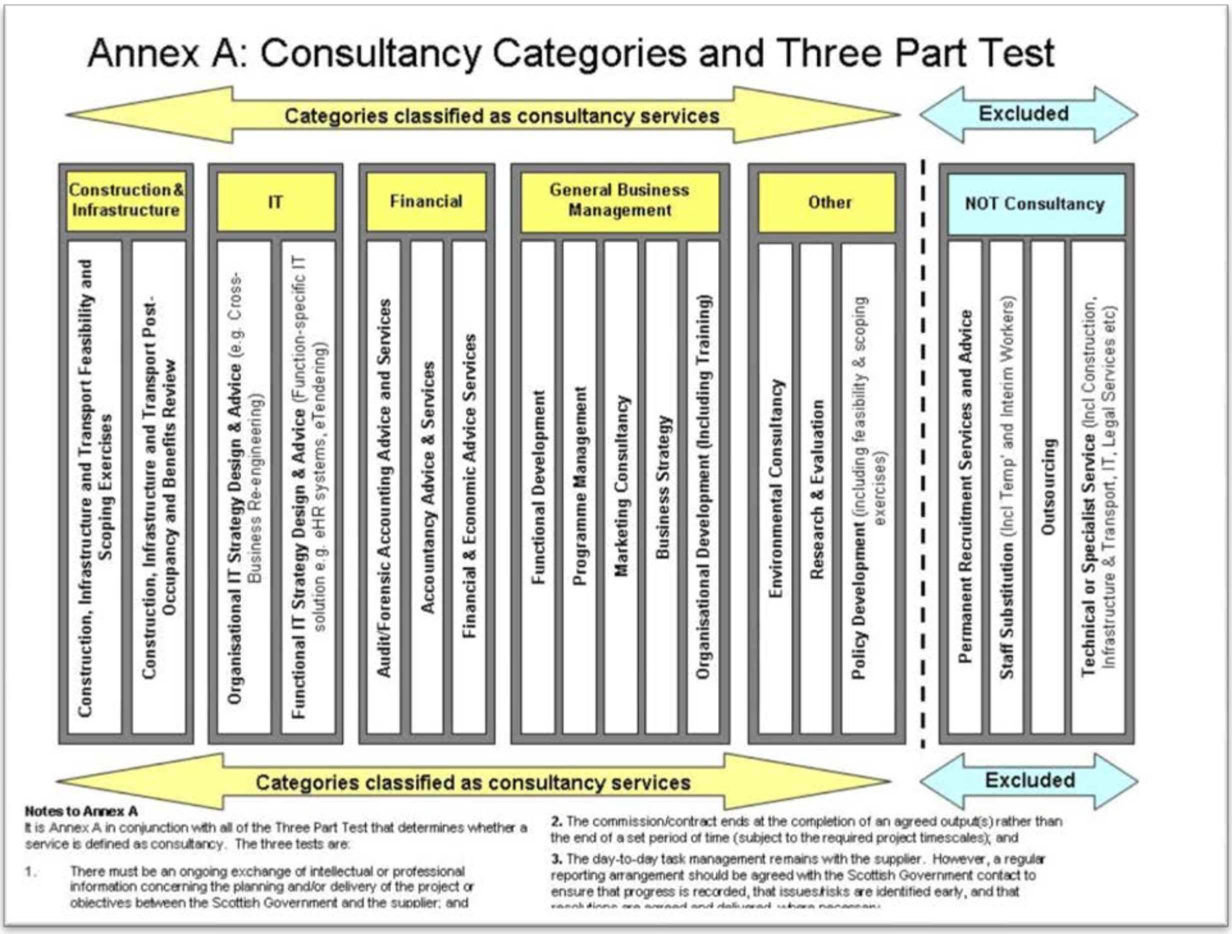
APPENDIX B

Delegated limits for incorporated colleges: definition of terms

Consultancy

The Three-part Test – in conjunction with the chart below from the SPFM – determines whether a service is defined as consultancy. The three tests are:

- There must be an ongoing exchange of intellectual or professional information concerning the planning and or delivery of the project or objectives between the institution and the supplier; and
- The commission or contract ends at the completion of an agreed output or outputs rather than the end of a set period of time (subject to the required project timescales); and
- The day-to-day task management remains with the supplier. However, a regular reporting arrangement should be agreed with the institution contact to ensure that progress is recorded, that issues and risks are identified early, and that resolutions are agreed and delivered, where necessary.



It is the maximum value of expenditure over the entire period of the consultancy requirement or contract that will be paid to a supplier to ensure the appropriate level of approval is sought.

If there is a variation to the contract which will cause costs to exceed the level initially approved, further approval will need to be sought at the appropriate level before agreeing that the additional work can go ahead.

Section 31 (1) and (2) of the Public Services Reform (Scotland) (PSR) Act 2010 require public bodies to publish a statement of any external consultancy expenditure they have incurred during that financial year as soon as is reasonably practicable after the end of each financial year.

Novel or Contentious Expenditure

Whether or not a financial transaction might be regarded as novel or contentious inevitably involves a degree of judgement. "Novel" would include proposed expenditure or financial arrangements of a sort not previously undertaken or entered into by the body in question or that could not be considered, reasonably, to be standard practice. "Contentious" would include proposed expenditure or financial arrangements where there was doubt as to regularity (i.e. compliance with relevant legislation and guidance) or propriety (i.e. compliance with the standards expected of public bodies or officials). Proposed expenditure or financial arrangements that might be considered to be politically sensitive would also be regarded as contentious. If in doubt advice should be sought from the SFC.

While the prior written approval of the SFC must be obtained for any novel or contentious (or repercussive) financial transactions undertaken by colleges, responsibility for such transactions remains with the relevant Chief Executive/Principal. The Chief Executive/Principal should therefore be made aware of all such transactions. (in lieu of accountable officer)

Repercussive: an unintended consequence of an action which is usually unwelcome.

Losses

Fruitless Payments and Constructive losses

A payment which cannot be avoided because the recipient is entitled to it even though nothing of use will be received in return should be classified either as a fruitless payment or as a constructive loss. The latter category should be used where the loss was "constructively incurred".

A fruitless payment is a payment for which liability ought not to have been incurred, or where the demand for the goods and services in question could have been cancelled in time to avoid liability; for example:

- Forfeitures under contracts as a result of some error or negligence by the payee;
- Payment for travel tickets or hotel accommodation wrongly booked; or for goods wrongly ordered or accepted;
- The cost of rectifying design faults caused by to lack of diligence or defective professional practices; and
- Extra costs arising from failure to allow for foreseeable changes in circumstances.

There are many degrees of error which might be involved in making a fruitless payment; the criterion is not whether the error is considered serious enough to warrant disciplinary action but simply whether the payee was at fault in incurring or not avoiding the liability to make the payment. Because fruitless payments will be legally due to the recipient they are not regarded as special payments. As due benefit will not have been received in return, however, they should be regarded as losses.

A constructive loss is similar to a fruitless payment, but one where procurement action itself caused the loss. For example, stores or services might be correctly ordered, delivered or provided, then paid for as being in conformity with the order; but later, perhaps owing to a change of policy, they might prove not to be needed or to be less useful than when the order was placed. A constructive loss need not be noted in the losses statement in the resource accounts, but should be recorded under "other notes" if significant.

Waiver and Abandonment of Claims

Waiver or abandonment of a claim occurs if it is decided not to present or to pursue a claim which could be or has been properly made. Examples are:

- A decision to reduce the rate of interest on a loan, and therefore to waive the right to receive the amount of the reduction;
- Claims actually made and then reduced in negotiations or for policy reasons;
- Claims intended to be made, but which could not be enforced, or were never presented;
- Failure to make claims or to pursue them to finality, e.g. owing to procedural delays allowing the Limitations Acts to become applicable;

- Claims arising from actual or believed contractual or other legal obligations which are not met (whether or not pursued) e.g. under default or liquidated damages clauses of contracts;
- The amounts by which claims are reduced by compositions in insolvency cases, or in out-of-court settlements, other than reductions arising from corrections of facts; and
- Claims dropped on legal advice, or because the amounts of liabilities could not be determined.

If a claim has been presented in error or otherwise proves be ill-founded, the claim should be withdrawn (whether or not it has actually been presented) and need not be noted. A claim should not, however, be regarded as withdrawn where there is doubt as to whether it would succeed if pursued in a court of law, or if the liability of the debtor has not or cannot be accurately assessed. A claim for refund of an overpayment which fails or is waived should be regarded as a cash loss.

Special Payments

An extra-contractual payment is one which, although not legally due under the original contract or subsequent amendments, appears to place an obligation on a public sector organisation which the courts might uphold. Such obligations will usually arise from administrative action or inaction in relation to the contract. A payment is regarded as extra-contractual even where there is doubt whether or not the organisation is liable to make it; for example, where the contract provided for arbitration but a settlement is reached without recourse to arbitration. A payment made as a result of an arbitration award is contractual.

A compensation payment is one made in respect of unfair dismissal or in respect of personal injuries, traffic accidents, damage to property etc, suffered by civil servants or by others.

Special severance payments are paid to employees beyond and above normal statutory or contractual requirements when leaving employment in public service whether they resign, are dismissed or reach an agreed termination of contract. See the section of the SPFM on Severance, Early Retirement and Redundancy Terms.

Ex gratia payments are payments made where there is no legal obligation to pay. There must always, however, be good public policy grounds for making such payments. Into this category will fall some out of court settlements, such as cases where the pursuer has no legal case but the government wants to stop the litigation because it is costly in time and resources. It would not

however include cases where the settlement is a negotiated price to settle a potentially higher legal liability.

Other examples of ex-gratia payments would be payments as compensation for distress or loss arising from a perceived failure of the government but where there was no legal obligation to pay or awarding a dismissed office holder a gratuity that went beyond any legal entitlement by virtue of his/her employment as a type of reward for going with good grace and minimum disruption of services.

Business Case for Insurance Short Life Working Group

Terms of Reference

1. Aims and Purpose of the Project

A consequence of the reclassification of colleges as public bodies is that in the management of their affairs, colleges should follow the guidance set out in the Scottish Public Finance Manual (SPFM). Amongst other things, the manual states that public bodies should not procure commercial insurance unless there is a statutory requirement so to do or unless it is specified within the SPFM. Instead, colleges, as public bodies, should self-insure the majority of their insurable risks.

Colleges Scotland has agreed with the Scottish Government that they can submit a business case that argues for the continuation of the procurement of commercial insurance. The business case has to be submitted to the Scottish Government by September 2014 so that a decision can be reached before existing insurance arrangements expire in 2015. The view of the Scottish Government is that colleges should self-insure from 2015.

It was agreed to establish a short life working group (SLWG) to drive forward activity which will allow analysis to be carried out and a case made to the Scottish Government to support business insurance.

Aim

The main aim of the SLWG is to analyse and to set out a business case that shows that the continued use of commercial insurance by colleges as part of their overall risk management activities delivers value for money.

2. Audience for the SLWG Report

Scottish Government (Lead), Scottish Funding Council (SFC) via the ONS Project Board, Colleges and Colleges Scotland (CS).

3. Key Parameters

- Information should be gathered on a consistent basis.
- Survey and analysis of returns to build the business case for insurance.

4. Methodology

- SLWG project group established.
- Gather agreed data by means of a survey in a consistent and timely manner.
- Analyse the data and report findings.
- Timetable – as the business case requires to be submitted to the Scottish Government by September, the timescale is quite tight and the following steps and dates have been agreed:

Thursday 1 May 2014	Issue survey requesting information to non incorporated colleges
Thursday 22 May 2014	Receipt survey returns
Friday 30 May 2014	Complete all external interviews and information gathering
Friday 27 June 2014	Complete data analysis
Friday 25 July 2014	Produce draft business case
Friday 5 September 2014	Present draft business case to Colleges Scotland Board/Hugh Hall and any required follow up work to complete draft
Tuesday 30 September 2014	Issue business case to Scottish Government.

5. Profile of the SLWG

Membership of the group will consist of the following:

- Shona Struthers, Colleges Scotland – Chair of SLWG
- Michael Yuille, Consultant to Colleges Scotland
- Alan Ritchie, West College Scotland
- Roddy Scot, North East Scotland College
- Pete Smith, Borders College
- John Ford, Consultant to SFC

6. Outputs and Deliverables

- A business case should be prepared to that shows that the continued use of commercial insurance services by colleges as part of their overall risk management activities delivers value for money.
- A final report should be prepared with recommendations by September 2014. The report will be issued to Scottish Government, copied to key stakeholders.

Colleges Scotland
April 2014

Business Case for Insurance Information Collection – College Response

1. Services provided by your broker and or insurer and the cost involved.
The service the college receives from our current insurer, Zurich Municipal, is excellent. The combined liability policy includes additional services which are provided by Zurich, including claims handling, claims investigation, all legal aspects of dealing with claims, as well as paying any settlements if required. The cover also includes providing pro-active risk management advice to the College, and regular meetings to ensure developments in the sector are highlighted, and a review of ongoing claims.
2. Internally, what is the staff effort in FTE working on insurance in the college? Have you estimated how that would change if self-insuring? What additional costs would be incurred?
The current insurance workload for the college staff includes liasing with the Zurich consultant, preparing information to complete the renewal application and liaising with Zurich for any ongoing claims handling. The annual time costs are estimated as 0.05 FTE for the Finance Managers time, and some additional time annually for support from the Senior Management Team, and the Health & Safety Officer. In addition, relevant staff across the College may be involved in providing information for Zurich's claims investigator for any claims arising. If the College was required to self-insure, the time required to deal with claims management would increase significantly. There has been an increase in the number of personal injury claims received from the College, and as the College staff do not have the necessary knowledge and expertise required to deal with claims, as a matter of routine all cases are forwarded to Zurich claims department. Zurich's team of experts deal with all correspondence and investigations. If the College was not able to refer these cases to our insurers, we would require to out-source these services, and the costs for this service are unknown but are likely to be substantial.
3. How are insurance claims dealt with at present?
The claims received against the insurance policies in the past five years for public liability claims totals £173,580, with two claims currently being handled by Zurich. The number of claims received for personal injury have increased in the last two years, and a significant time and training resource would be required if responsibility for all claims handling and investigation was to fall within the remit of the College. A recent claim has been paid out from the College Group Life insurance policy, the policy provides a payment equivalent to one year's salary to a nominee of the staff member. The recent payment from the policy was for a part-time salary, and amounted to £5,336, but the cover is for all employees, and is based on a total payroll cost of £7.3m. If the College was required to fund this scheme from its reserves, a single claim could amount to £92,000 which would be a significant

drain on College resources.
4. Is the college required by any contractual arrangements to carry full commercial insurance? e.g. by Banks in respect of loans, or by landlords in respect of leases.
5. Does the college carry our any commercial activity that requires commercial insurance to be in place? In costing such activities, is a recovery made in respect of the insurance costs involved?
The College contracts with Skills Development Scotland and Construction Skills require the College to have in place cover for Employer Liability, Public Liability, and Professional Negligence. Any contracts bid via the Public Procurement site also has a requirement for any tenderers to have insurance cover.
6. Have you encountered a requirement to have commercial insurance before being able to bid for commercial work from a third party? If so, please give brief details.
7. Has your college board considered the issue of self-insurance and formed a view? What is that view?

8. How do you procure your insurance and or broker services? If using a broker, what services do they provide for the fee payable to them (see also question 1 above).
The current combined insurance policy was procured through APUC. A full tender was entered into on behalf of a group of Colleges, and Zurich were appointed for a set period following the tender exercise. We expect that all future insurance contracts would be tendered through APUC.
9. Claims experience – please note here the assistance and support provided by your broker and or insurer in respect of a major claim you have experienced.
The number of claims received for personal injury have increased in the last two years, and a significant time and training resource would be required if responsibility for all claims handling and investigation was to fall within the remit of the College. A significant claim was settled by the college insurers for an accident which had occurred in 2006, and was finally settled in 2011, which related to a member of staff who had an accident at work. A further case was settled in 2012 which involved legal proceedings. For each of these cases, the College insurers dealt with all aspects of the case, with College staff providing information for Zurich's claims investigator. There are currently two open public liability claims against the College from former students, with a total of five claims having been received since August 2009. Nine claims against the motor insurance policy have been made in the same period, which has led to the increased premiums for 2013/14. Fortunately, the College has not experienced any major claims or disruptions, but Zurich consultants have the experience and knowledge to provide advice and practical support at short notice which would enable the College to continue its operations with minimal disruption wherever possible.
10. Other information – please add anything you think might assist in the preparation of the justification for continuing to purchase commercial insurance.

Board of Management

CATERING CONTRACT

1. Purpose of Report

The purpose of this report is to advise members of the outcome of the recent tender exercise for catering services.

2. The Report

The current contract was awarded to Alba Catering in the summer of 2010. The contract was for a three-year period from August 2010 to July 2013 and was extended for a period of one year until July 2014.

The College secured the services of APUC (Advanced Procurement for Universities and Colleges) to assist with preparing the catering tender and the tender process itself**.**

The attached report prepared by APUC, summaries the process undertaken by the College and their recommendation to award BaxterStorey the contract.

3. Recommendation

Members are asked to note that BaxterStorey has been awarded the contract for the period August 2014-July 2017.

RESTRICTED – COMMERCIAL

CONTRACT AWARD RECOMMENDATION REPORT FOR:

CATERING SERVICES FOR DUMFRIES AND GALLOWAY COLLEGE

1. PURPOSE

This report summarises the process undertaken during the procurement exercise for Catering Services and recommends that the Contract is awarded to **BaxterStorey** on the basis of a price and quality assessment resulting in the scores below:

Tenderer	Score out of 100%
BaxterStorey	94.72%
Alba Business Catering Ltd t/a Albacore	87.61%
Catering Academy	78.18%
Host Management Ltd	74.01%
Turner Facilities Management Ltd	60.88%

2. BRIEF SUMMARY OF REQUIREMENTS

This contract comprises the Catering Services including refectory, retail shop, vending and hospitality.

3. TENDER PROCESS

3.1 Advertisement

The contract was advertised through the Public Contracts Scotland Tender Portal (PCS-T). This procurement is considered a Part B Service under the Public Contracts (Scotland) Regulations 2012. The College shall observe a 10 day 'voluntary' standstill period.

3.2 Minimum Standards

A number of minimum standards were set out in the tender document. These were assessed and all suppliers were deemed to meet the minimum standards required for this contract.

3.3 Evaluation Criteria

Tenders were assessed based on the Most Economically Advantageous Tender (MEAT) with a Price: Quality Ratio of 40:60.

3.4 Overview of Tender Responses

Number of tenders invited:	Open invitation through PCS
Number of tenders received:	5
Number of compliant bids:	5
Name of tenderers:	

Alba Business Catering Ltd t/a Albacore

BaxterStorey
Catering Academy
Host Management Ltd
Turner Facilities Management Ltd

3.5 Commercial Evaluation Results (weighting 40%)

The table below show the results of the Commercial evaluation:

Price Evaluation	Score out of 40%
Catering Academy	38.18%
BaxterStorey	36.97%
Alba Business Catering Ltd t/a Albacore	36.36%
Host Management Ltd	21.76%
Turner Facilities Management Ltd	21.63%

A summary report was provided to the College on the commercial aspect of the bids by The Litmus Partnership Ltd. All bids were arithmetically checked and all tenderers were approached to clarify aspects of their bid to ensure a like for like comparison.

Scores were applied to each bid in line with the evaluation methodology as set out in the invitation to tender.

3.6 Quality Evaluation Results (weighting 60%)

The quality evaluation was carried out by a tender panel comprising of:

Jannette Brown	Assistant Principal (Learner Services), Dumfries and Galloway College
Neil Smith	Partner, The Litmus Partnership Ltd
Angela Van Gelder	Procurement Manager, APUC Ltd (Advisory)

The table below show the results of the Quality evaluation:

Quality Evaluation	Score out of 60%
BaxterStorey	57.75%
Host Management Ltd	52.25%
Alba Business Catering Ltd t/a Albacore	51.25%
Catering Academy	40%
Turner Facilities Management Ltd	39.25%

3.7 Price Quality Ratio Results and Tenderer Ranking

The table below shows the results of the PQR evaluation and tenderer rankings.

	Tenderer	Score out of 100%
1	BaxterStorey	94.72%
2	Alba Business Catering Ltd t/a Albacore	87.61%
3	Catering Academy	78.18%

4	Host Management Ltd	74.01%
5	Turner Facilities Management Ltd	60.88%

4. AWARD RECOMMENDATION

Based on the results of the assessment by the Tender Panel of the Price:Quality Ratio, the recommendation is to award the Contract to **BaxterStorey on the basis of a £33196 profit return** having demonstrated that they have submitted the Most Economically Advantageous Tender.

Submitted by: Angela Van Gelder

Title: Procurement Manager, APUC Ltd

Date: 10 April 2014

Scottish Funding Council
Promoting further and higher education

Comhairle Maoineachaidh na h-Alba
A' brosnachadh foghlam adhartach agus àrd ìre

Our ref: 242549529

22 April 2014

Ms Carol Turnbull
Principal
Dumfries & Galloway College
Bankend Road
Dumfries
DG1 4FD

Developing single college Students' Associations

The Council is pleased to offer funding of up to £142,000 from the College Strategic Funds towards the cost of developing single college Students' Associations in each of the 4 single college regions that have not been through a recent merger.

This funding will be paid over financial years 2014/15 – 2015/16.

Conditions of funding

This funding is offered subject to the attached standard conditions of grant and the following specific conditions:

- The College and Students' Association will work with NUS to secure the sustainability of the Students' Association after specific project funding runs out.

Monitoring and evaluation

You must submit an annual report and financial statement by the end of May 2015. The report should detail progress to date against the objectives and outcomes of the project and the financial statement should account for the use of our funding to date.

You must submit a final project report and financial statement by the end of June 2016. This report should detail the effectiveness of the project in achieving its aims and the financial statement should account for the use of our funding.

We have adopted an impact evaluation framework for our strategic projects and programmes. If we wish to include you in this work we will contact you at some point after your project has finished.

Payment of funding

Funding available for this project in FY 14-15 will be £71,000.

The timing for the payments will be based upon the submission by the college of its monthly cash flow proforma (where the college will request the amount of grant they need for each of their projects).

Funding for this project beyond its first year will be subject to availability of funds but it is our intention to continue to provide you with a grant at this level.

Please note that we cannot make any payments until you have accepted this offer in writing. To accept the offer, please sign both copies of this letter and return one to Catherine Atkinson, Senior Budgeting and Reporting Officer (email – catkinson@sfc.ac.uk or tel – 0131 313 6540*)* by **30 April 2014**. You should also contact Seamus Spencer (email – sspencer@sfc.ac.uk or tel – 0131 313 6673) if you have any queries about this offer of funding.

John Kemp
Director, Strategic Development

Enc: Standard conditions of grant

cc: Kate Byford, Partnerships for Change, NUS

I accept this offer of funding from the College Strategic Funds *for* Developing Single College Students' Associations of up to £142,000. I agree to comply with the conditions of grant and the monitoring and evaluation requirements.

Name:

Position:

Signed: **Date:**

Standard conditions of grant

1. You must use the grant to achieve the objectives and outcomes that you provided in your proposal and that we agreed, *in accordance with the Council's Financial Memorandum with institutions.*

2. You must seek our agreement in advance for any alterations to the objectives or outcomes of the project/programme of work.

3. The main contact you have nominated must act on behalf of all partner institutions and accept responsibility for monitoring use of the grant. You must notify us as soon as possible if this contact changes.

4. If your pattern of spend differs significantly from the budget provided in your proposal, you must notify us as soon as possible.

5. You must comply with the monitoring and evaluation requirements in this letter and also co-operate with the impact evaluation, if requested. You must immediately tell us of any problems with the project/work which are likely to affect the timetable or outcomes. We may request additional reports if we think this is necessary.

6. You must tell us in advance of any publicity arrangements you are making for the project/work so that we can advise on our inclusion in signage, advertising and media releases.

7. We may audit relevant project documentation so that we know that you have used the grant appropriately and have met these conditions of grant.

8. We may suspend payments or recover grant paid if you do not comply with any of these conditions of grant.

Dumfries and Galloway College

Annex A

Overall funding allocations, AY 2014-15

	Dumfries & Galloway
Teaching and fee waiver	£8,330,655
European Social Fund	£0
Student support	£2,235,502
Capital	£506,553

** The European Social Fund allocation is to pay for the ESF WSUM target and associated student support*

**European Social Fund allocation includes matched funding from ESF*

Student number targets, AY 2014-15

WSUMs	42,529
ESF WSUMs	0
Additional WSUMs	0
Total WSUMs to be delivered	**42,529**

*European Social Fund allocation excludes matched funding from ESF

Breakdown of student support funding allocations, AY 2014-15

	Dumfries & Galloway
Student support	
- FE Bursary	£1,921,089
- FE Childcare	£170,690
- HE Childcare	£36,109
- FE Discretionary Fund	£107,614
Total	**£2,235,502**

Strategic funding commitments / estimates (excluding capital projects) AY 2014-15

Strategic Funds	
	£0

Strategic funds payments may differ from above due to re-profiling and project timings

Breakdown of capital allocations, 2014-15

SFC Capital	£127,877
SFC Maintenance	£378,676
Total	**£506,553**

Board of Management

ASSUMPTIONS 2015-16 HIGH LEVEL BUDGET FORECASTS TO INFORM FINANCIAL FORECAST RETURN

1. PURPOSE OF REPORT

The purpose of this report is to advise the Finance and General Purposes Committee of the key assumptions for 2015/16 Financial Forecast Return which will require to be submitted to the Scottish Funding Council at end of June 2014.

2. BACKGROUND

The ONS reclassification of Colleges has impacted the budgeting and reporting framework for the Scottish College sector, with effect from 1 April 2014. Changes to the College reporting calendar and cycle now includes submitting monthly cash flow projections to SFC in order to draw down grant income, and periodic budget returns to allow the SFC to monitor budgets within each financial year and assess the overall College sector forecast out-turn for the year.

SFC will require to collate the overall College sector budget, which will form part of the total Scottish Government budget for 2015/16. They have indicated that a Financial Forecast Return (FFR) will be required at the end of June 2014 in order to assess the projected out-turn to 31 March 2014, and this will also request high level budget forecasts for 2015/16. As the forecast papers have not yet been issued, the format and level of detail required for the return is not yet know, but is likely to require high-level income and expenditure information, and a reconciliation of the College budget to comply with the Treasury budget reporting requirements. This will highlight areas of income and expenditure where the budget treatment of certain items is different, including an assessment of projected revenue and capital out-turns against budgets for HM Treasury purposes.

Work in preparing the forecasts is planned to take place during June, and will include high level discussions with the Senior Management Team. Detailed work on the budget for 2015/16 is likely to commence in September, and will include discussions with all budget holders to assess the projected out-turn for 2013/14, and to gauge changes which are expected for 2015/16.

3. KEY ASSUMPTIONS

The key assumptions inherent within the budget are as follows:

Grant allocation – SFC grant figures will be based on the assumption that core grant for 2015/16 will be a ‘flat cash’ award, and will be at the same level as the 2013/14 academic year grant;

Non-SFC income – the budget will be prepared on the basis that the main other income streams, including SAAS and SDS fees, will be in line with current student numbers and mix of FE and HE students, and the budget for academic year 2014/15, and will take account of expected changes to contracts;

Capital grant and proposed developments – the Hospitality developments will take place during 2014/15, but there may be some fitting-out costs which fall into 2015/16. The level of capital and capital maintenance grant will be assumed to be at the same levels as 2014/15, and expenditure will be included in the projections in line with this;

ERDF and other project funding – The College has two EU funded projects which will end in 2014/15, and a potential ESF funded project is being explored for 2015/16;

Catering contract – the refectory income and expenditure will be based on the contract with the new catering providers;

Salaries – pay costs will be based on the staffing budget for the 2014/15 academic year, which includes the recent pay award for the period to 31 March 2015;

Student support funding – the budget out-turn will be based on the 2014/15 SFC and SAAS student support funding, and will assume that there will be no overspend for the year;

Property costs – the detailed budget work for 2014/15 included a full review of maintenance contracts, and other ongoing maintenance costs. The forecasts for 2015/16 will be based on the costs identified from this review;

Depreciation and amortisation – the depreciation budget will be based on the current asset valuations. No amortisation costs or impairments are expected to affect the 2015/16 budgets, and the accounting treatment as revenue or capital for the hospitality development costs is not yet known but is unlikely to have a material impact on the depreciation budget;

Fixed asset additions – the budget will assume that SFC capital grant of £127,877 will be available to purchase fixed assets. The detailed budget work in September will provide more detailed establish plans for new capital purchases in 2015/16;

Pension liability – the pension liability will be based on the valuations at 31 March 2014;

Lennartz – the College liability with HMRC under the Lennartz scheme is due to continue until July 2018. Bank balances have been retained in order to meet estimated future liabilities;

Inflation – a small inflationary increase will be assumed across all non-pay costs for 2015/16.

Out-turn - The net out-turn for 2015/16 will be based on a break-even operating position for the year.

4. RECOMMENDATION

Members are asked to note the key assumptions proposed for preparing the high-level forecasts for the 2015/16 budgets.

CASH FLOW PROJECTIONS

1. **PURPOSE OF REPORT**

The purpose of this report is to update the Finance and General Purposes Committee on the revised format which has been provided for the monthly Cash Flow Projections.

2. **REPORT**

The ONS reclassification has impacted on how the College Sector grant funding from SFC is paid to the College. The Scottish Public Finance Manual (SPFM) states that grant payment will not be made in advance of need, and unrestricted cash reserves held during the course of the year should be kept to the minimum level consistent with the efficient operations of the institution and the level of funds required to meet any relevant liabilities at the year-end.

In order to comply with the SPFM, SFC have established a calendar of monthly cash flow returns to provide detailed cash flow projections. Funding now requires to be draw-down to meet needs as required, rather than in line with a fixed profile. The SFC cash flow return comprises a pro-forma worksheet which highlights the SFC grant funding and expenditure for ring-fenced grants, as well as other income, expenditure, and forecast balances.

SFC guidance has indicated that they will review the monthly returns, and will require explanations for significant variances from original profiles, and query significant bank balances reported on the returns.

The grant from SFC will continue to be paid mid-month, and as a result, the College will need to ensure that sufficient funds are available to meet liabilities as they fall due in the first two weeks of each month until the SFC grant funding is received.

As the overall College bank balances are now lower following the transfer to the Arms Length Foundation, and the expectation that balances will be at a minimum level during the course of the year, the projections will require to take account of the profile of income and expenditure over the period. The main areas which have been reviewed in order to prepare the revised format and cash flow projections are:

- Assessment of the main income streams, and timing of the income based on previous years;

- Assessment of the profile and amount of student funding payments each month;

- Assessment of the timing of large supplier payments and other significant cash outflows;

- Timing of income and payments for the hospitality project developments;
- Scheduled Lennartz payments; and
- Payroll costs and timing of items such as back pay.

The finance team have also liaised with budget holders to ensure that the projections take account of any other known changes to income and expenditure which will affect future cash flows.

The format for previous cash flow reports which were prepared for SMT and Board purposes has been updated to ensure that the detailed information required for the SFC cash flow forecasts is set out, and the same details will be used to complete the SFC monthly return.

The revised format for the cash flow provides more detail of individual income and expenditure items, and shows the profiled Lennartz payments and estimated hospitality project income and expenditure separately from the core College cash flows.

The format of the cash flow projections will be revised and updated as required, to ensure it provides the details required for the SFC return, and is appropriate for SMT and Board purposes. The projections will be updated monthly to take into account any changes to budgets, and re-profiled as required.

A copy of the Cash Flow Projections for May 2014 is attached.

Dumfries and Galloway College

Cash Flow Projections for 2014-15

	Actual April '14 £	Forecast May '14 £	Forecast June '14 £	Forecast July '14 £	Forecast August '14 £	Forecast Sept '14 £	Forecast Oct '14 £	Forecast Nov '14 £	Forecast Dec '14 £	Forecast Jan '15 £	Forecast Feb '15 £	Forecast March '15 £	Projected £
Income													
SFC Grants													
SFC Core Grant	1,082,996	666,459	749,766	666,459	411,378	395,976	911,378	761,378	925,810	511,378	688,390	688,928	**8,460,299**
SFC (Projects Non ERDF)	-	-	-	-	-	-	-	-	-	-	-	-	**0**
Student Support													
Bursary	304,138	83,061	133,061	-	344,530	344,530	136,133	136,133	34,453	172,265	103,359	101,007	**1,892,670**
FE Childcare	26,828	34,737	16,043	-	30,612	30,612	7,653	7,653	3,061	15,306	9,184	5,183	**186,872**
HE Childcare	5,777	15,528	2,528	-	6,476	6,476	1,619	1,619	648	3,238	1,943	1,096	**46,948**
FE Hardship	17,218	24,033	1,562	-	19,300	19,300	4,825	4,825	1,930	9,650	5,790	3,268	**111,701**
Capital Maintenance	-	-	-	-	-	-	378,676	-	-	-	-	-	**378,676**
EMA Admin	-	-	-	-	-	-	-	-	-	-	-	-	**0**
EMA Student Maintenance	24,500	46,000	10,500	28,500	35,000	28,500	23,500	25,000	20,500	29,000	30,000	31,500	**332,500**
ESOL	3,207	-	-	5,345	-	-	3,207	-	1,069	-	-	-	**12,828**
ESF	-	-	-	-	-	-	-	-	-	-	-	-	**0**
Other Income													
ERDF Grants received	2,971	72,709	55,605	10,144	10,144	17,552	-	18,172	18,948	-	-	19,014	**225,259**
Other grant income	-	52,500	-	-	-	10,000	-	-	-	-	-	-	**62,500**
HE Hardship	-	-	-	-	29,340	-	-	-	-	-	-	-	**29,340**
SAAS Fees	-	-	-	-	-	-	-	-	-	421,200	-	20,000	**441,200**
Re-charges - UWS/ Gl. Uni/ DGC	-	-	-	-	-	85,250	127,152	-	-	-	-	85,250	**297,652**
SDS fees	26,452	38,548	32,000	35,000	25,000	30,000	30,000	29,000	32,000	11,000	29,000	35,000	**353,000**
Other cash received	64,272	25,000	64,000	78,000	25,000	32,000	24,000	65,000	42,000	35,000	62,000	45,000	**561,272**
Total cash in	**1,558,359**	**1,058,575**	**1,065,065**	**823,448**	**936,780**	**1,000,196**	**1,648,143**	**1,048,780**	**1,080,419**	**1,208,037**	**929,666**	**1,035,246**	**13,392,717**
Expenditure													
Payroll	668,553	635,000	623,000	615,500	621,876	595,969	613,108	599,152	622,014	627,783	625,566	635,961	**7,483,482**
ESOL	1,338	800	1,069	1,069	1,069	1,069	1,069	1,069	1,069	1,069	1,069	1,069	**12,828**
EMA payments	24,630	47,000	30,000	-	-	30,500	32,500	33,370	33,500	35,000	34,000	32,000	**332,500**
Bursary payments	121,254	137,383	129,808	37,148	4,205	109,342	196,956	223,826	258,171	280,365	168,453	225,758	**1,892,670**
FE Childcare	21,038	30,500	26,070	-	30,612	30,612	7,653	7,653	3,061	15,306	9,184	5,183	**186,872**
HE Childcare	7,328	13,976	2,528	-	6,476	6,476	1,619	1,619	649	3,238	1,943	1,096	**46,948**
FE Hardship	12,748	20,003	10,062	-	19,300	19,300	4,825	4,825	1,930	9,650	5,790	3,268	**111,701**
HE Hardship	3,540												
Other Student Support	1,956												**1,956**
PL payments (excl student transport)	305,197	192,710	172,005	216,695	199,370	173,319	206,401	187,232	251,880	187,337	214,359	202,834	**2,509,339**
Maintenance costs							378,676						**378,676**
Other payments	42,417	10,583	9,000	6,500	6,500	11,000	17,000	14,000	10,500	13,500	10,000	11,000	**162,000**
SDS - clawback	-	-	61,204	-	-	-	-	-	-	-	-	-	**61,204**
Retention for Crichton	-	-	-	-	78,000	-	-	-	-	-	-	-	**78,000**
Total cash out	**1,209,999**	**1,087,955**	**1,064,746**	**876,912**	**967,408**	**977,587**	**1,459,807**	**1,072,746**	**1,182,774**	**1,173,248**	**1,070,364**	**1,118,169**	**13,258,176**
Net cash inflow/(outflow)	**348,360**	**(29,379)**	**319**	**(53,464)**	**(30,628)**	**22,609**	**188,336**	**(23,965)**	**(102,355)**	**34,789**	**(140,698)**	**(82,923)**	**134,541**
Balance b/f	**535,377**	883,737	854,357	854,676	801,212	770,584	793,193	981,529	957,564	855,209	889,998	749,300	**535,377**
Balance c/f	**883,737**	**854,357**	**854,676**	**801,212**	**770,584**	**793,193**	**981,529**	**957,564**	**855,209**	**889,998**	**749,300**	**666,378**	**666,378**

Dumfries and Galloway College

Cash Flow Projections for 2014-15

	Actual April '14 £	Forecast May '14 £	Forecast June '14 £	Forecast July '14 £	Forecast August '14 £	Forecast Sept '14 £	Forecast Oct '14 £	Forecast Nov '14 £	Forecast Dec '14 £	Forecast Jan '15 £	Forecast Feb '15 £	Forecast March '15 £	Projected £
Lennartz:													
Quarterly payments	-	59,177	-	-	88,766	-	-	88,766	-	-	88,766	-	325,475
Cash outflow	**-**	**59,177**	**-**	**-**	**88,766**	**-**	**-**	**88,766**	**-**	**-**	**88,766**	**-**	**325,475**
Balance b/f	1,597,788	1,597,788	1,538,611	1,538,611	1,538,611	1,449,845	1,449,845	1,449,845	1,361,079	1,361,079	1,361,079	1,272,313	1,597,788
Balance c/f	**1,597,788**	**1,538,611**	**1,538,611**	**1,538,611**	**1,449,845**	**1,449,845**	**1,449,845**	**1,361,079**	**1,361,079**	**1,361,079**	**1,272,313**	**1,272,313**	**1,272,313**

	Actual April '14 £	Forecast May '14 £	Forecast June '14 £	Forecast July '14 £	Forecast August '14 £	Forecast Sept '14 £	Forecast Oct '14 £	Forecast Nov '14 £	Forecast Dec '14 £	Forecast Jan '15 £	Forecast Feb '15 £	Forecast March '15 £	Projected £
Hospitality Project:													
Capital Maintenance	-	-	-	-	-		-	-	-	-	-	-	-
Capital element	-	-	-	-	-	-	127,877	-		-	-	-	127,877
Transfer from ALT	-	-	-	-	-	-	1,000,000	850,000	-	-	-	-	1,850,000
Total cash in	**-**	**-**	**-**	**-**	**-**	**-**	**1,127,877**	**850,000**	**-**	**-**	**-**	**-**	**1,977,877**
Payments made	-	-	-	-	-	-	1,500,000	477,877			-	-	1,977,877
Cash outflow	**-**	**-**	**-**	**-**	**-**	**-**	**1,500,000**	**477,877**	**-**	**-**	**-**	**-**	**1,977,877**
Net cash inflow/(outflow)	-	-	-	-	-	-	- 372,123	372,123	-	-	-	-	-
Balance b/f	-	-	-	-	-	-	-	- 372,123	-	-	-	-	-
Balance c/f	**-**	**-**	**-**	**-**	**-**	**-**	**- 372,123**	**-**	**-**	**-**	**-**	**-**	**-**

	Actual April '14 £	Forecast May '14 £	Forecast June '14 £	Forecast July '14 £	Forecast August '14 £	Forecast Sept '14 £	Forecast Oct '14 £	Forecast Nov '14 £	Forecast Dec '14 £	Forecast Jan '15 £	Forecast Feb '15 £	Forecast March '15 £	Projected £
Total closing bank balances	**2,481,525**	**2,392,968**	**2,393,287**	**2,339,823**	**2,220,429**	**2,243,038**	**2,059,251**	**2,318,643**	**2,216,288**	**2,251,077**	**2,021,613**	**1,938,691**	**1,938,691**

Opening bank balances	**2,133,165**