

Board of Management

Finance and General Purposes Committee

Tuesday 9 December 2014

2.00 pm

Room 2009

AGENDA

reporting

- 1 Apologies for Absence
- 2 Declaration of Interest
- 3 Minute of 26 August 2014 (attached)
- 4 Matters Arising
 - 4.1 Item 4.1 Retention Monies (verbal update) JB
 - 4.2 Item 4.2 Self Insurance (verbal update) JB
- 5 Management Accounts - 30.09.14 (report attached) KH
- 6 Aged Debt Report - 31.10.14 (report attached) KH
- 7 Technical Accounting: Changes (report attached) KH
- 8 Student Funding Update (report attached) KH
- 9 Hospitality Development Update (verbal update) JB
- 10 Any Other Business
- 11 Date and Time of Next Meeting: 3 March 2015

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Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Tuesday 9 December 2014 at 2.00 pm in Room 2009, Dumfries campus

Present: J Henderson (Chair)
K Henry
P Kirby

In attendance: J Brown, Vice Principal and Secretary to the Board
K Hunter, Finance Manager
S Sutherland, Executive Team Assistant

1 Apologies for Absence

Apologies were intimated on behalf of K McGahan and C Turnbull.

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 26 August 2014 was approved.

4 Matters Arising

4.1 Item 4.1 Retention Monies

The Vice Principal reported that Millers had accepted that there would be no retention monies repaid but that there was still ongoing discussion regarding the definition of latent defects. However, the College was confident that the situation would be resolved in the near future.

The Committee noted the position.

4.2 Item 9 Self Insurance

The Vice Principal reported that the Government had granted a three year derogation from the Scottish Public Finance Manual for colleges, in respect of the continued use of commercial insurance.

5 Financial Report for the Quarter ended 30 September 2014

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

Members noted that SFC had recently advised that HM Treasury had offered colleges a derogation to change their accounting year end back from 31 March to 31 July, subject to colleges meeting Treasury budgeting and reporting requirements. This would mean colleges working to two reporting periods, ie one to SFC at 31 March and the year end period to 31 July. College systems and procedures had been revised in order to ensure that the information required to forecast accurately was available and that reporting mechanisms were in place to highlight any variances for reporting and action by the Executive Team.

The Committee viewed the summary of results for the quarter ended 30 September 2014. The Finance Manager explained the forecast deficit was due to changes in technical reporting and timing when compared to last year.

The Committee expressed their concern at the additional workload for the Finance Team. The Vice Principal explained extra staff had been recruited to the team which has addressed the additional workload. The Vice Principal also reminded the committee that the Finance Manager is now line managed by her providing the Finance Manager with additional support and guidance.

6 Aged Debt Report as at 30 September 2014.

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

The Committee noted that the total level of debt had increased since the last report at June 2014, which was mainly due to one large client invoice and several invoices to self-funding students who were paying by regular instalments. Bursary debts had decreased since the previous report.

Members noted the report and approved the proposed write-offs.

7 Technical Accounting Changes

Members noted the content of the report which had been issued advising of the technical changes to budget reporting arising from the ONS changes and the requirement to comply with Scottish Government budgeting and accounting requirements.

8 Student Funding Update

The Finance Manager spoke to the report which had been issued on the current position for the Student Support Budget for 2014/15 and change in demand for support from previous years.

The number of applications received for 2014/15 indicated that bursary numbers remain high, with a corresponding high demand for childcare support. Further requests for discretionary funding were expected to be received during the remainder of the academic year. Projections based on applications indicated that additional funds of £140,000 would be required in order to meet the demand for student support and this had been requested through the SFC in-year redistribution process. The outcome of the request had not been received.

Members noted the report.

9 Any Other Business

9.1 Financial Memorandum 2015/16

The Vice Principal advised that the Financial Memorandum had just been received and once the content had been digested, any changes would be reported to the Board and any other relevant committees.

10 Date and Time of Next Meeting

The next meeting of the Committee would take place on 3 March 2015.

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Minute of the Meeting of the Finance and General Purposes Committee of the Board of Management of Dumfries and Galloway College, held on Tuesday 26 August 2014 at 2.00 pm in Room 2009, Dumfries campus.

Present: J Henderson (Chair)
K Henry
C Turnbull

In attendance: J Brown, Vice Principal (Corporate Services and Governance/Secretary to the Board)
K Hunter, Finance Manager
B Johnstone, Regional Chair
S Sutherland, Executive Team Assistant

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 2 June 2014 was approved.

4 Matters Arising

4.1 Item 4.1 Retention Monies

The Principal reported that following the meeting on 27 May, no letter from Millers had been forthcoming. In the interim further defects had been uncovered. Finally a letter had arrived but this had not been clear on whether Millers accepted the College position. The Assistant Principal (Quality and Estates) had sent this to the legal team who were composing a form of words in response, clearly stating the College's position, which it was hoped would be issued by the end of the week.

The Committee noted the position.

4.2 Item 9 Self Insurance

The Principal advised that Colleges Scotland was finalising a draft business case that all colleges should be able to continue with commercial insurance, which she would bring to the College as soon as it was available.

5 Management Accounts for the Quarter ended 30 June 2014

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

The Committee noted that the changes to the financial reporting calendar and cycle now included submitting monthly cash flow projections to SFC in order to draw down grant income, and periodic budget returns to the SFC to monitor budgets within each financial year and allow them to forecast the overall College sector out-turn for the year. College systems were being revised to ensure that the information required to forecast accurately

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was available and that reporting mechanisms were in place to highlight any variances for reporting and action by the Executive Team.

The Finance Manager highlighted that whilst, the statements were for the first quarter of 2014/15 financial year, it was the end of the 2013/14 academic year and this resulted in some timing differences when trying to make comparison with the previous year.

The Vice Principal advised that the funds which had been returned from the Scottish Colleges Foundation required to be spent by the end of December 2014, which would be the case. The SCF had already received a cash flow statement following the appointment of the main contractor. Should there be an underspend then the money would need to be transferred to the SCF in February 2015.

Members noted the report.

6 Aged Debt Report as at 30 June 2014

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

She advised that again the timing difference did not allow for like for like comparison, but reported that no concerns had been identified.

Members noted the report, and approved the write off sum of £485.20.

7 Annual External Development Income and Expenditure Report: Aug 2013 – March 2014

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

Again this was for an eight month period which made comparison with previous years difficult.

Members noted the report and the overall contribution of external development activities to the College. During discussion, Members were advised that the cost of courses was very sensitive, and that the College had made a special case to SFC to enable it to reduce costs to smaller SMEs in the Region who were not able to pay full cost recovery costs.

8 ONS Reclassification of FE College

The Vice Principal advised that there was nothing significant to report.

9 Financial Statements for the period ended 31 March 2014

The Finance Manager spoke to the draft accounts and summary report which had been issued.

The Committee noted the key changes, in particular the change to the financial year end to 31 March 2014 which meant results related to an eight month period.

The results showed an operating deficit after the donation to the Scottish Colleges Foundation and taking account of FRS 17 pension valuation and a reduction in future Lennartz costs. Members noted that because of the changes, every college in Scotland would also be returning a deficit position.

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The Committee agreed that the Principal prepare a draft statement in anticipation of interest from the media, and noted that Colleges Scotland and Audit Scotland would also be making national statements regarding the position for colleges.

The Vice Principal confirmed the External Audit opinion recommended approval, and Members were advised of the statement by the Auditors referring to the excellent quality of the Accounts.

The Finance and General Purposes Committee added their recommendation to that of the Audit Committee for approval of the Accounts by the Board on 16 September 2014.

10 Draft Annual F&GP Committee report to the Board 2013/14

The Finance Manager spoke to the report which had been issued, which provided the board with a summary of the activity and decisions of the Committee during the financial period 2013/14.

The report confirmed that it was the Finance and General Purposes Committee's opinion that the College's financial affairs were planned, conducted and controlled so that its total income was sufficient, taking one period with another, to meet its total expenditure, and its financial viability was maintained.

Members approved the report to go to the Board on 16 September 2014.

11 Hospitality Development Update

The Principal advised that Phase 1 of the development had been completed on time and under budget, and that Phase 2 was proceeding. Scaffolding would be in place until the October break, but all the necessary Health and Safety checks had been undertaken.

12 Any Other Business

None

13 Date and Time of Next Meeting

The next meeting of the Committee would take place on 9 December 2014.

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Financial Report for the quarter ended 30 September 2014

1. Changes to Financial Reporting and Budgeting

The ONS reclassification of the college sector has impacted the budgeting and reporting framework for Dumfries and Galloway College, with effect from 1 April 2014. The main focus for budgeting and financial reporting going forward will be to achieve a balanced budget each year, manage cash balances throughout the year, and maintain broadly the same level of working capital year on year.

SFC have recently advised that HM Treasury has offered colleges a derogation to change their accounting year-end from 31 March to 31 July, subject to colleges meeting Treasury's budgeting and reporting requirements. The change is proposed to take effect from 2015, with the current accounting period being extended to a 16 month period ending on 31 July 2015.

Changes already implemented to the College financial reporting calendar and cycle will continue, including 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. As the budget reporting period to SFC will remain as 31 March, and the out-turn at 31 March will still require to show a balanced budget, the figures presented in this report relate to the 12 month period to 31 March 2015. The proposed income and expenditure for the additional period April to July 2015 is currently being assessed, and will be reported in due course, with the aim of showing a balanced net out-turn for the period.

The College systems and procedures have been revised in order to ensure that the information required to forecast accurately is available, and that reporting mechanisms are in place to highlight any variances for reporting and action by the Senior Management Team.

2. Summary of Results

Income and expenditure for the period April to September 2014 and the forecast for the period to March 2015 is summarised as follows:

	PERIODS 1 TO 6			FORECAST TO MARCH 2015		
	Actual	Budget	Variance	Forecast	Budget	Variance
	£000	£000	£000	£000	£000	£000
Income	<u>6,588</u>	<u>6,604</u>	<u>-16</u>	<u>14,416</u>	<u>14,432</u>	<u>-16</u>
Staffing Costs	3,630	3,663	<u>33</u>	7,416	7,449	<u>33</u>
Other Costs	2,736	2,583	<u>-153</u>	7,043	6,886	<u>-157</u>
Total Expenditure	<u>6,366</u>	<u>6,246</u>	<u>120</u>	<u>14,459</u>	<u>14,335</u>	<u>124</u>
Operating Surplus/- Deficit *	<u>222</u>	<u>358</u>	<u>-136</u>	<u>-43</u>	<u>97</u>	<u>-140</u>

**Any forecast operational surplus which is likely to be achieved by 31 March will be ear-marked for transfer to the Foundation, or used within the year for development.*

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Overall income and expenditure for the six months to September 2014 show an increase in costs from budget. However this is considered to be a timing difference, and a review of budget holder plans for the remaining period has not highlighted any areas which would adversely affect the out-turn at 31 March 2015. The budget and forecasts will continue to be monitored closely in order to ensure that a break-even position is achieved.

3. Key Financial Performance Indicators

The Key Performance Indicators which require to be monitored will be updated and targets set following completion of the revised Financial Memorandum, and are likely to include monitoring of the forecast out-turn for the year, and working capital.

KPI's for these areas at 30 September 2014 are set out below:

Income and Expenditure:

Operating Surplus/ deficit as % of income	0.3%
Non-SFC income as % of total income	16.69%

Balance Sheet:

Current Assets: Current liabilities	2.3
Days cash to annual expenditure (excluding depreciation)	66

4. Budget changes

The budget for the period has been updated to reflect revised estimates for income and expenditure. Additional income has been included in the forecasts to show ONS grant funding due for the period, and a reduction in forecast income for some joint working with UWS and Glasgow University on HE courses.

The budget income and expenditure for the hospitality developments has been updated to reflect the accounting treatment and the estimated split between capital and revenue expenditure, and related grant funding. The split between capital and revenue will be re-assessed when the development has been completed and costs are finalised.

The expected income and costs for the Crest project have also been updated.

The staff costs budget is currently being updated to reflect the forecast staffing costs up to July 2015.

5. Cash Flow

The cash flow projections for the period to July 2015 are attached at Appendix 2.

The overall cash balances have decreased in line with SFC guidance, and reflect a reduction in requests for SFC core grant during the period. SFC core grant of £3,165,681 has been requested for the period to date, which represents 37% of the allocation for the year.

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6. Results for the period April to September 2014:

6.1 Income

SFC & Other grant income – grant funding from SFC now requires to be drawn only when required, based on the level of unrestricted cash reserves and planned expenditure. The budget profile for accounting purposes has been revised to show core grant released evenly over the year as the grant is earned, with a corresponding debtor reflected in the balance sheet.

The demand for student support has increased during the current academic year, and additional funds have been requested from SFC to meet the increased bursary and childcare commitments, as part of the In-Year Redistribution request.

Fee income – Fees for SAAS funded students are expected to be higher than the budget amount, but as the total fees will not be confirmed until December, the budget has not been revised. The expected income from Glasgow University for the Joint HN programme has been reduced from earlier estimates. CTS fees are expected to increase during the period to March 2015.

Other income – bank interest and sales of materials for the period have been higher than forecast.

6.2 Expenditure

Salary costs – overall salary costs were lower than expected for the period to September. The budget includes some contingency monies for sickness cover, and this is expected to be utilised to cover long-term sickness absence.

Other costs – property costs includes an adjustment of £75,000 for increased future Lennartz payments, based on revised partial exemption calculations. Supplies and services and other costs were higher than the budget for the period to date, but these are expected to be timing differences, and there are no indications that this will affect the projected out-turn to 31 March 2015.

6.3 Hospitality developments

The overall costs for the hospitality developments, including the main construction contract as well as the agencies, remain within the overall budget. The cash flow profile for expenditure and SFC grant claims have been updated, but are expected to be completed before 31 March 2015.

6.4 Student Support

The demand for student support has increased during the current academic year. The overall numbers of applications are in line with 2013/14, but the figures include a reduction in EMA numbers, and an increase in FE bursary applications, as well as an increase in childcare requests.

A request for additional funds of £140,000 was requested in October as part of SFC's in-year re-distribution exercise, and the outcome of the request is expected to be known during November.

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7. Balance Sheet

The balance sheet movement for the period between June and September is as follows:

	September '14	June '14	Movement
Fixed Assets	40,432	40,225	207
Current Assets	4,420	4,669	-249
Current Liabilities	(1,919)	(1,726)	-193
Long Term Liabilities	(1,139)	(1,184)	45
Provisions	(750)	(750)	0
Pension Liability	(3,928)	(3,928)	0
Net Assets	37,116	37,306	-190
Deferred Capital Grants	(28,556)	(26,784)	-1,772
Revaluation Reserve	(6,514)	(6,564)	50
I&E Account	(2,046)	(3,958)	1,912
	(37,116)	(37,306)	190
Cash at Bank	2,417	3,422	-1,005
Net current assets	2,501	2,943	-442

Fixed Assets – the additions to fixed assets includes the expenditure on the main development during the period, net of depreciation charges.

Current Assets and Liabilities – overall bank balances have decreased by £1,005,000 from June, with overall balances of £2,417,000 at 30 September, and a further reduction of £741,000 to October 2014. The corresponding debtor for core grant funding earned to 30 September amounted to £1,000,000.

Long Term Liabilities – the reduction in long term liabilities represents the repayments made for Lennartz, net of the increase due to revised partial exemption calculations.

Cash Flow Projections for 2014-15

NOVEMBER FORECAST

	Actual April '14 £000	Actual May '14 £000	Actual June '14 £000	Actual July '14 £000	Actual August '14 £000	Actual Sept '14 £000	Actual Oct '14 £000	Forecast Nov '14 £000	Forecast Dec '14 £000	Forecast Jan '15 £000	Forecast Feb '15 £000	Forecast March '15 £000	Projected FY £000	Forecast April £000	Forecast May £000	Forecast June £000	Forecast July £000	Projected AY 2014-15 £000	
Income																			
SFC Grants																			
SFC Core Grant	1,082,996	666,459	-	1,416,226	-	-	-	661,000	900,000	500,000	1,200,000	2,033,889	8,460,570	-	250,000	700,000	2,085,766	8,330,655	
SFC (Projects Non ERDF)	-	-	-	-	-	2,400	-	-	-	-	-	-	2,400	-	-	-	-	2,400	
- SPARQS - Single College Student Association	-	-	-	-	-	12,000	-	12,000	12,000	12,000	12,000	11,000	71,000	17,750	17,750	17,750	17,750	142,000	
Student Support																			
Bursary	304,138	83,061	246,000	-	131,000	187,000	186,000	186,000	184,000	172,000	103,000	101,763	1,883,962	304,138	133,061	133,061	129,790	1,950,813	
FE Childcare	26,828	34,737	5,000	-	20,000	21,000	18,000	18,000	14,000	14,000	9,000	4,691	185,256	20,000	16,000	15,000	-	169,691	
HE Childcare	5,777	15,528	3,000	-	6,000	6,000	2,000	2,000	1,000	2,000	2,000	2,321	47,626	6,000	6,000	12,357	-	47,678	
FE Hardship	17,218	24,033	2,000	-	19,000	9,000	10,000	10,000	2,000	10,000	5,000	2,899	111,150	20,000	11,000	8,214	-	107,113	
Capital Maintenance	-	-	-	-	-	-	-	-	378,676	-	-	-	378,676	-	-	-	-	-	378,676
EMA Admin	-	-	8,000	-	-	-	-	-	-	-	-	-	8,000	-	-	-	-	-	
EMA Student Maintenance	24,500	46,000	10,000	8,220	-	32,000	32,000	40,000	38,000	38,000	37,000	26,780	332,500	24,500	28,500	10,500	28,500	335,780	
ESOL	3,207	-	-	5,445	-	-	-	3,107	1,069	-	-	-	12,828	-	-	-	-	4,176	
ESF	-	-	-	14,909	-	-	-	-	-	-	-	-	14,909	-	-	-	-	-	
Capital	-	-	-	-	-	-	-	-	-	-	-	-	0	-	-	-	-	-	
Other Income																			
ERDF Grants received	2,971	21,987	-	-	-	85,775	-	37,564	39,000	18,948	-	19,014	225,259	-	-	-	-	200,301	
Other grant income	-	19,800	-	-	-	-	10,000	32,700	-	5,000	-	-	67,500	2,500	-	-	-	50,200	
HE Hardship	-	-	-	-	25,146	-	-	-	-	-	-	10,777	35,923	-	-	-	-	35,923	
SAAS Fees	-	-	-	1,285	-	-	-	-	-	421,200	-	20,000	442,485	-	-	-	-	441,200	
Re-charges - UWS/ Gl. Uni/ DGC	-	-	-	-	-	17,955	12,549	67,295	64,603	-	-	85,250	247,652	-	-	-	-	247,652	
SDS fees	26,452	19,349	33,716	27,307	14,317	54,225	31,247	24,000	27,000	18,000	24,000	8,211	307,824	33,000	32,000	32,000	35,000	333,000	
Other cash received	64,272	38,135	79,546	26,474	51,446	63,725	46,676	30,000	29,324	35,000	45,275	40,000	549,873	34,000	25,000	64,000	78,000	542,446	
Total cash in	1,558,359	969,089	387,262	1,499,866	266,909	491,080	348,471	1,123,666	1,690,672	1,246,148	1,437,275	2,366,595	13,385,392	461,888	519,311	992,882	2,374,806	13,319,703	
Expenditure																			
Payroll	668,553	619,543	630,869	616,804	587,245	590,982	609,540	616,646	629,507	627,783	625,566	635,961	7,458,999	625,566	599,152	635,691	625,566	7,409,205	
ESOL Salaries	-	-	-	-	-	-	879	-	-	-	-	-	879	-	-	-	-	879	
ESOL	1,338	-	2,961	-	-	-	-	1,069	1,069	1,069	1,046	3,207	11,759	1,069	1,069	1,069	1,069	11,736	
SPARQS Salaries	-	-	-	-	-	-	2,738	-	-	-	-	-	2,738	-	-	-	-	2,738	
SFC - SPARQS - Single College Student Association	-	-	-	-	-	-	-	14,000	14,000	14,000	14,000	12,262	68,262	17,750	17,750	17,750	17,750	139,262	
EMA payments	24,630	24,760	39,330	-	-	17,850	28,380	43,075	36,000	38,000	38,000	42,475	332,500	28,500	29,500	30,000	-	331,780	
Bursary payments (inc. student transport)	121,254	122,134	185,717	1,322	-	168,469	189,379	247,324	231,960	228,810	201,838	185,757	1,883,963	122,660	135,977	159,808	158,230	2,030,211	
FE Childcare	21,038	20,356	24,002	-	-	17,364	15,648	30,698	23,061	18,270	9,184	5,635	185,256	20,000	16,000	15,000	-	170,860	
HE Childcare	7,328	7,839	8,395	-	-	4,277	4,701	3,819	3,685	3,838	2,542	1,202	47,626	6,000	6,000	12,357	-	48,421	
FE Hardship	12,748	13,294	17,309	-	-	2,218	10,476	19,805	16,939	7,709	7,790	2,862	111,150	20,000	11,000	8,000	-	106,799	
HE Hardship	3,540	3,210	3,660	-	-	720	4,181	4,000	3,000	3,099	4,000	6,513	35,923	4,000	4,000	4,000	-	37,513	
Other Student Support	1,956	8,526	1,768	-	-	-	-	1,500	1,500	2,200	2,200	2,600	22,250	1,200	1,200	1,200	-	13,600	
PL payments (excl student transport)	305,197	326,453	263,344	63,787	230,610	315,801	176,543	177,330	146,900	157,337	149,759	165,834	2,478,895	225,000	170,000	175,000	220,000	2,310,114	
Maintenance costs	-	-	-	-	-	-	-	-	378,676	-	-	-	378,676	-	-	-	-	378,676	
Other payments	42,417	33,324	-	22,237	20,318	3,587	12,735	17,000	11,500	14,500	10,500	11,000	199,118	36,000	12,000	10,000	7,500	166,640	
Capital Grant - payments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
SDS - clawback	-	-	-	-	-	-	-	-	-	-	-	61,204	61,204	-	-	-	-	61,204	
Retention for Crichton	-	-	-	-	-	-	-	-	-	-	78,000	-	78,000	-	-	-	-	78,000	
Total cash out	1,209,999	1,179,439	1,177,355	704,150	838,173	1,121,268	1,055,198	1,176,265	1,497,797	1,116,615	1,144,425	1,136,512	13,357,196	1,107,745	1,003,648	1,069,875	1,030,115	13,297,636	
Net cash inflow/(outflow)	348,360	(210,350)	(790,093)	795,716	(571,264)	(630,188)	(706,727)	(52,599)	192,876	129,533	292,850	1,230,083	28,196	(645,857)	(484,337)	(76,993)	1,344,691	22,067	
Balance b/f	535,377	883,737	673,387	(116,706)	679,010	107,746	(522,442)	(1,229,169)	(1,281,768)	(1,088,893)	(959,360)	(666,510)	535,377	563,573	82,284	566,621	643,614	679,010	
Balance c/f	883,737	673,387	(116,706)	679,010	107,746	(522,442)	(1,229,169)	(1,281,768)	(1,088,893)	(959,360)	(666,510)	563,573	563,573	(82,284)	(566,621)	(643,614)	701,077	701,077	

Lennartz:																		
Quarterly payments	-	59,177	-	-	104,708	-	-	95,954	-	-	95,954	-	355,793	-	95,954	-	-	392,570
Cash outflow	-	59,177	-	-	104,708	-	-	95,954	-	-	95,954	-	355,793	-	95,954	-	-	392,570
Balance b/f	1,597,788	1,597,788	1,538,611	1,538,611	1,538,611	1,433,903	1,433,903	1,433,903	1,337,949	1,337,949	1,337,949	1,241,995	1,597,788	1,241,995	1,241,995	1,146,041	1,146,041	1,538,611
Balance c/f	1,597,788	1,538,611	1,538,611	1,538,611	1,433,903	1,433,903	1,433,903	1,337,949	1,337,949	1,337,949	1,241,995	1,241,995	1,241,995	1,241,995	1,146,041	1,146,041	1,146,041	1,146,041

Cash Flow Projections for 2014-15

NOVEMBER FORECAST

	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast	Projected FY	Forecast	Forecast	Forecast	Forecast	Projected AY 2014	
	April '14	May '14	June '14	July '14	August '14	Sept '14	Oct '14	Nov '14	Dec '14	Jan '15	Feb '15	March '15	£000	April	May	June	July	15	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Hospitality Project:																			
SFC - Capital Maintenance	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SFC - Capital element	-	-	-	-	-	-	-	-	127,877	-	-	-	-	-	-	-	-	-	127,877
Income from Foundation (Capital)	-	-	2,000,000	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash in	-	-	2,000,000	-	-	-	-	-	127,877	-	-	-	-	-	-	-	-	-	127,877
Payments made	-	-	-	169,990	172,385	151,955	34,784	760,428	562,059	113,225	163,051	-	2,127,877	0	0	0	0	0	1,957,887
Cash outflow	-	-	-	169,990	172,385	151,955	34,784	760,428	562,059	113,225	163,051	-	2,127,877	-	-	-	-	-	1,957,887
Net cash inflow/(outflow)	0	0	2,000,000	(169,990)	(172,385)	(151,955)	(34,784)	(760,428)	(434,182)	(113,225)	(163,051)	0	0	0	0	0	0	0	(1,830,010)
Balance b/f	-	-	-	2,000,000	1,830,010	1,657,625	1,505,670	1,470,886	710,458	276,276	163,051	0	-	0	0	0	0	0	1,830,010
Balance c/f	-	-	2,000,000	1,830,010	1,657,625	1,505,670	1,470,886	710,458	276,276	163,051	0	0	0	0	0	0	0	0	0

Total closing bank balances	2,481,525	2,211,998	3,421,905	4,047,631	3,199,274	2,417,131	1,675,620	766,639	525,333	541,641	575,486	1,805,569	1,805,569	1,159,712	579,421	502,428	1,847,119	1,847,119
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Opening bank balances 2,133,165

Board of Management

Aged Debt Report as at 30 September 2014

	June 2014 Total £	Sept 2014 Total £	Current £	> 1 mth £	> 2 mths £	> 3 mths £	3+ £	*No Debts 3+
Client	35,742	74,020	41,975	17,598	11,766	-	2,682	19
Student	(10,694)	14,496	4,150	9,045	(10)	-	1,312	32
Bursary 2008/09	260	-	-	-	-	-	230	1
Bursary 2011/12	-	-	-	-	-	-	-	-
Bursary 2012/13	591	357	-	-	(25)	-	382	3
Bursary 2013/14	7,164	6,382	-	-	-	-	6,382	18
Grand Total	33,063	95,484	46,124	26,642	11,731	-	10,987	73

**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 £62,421 or 188.8% since the last Aged Debt Report at June 2014. This increase is mainly due to one large client invoice and several invoices to self-funding students. Bursary debts have decreased from the report at June 2014.

The system of regular reminder letters for overdue debts is in place to ensure that debtor balances are current with debts being and any difficult cases are referred within the prescribed timescale to the College debt collection agents, TNC, to pursue.

Client Debt

Client debt has increased by £38,278 or 107% since March 2014. The balance includes a number of smaller invoices, many of which have now been paid, as well as a larger invoice for £30,447 to the University of the West of Scotland which was issued in September and is currently under query.

Student Debt

The total level of student debt has increased by £25,190 since June 2014. This is mainly due to a number of invoices for tuition fees being issued in September, many of which have now been paid. There are also some smaller balances where students are paying with regular instalments.

Bursary Debt

The overall level of bursary debt has decreased by £1,046 or 13% since June 2014 due to repayments by students and write offs amounting to £485 in the quarter.

Board of Management

Provision for Bad Debts

At 30 September 2014 the provision included in the accounts remains at £1,577 which reflects the low level of older debts at the year-end.

Debt Collection Company

The total balance currently at the final stage of debt collection amounts to £4,221.78. These have been forwarded to TNC.

Proposed Write-offs

<u>Reference</u>	<u>Amount</u>	<u>Position @ 30 Sept 2014</u>	<u>Debt Type</u>	<u>Date</u>
1301644	120.00	W5 – Irrecoverable	Student	2013-14
0901527	1050.00	W5 – Irrecoverable	Bursary	2013-14
0901775	329.92	W5 – Irrecoverable	Bursary	2013-14
0301637	110.76	W5 – Irrecoverable	Bursary	2013-14
0906789	813.90	W5 – Irrecoverable	Bursary	2013-14
0903764	346.50	W5 – Irrecoverable	Bursary	2013-14
DAR02	273.90	W5 – Irrecoverable	Bursary	2013-14
WIL37	591.50	W5 – Irrecoverable	Bursary	2013-14

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.

Board of Management

APPENDIX 1

Summary of amounts previously written-off:

Year debt was written-off	Year of original debt:						
	2013/14	2012/13	2011/12	2010/11	2009/10	2008/09	2007/08
2014/15	485.20						
2013/14		8,107.20	634.42				
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
2008/09							26,210.00
2007/08							1,539.00
	485.20	8,107.20	834.42	2,253.17	1,287.00	29,965.58	34,216.00

Board of Management

Technical Accounting: Changes

1. PURPOSE OF REPORT

The purpose of this report is to highlight the technical changes to budget reporting arising from the ONS changes and the requirement to comply with Scottish Government budgeting and accounting requirements.

2. REPORT

The ONS reclassification has impacted on how SFC and the College sector monitors its budgets in order to comply with the Scottish Public Finance Manual (SPFM), which is effective from 1 April 2014. This includes a requirement to comply with HM Treasury's Consolidated Budgeting Guidance as sector level information on income and expenditure is sent by SFC to the Scottish Government and then on to HM Treasury for consolidation.

SFC has responsibility now to allocate cash and resource budgets to colleges to support the delivery of the Outcome Agreements, as well as distribute cash on the basis of need and provide information to the Scottish Government and to HM Treasury on the expected drawdown and spend against resource budgets for the government fiscal year to 31 March. SFC has established a financial reporting calendar which includes regular budget returns from colleges to enable them to monitor the forecast out-turn for the sector for the fiscal year, and to ensure that the sector meets its budget targets, and Department Expenditure limits (DEL).

The budget allocation from SFC includes a Resource (revenue) and Capital budget allocation. In general terms, the net operating results as set out in the management accounts correspond with the net Resource out-turn for budget reporting, but certain transactions are treated differently from the accounts for budget reporting purposes. In addition, a budget for Annually Managed Expenditure (AME) is available to SFC, which relates to inherently volatile areas of expenditure, which by their nature are less easy to manage.

The main differences which are relevant to the College accounts and budget treatment of specific areas are as follows:

Bursary and discretionary funding – the College financial accounts exclude bursary income and expenditure on the basis that these are 'agency' arrangements for accounting purposes, but the budget return requires the costs to be treated as Resource income and expenditure (RDEL).

Pensions – the accounting treatment of changes to the College annual pension scheme valuation under FRS 17 are treated as 'Annually Managed Expenditure' (AME) for budget reporting.

Depreciation – HM Treasury have provided 'non-cash resource budget cover' to cover the college sector depreciation charges, which fall within operating costs for accounting purposes. Deferred grant release is netted off against depreciation costs to arrive at the required cover for budget reporting purposes. Any increased depreciation costs arising from future revaluations may require to be met from Resource DEL.

Impairments – losses or damages resulting from normal business operations should be treated as Resource DEL.

Bad debt write-off – these should be treated as Resource DEL.

Board of Management

Provisions – the sector has received derogation from HM Treasury, and any provisions which were agreed with auditors and applied in the financial statements at 31 March 2014 are out with the scope of budgeting. The College has minimal provisions which will fall within this derogation.

Lennartz – the balance in place at 31 March 2014, as well as cash repayments made against that balance, are deemed to be out with the scope of budgeting. Any ‘enhancement’ of the liability, for example the increase in overall liability due to revised partial exemption calculations, will require to be recognised as ‘new’ post 31 March 2014 provision. This new provision is recognised as an AME adjustment for budget purposes. However the additional cash payments for the remainder of the budget year score as Resource DEL.

3. SEPTEMBER BUDGET RETURN

The management report for the period April to September 2014 shows a forecast Operating Deficit of £43,000. As the increased costs reported at 30th September relate to timing differences, the overall outcome at 31st March 2015 is expected to be a minimal surplus, and those figures were used as the basis for the report to SFC.

The adjustments applied to the forecasts to 31st March for budget reporting purposes include:

Depreciation – the net score against Ring-fenced RDEL is £388,000;

Lennartz – the total costs applied to the forecast figures to 31st March for accounting purposes amounts to £75,000. Of this total, the additional cash payments forecast for the period scoring against RDEL is £17,000, with the balance of £58,000 reported as an AME adjustment.

Student Support – student support grant claimed for the period to date were higher than expenditure by £278,000, which has increased the operating results for budget reporting purposes. The forecasts to 31st March are based on student support claimed to match expenditure.

The overall forecast to 31st March 2015 for the budget return shows a net Resource (RDEL) underspend of £465,000, and an Annually Managed Expenditure (AME) spend of £58,000.

4. RECOMMENDATION

Members are asked to note the technical changes to budget reporting under the Scottish Government budgeting and reporting requirements.

Board of Management

STUDENT FUNDING UPDATE

1. PURPOSE OF REPORT

The purpose of this report is to note the current position for the Student Support budget for 2014/15, and the change in demand for support from previous years.

2. REPORT

The bursary, childcare and discretionary funds grant represents a large proportion of the overall budget allocation to the College annually, with a total allocation of £2,235,502 for the 2014/15 academic year.

The funds are made available in order for the College to provide maintenance grants, childcare, and other grants to full-time students to support them in their studies. The college bus service and some essential costs for study items are also met from the bursary funds. The funds are cash-limited, and unlike EMA funding, any overspend by the College requires to be met from the College's own funds. SFC invites colleges to apply for additional student support funds through the 'In-year management of student support allocations' process, which provides an opportunity for SFC to re-distribute funds to meet demand. As the total funds available are limited, SFC are not always able to be met requests for additional grants in full.

The overall number of full-time student enrolments has increased since 2012/13, and within this increase, the categories of students who are entitled to bursary support has increased and the number of students eligible for EMA support has decreased. The increase in demand for 2013/14 was partially met from an increase in bursary funds provided through SFC's In-Year Redistribution, with the college meeting the additional costs from its core budget.

The number of applications received for 2014/15 indicate that the bursary numbers remain high, with a corresponding high demand for childcare support. Further requests for discretionary funding are expected to be received during the remainder of the academic year. Projections based on current applications indicate that additional funds of £140,000 will be required in order to meet the demand for student support, and this has been requested through SFC's In-year redistribution request. The outcome of the request has not yet been received.

A summary of numbers of awards and costs are at listed on the second page of this report.

3. RECOMMENDATION

Members are asked to note the current position for the Student Support budget.

Board of Management

STUDENT FUNDING UPDATE

Number of awards	Bursary	EMA	Childcare	FE Discretionary
2014/15 - to date	649	280	103	80
2013/14	644	392	102	126
2012/13	681	440	76	106
2011/12	652	400	58	109

Total costs (£)	Bursary	EMA	Childcare	FE Discretionary
2014/15 - projected	2,025,000	286,000	365,000	140,000
2013/14	1,959,000	304,000	305,000	128,000
2012/13	1,921,000	360,000	219,000	109,000
2011/12	1,854,000	337,000	186,000	98,000