South Lanarkshire College

Finance and Resources Committee

Meeting to be held on Monday 8th May 2017

at 17.30 hours in the Boardroom

AGENDA

1. Apologies

2. Declaration of Members' Interests

3. Minutes of Previous Meeting — 14 Feb 2017

4. Matters Arising

5. Head of Finance Report

6. Management Forecast - 2016/17
   - Commentary (Appendix 1A)
   - P & L - 12 months to July 2017 (Appendix 1B)
   - P & L - 9 months to April 2017 (Appendix 1C)
   - P & L - 3 months to April 2017 (Appendix 1D)
   - Balance Sheet as at 31st March 2017 (Appendix 1E)
   - Cashflow and Drawdown Return to SFC (Mar 2017) (Appendix 1F)
   - QRR Return to SFC (March 2017) (Appendix 1G)

7. Update on SFC funding - S. McKillop (Appendix 2)

8. Financial Strategy (Appendix 3)

9. Budget Procedures
   - The Budgetary Process (draft) (Appendix 4A)
   - The Budget Preparation Procedure (draft) (Appendix 4B)

10. Budget - 5 year plan (Appendix 5)

11. Procurement Update (Appendix 6)

12. Estates Report (Appendix 7)

13. Finance Issues Update (Appendix 8)

14. AOCB

South Lanarkshire College
Finance and Resources Committee of the Board of Management
Held on 8th May 2017

Present	J Gallacher C Gibb S McKillop
In Attendance	A Allan K McAllister
Apologies	S Dillett A Martin

1. Declaration of Members' Interests

Mr McKillop declared his membership of The Lanarkshire Board.

2. Minutes of the Previous Meeting

The minutes of the meeting held on 14th February 2017 had previously been approved by the Board of Management.

Under Matters Arising, the Principal updated the meeting on the ongoing industrial relations situation in the sector.

3. Finance Manager's Report

The main purpose of this Report is to present the College's management forecast for the 12 months to July 2017; the 5-year budget / financial forecast to 31 July 2022; and the other finance-related issues.

Management Forecast – 12 months to July 2017

The Management Forecast shows a projected surplus for the 12 months of £18K.

Income

Mr McAllister took members through the income lines, noting the move from Alternative Funding to Fees. He explained that the College had delivered more fee-bearing full time HN activity than was contained in the Budget. There has also been a rise in evening class activity in the year. The income from these two strands of activity have replaced the level of alternative funding that had been contained in the Budget.

Mr Gallacher asked whether the College was on course to achieve its credits target in 2016/17; Mr Allan replied that it was 80 short of target but these should be forthcoming before the end of the year. This ensured that both core grant in aid and the Youth Employment Initiative (i.e. the SFC / ESF funding) were not at risk.

Payroll

As noted previously, the results of the collective bargaining agreements have produced settlements above the Government's target of 1.0% for the public sector. It was also noted that a salary award as at 1st April 2017 is pending. Mr McAllister stated that an allowance for this has been incorporated into the year's forecast. He also asked members to note that the Appenticeship Levy commenced on 1st April 2017. This had not been accounted for in the Budget when it was originally drawn up.

Non Salary Expenditure

Other than increased spend re SFC Grants, which are a contra to increases in income, it was note that the only major adverse variance was on Net Depreciation. Mr McAllister stated that the College has earmarked more expenditure for capitalisation than originally anticipated, but that this would be subject to review at the end of the financial year once all appropriate expenditure had been reviewed.

Balance Sheet – as at 31st March 2017

Members noted that the College, in line with others in the Sector, has challenges maintaining a positive bank balance, particularly at the Funding Council's own year-end date of 31st March. Mr McAllister confirmed that the College had gone into temporary overdraft at the end of March. However, he added that the sector has been informed that those colleges with an existing overdraft facility would be allowed to carry on these arrangements. Additionally, in response to submissions from several colleges, SFC had advanced its April drawdown payments. This allowed the overdraft situation to be cleared much sooner than expected. Members welcomed these developments.

Cashflow and Drawdown Returns for Scottish Funding Council – March 2017

Mr McAllister asked members to note the content and layout of the returns made to the Funding Council (Appendices 1G and 1F). Members acknowledged the documents.

<u>Members noted the forecast and the College's current financial position.</u>

4. Long Term Planning for the College Sector

Mr McKillop presented a document circulated by SFC in relation to 5-year financial planning (Appendix 2). Although SFC pointed out that the document was only indicative and that funding would not be known past 2017/18 even when that year's figures were confirmed, the document allowed the sector to prepare its 5-year financial projections with a degree more certainty. This was welcomed by members.

Mr McKillop took the meeting through the main points: the loss to the sector of the Employability Fund and its replacement by the Flexible Workforce Development Fund; the added activity re Childcare; and the ending of the Youth Employment Initiative and the plans to replace it with Developing Scotland's Workforce programme. All of these, he stated, would carry their own challenges and opportunities. Although no financial values were attached to the figures, both he and Mr McAllister were hopeful that the income available to the College would not drop beyond that which would itself cause a financial problem. It was acknowledged that activity was scheduled to decrease for the Region in the final year of the 5-year period.

Ms Gibb asked for clarification as to why different colleges received different funding per credit, even within the same region. Mr McKillop explained that these were largely historic differences that SFC would be aiming to smooth out. He also confirmed to Ms Gibb that the Risk Register did indeed reflect the issues re both short and long term financial sustainability. As regards whether the College would be exposed in posting a surplus when so many were posting a deficit, he replied that it wouldn't be.

5. Financial Strategy KPIs

Mr McAllister presented a schedule on Key Objectives, aimed at giving the College financial targets for the forthcoming 5-year period. He stated that the targets for surpluses and cashflow were modest but, he hoped, achievable.

<u>Members agreed to recommend that the Board approve the targets.</u>

6. Budgeting Procedures

- **The Budgetary Process**

Mr McAllister took members through two draft documents relating to budgeting. The first of these, **The Budgetary Process** (Appendix 4A), was a policy document that outlined the principles and responsibilities inherent in the budgeting process, including planning and monitoring. Mr Gallacher referred to section 7.6 and suggested that the College should target a break-even situation rather than an operational surplus. Mr McAllister agreed to make the change and the other suggestions in sections 7.13 and 7.14 which would amend "budgets" to "approved budgets".

Ms Gibb asked if there was a review process and Mr McAllister replied that all policies and procedures now have a review date incorporated into them.

<u>Members agreed to recommend that the Board approve the document.</u>

- **The Budget Preparation Procedure**

The second document, **The Budget Preparation Procedure** (Appendix 4B), detailed the process of actually preparing the budget. Members noted the document.

7. Budget for 2017/18 and Financial Forecasts for the Following 4 Years to July 2022

Mr McAllister presented the draft budget for the period above, together with a commentary. He noted that both Audit Scotland and the Scottish Funding Council now looked for colleges to prepare either 3 or 5-year financial plans, and referred to the most recent Board of Management meeting where it had been decided to opt for a 5-year plan.

He detailed the assumptions made in the process and, whilst the sector was unsure of movements in central and EU funding over the period of review, members were of the opinion that those assumptions were reasonable. Included in those assumptions was that EU funding, whilst ending in 2020/21, would be replaced by another tranche of funding in 2021/22. This, again, was accepted by the Committee.

<u>Members agreed to recommend that the Board approve the budget.</u>

8. Procurement Update

Members examined the Procurement Report. Discussion took place in regard to collaborative recent contracts. Mr Gallacher asked for clarification on the annual savings being reported in the schedule of contracts and Mr McAllister agreed to have this reviewed by the Procurement Manager and a corrected version issued.

9. Estates Report

Mr McAllister took members through the Report. Clarification was requested on two of the statistics contained in the Report and Mr McAllister agreed to have these verified and an updated version issued.

Mr McKillop stated that the format and content of the Report would be reviewed which was welcomed by members.

10. Finance Issues Briefing

Mr McAllister referred members to Appendix 8 which detailed the decommitment re ERDF funding, the early extinguishing of the Lennartz creditor and the extension of the current insurance arrangements by one year.

Members noted the contents of the Briefing.

There being no further competent business the Chair closed the meeting by thanking everyone for their attendance.

SOUTH LANARKSHIRE COLLEGE

Finance and Resources Committee

Meeting of 8th May 2017

HEAD OF FINANCE REPORT

1 Introduction / Purpose of Report

The main purpose of this Report is to present the College's management forecast for the 12 months to July 2017; the draft budget and 5-year forecast; and other finance-related major issues.

The Funding Council have issued an indicative Grant in Aid allocation for 2017/18, but a further announcement will be forthcoming to confirm the final allocation. A draft document has also been issued with information that allows the sector to prepare draft forecasts for 5 years. It is thus possible that the College will have to revisit the question of budgeting for 2017/18 and longer term planning.

2 Executive Summary

2.1 Management Forecast – 12 months to July 2017 (Appendix 1)

The Management Forecast shows a projected surplus for the 12 months of £18k – see Appendix 1B. Appendix 1A provides a commentary on the forecast.

As noted previously, the Region has been awarded additional capital and maintenance funding, and also strategic funding to address the low level of activity rate funding relating to ESF activity. This latter funding has also been awarded for 2017/18, giving the College a level of funding more akin to other colleges in the sector.

Appendices 1E and 1F provide a forecast Balance Sheet and the cashflow forecast for the remainder of the accounting period. The latter is the latest version of the document forwarded to the Funding Council, and the Lanarkshire Board, each month. It was noted last quarter that the College, in line with others in the sector, has challenges re maintaining a positive bank balance, particularly at the Funding Council's own year-end date of 31st March. The sector approached the Funding Council asking for a solution, and SFC agreed to bring forward the drawdown release in April from the middle of the month to the start of the month to those colleges that required it.

Attached for information as Appendix 1G is the latest Quarterly Reporting Return as supplied to the Funding Council for the information of members, to illustrate the information and format of reports being requested.

SOUTH LANARKSHIRE COLLEGE

Finance and Resources Committee

Meeting of 8th May 2017

HEAD OF FINANCE REPORT

Executive Summary (continued)

2.2 Indicative Grant in Aid Funding 2017/18 and 5-year forecasting (Appendix 2)
Mr McKillop will update the meeting on the most recent planning information available to the sector.

2.3 Financial Strategy (Appendix 3)
The Audit Scotland report on Scotland's Colleges called for all colleges to have a five year financial strategy. The College will develop this to incorporate it into its overall strategic plan. Appendix 3 details the KPIs that the College will use as its financial drivers. This will be revisited annually.

2.4 Budgetary Procedures (Appendices 4A and 4B)
Two documents have been prepared to support the Budgeting process.

Appendix 4A is an updated version of the overview of Budgeting which addresses the more strategic approach to budgeting. The Committee is asked to review this and recommend it to the Board of Management for approval.

Appendix 4B is a newly-prepared document that details the preparation work required for an annual budget, listing source documents and coding. This document will be updated on a regular basis and is presented for the information of the Committee.

2.5 Budget for the 12 months to July 2018, and forecast for the further period to July 2022 (Appendix 5)
The Committee is referred to Appendix 5A for a commentary on the budget and the forecast, attached as Appendix 5B.

2.6 Procurement Update (Appendix 6)
As noted previously, the College now has a dedicated Procurement Officer who has been seconded from Advanced Procurement for Universities and Colleges (APUC). The post-holder works with the Head of Finance and leads the College on meeting its legal responsibilities and on obtaining best value for money, working with their opposite number at New College Lanarkshire re bringing a Regional perspective to procurement.

SOUTH LANARKSHIRE COLLEGE

Finance and Resources Committee

Meeting of 8th May 2017

HEAD OF FINANCE REPORT

Executive Summary (continued)

2.7 Estates Report (Appendix 7)
Attached, as Appendix 7, is the report from the College's Head of Facilities. It should be noted that the College is investigating ways to improve recycling, including obtaining better value for money, via an examination of its waste management processes. This is being done on a Region-wide basis.

3 Conclusions and Recommendations

It is recommended that Members of the Finance Committee:

3.1 Review and approve the Management Forecast for the period to July 2017.

3.2 Note the document issued by SFC re financial planning and the College's view on following this for its own financial planning, accepting the possibility that guidance may alter.

3.3 Review the Financial Strategy KPIs with a view to recommending these to the Board of Management for approval.

3.4 Review the Budgetary Process document and recommend its approval to the Board of Management.

3.5 Review and note the Budget Process Procedure.

3.6 Review the Budget for the 12 months to July 2018 and recommend its approval to the Board of Management.

3.7 Review the extended forecast for the period 2018/19 to 2021/22 and recommend its approval to the Board of Management.

3.8 Note the work being done on procurement.

3.9 Note the Estates Report.

Finance and Resources Committee
May 2017
Appendix 2

Long-term Planning for the College Sector

Purpose

1. The purpose of this paper is to set-out a long term planning horizon for college activity by setting indicative credit targets for each college/region from AY 2017-18 to 2021-22. The aim is to assist colleges/regions develop medium to long term plans during a period of uncertainty which is in-line with the recommendations from Audit Scotland – *Scotland's Colleges 2016*.

Background

2. On 10 February we provided colleges/regions with indicative funding allocations and credit targets for 2017-18 www.sfc.ac.uk/web/FILES/Announcements_SFCAN022017/Indicative_college_funding_announcement_AY_2017-18.pdf

3. In the funding letter we indicated that around £6 million, which had been used previously for the Employability Fund would be used for a Flexible Workforce Development Fund. The total available through this fund is expected to be £10 million, however, we have still to finalise and agree with the Scottish Government the criteria for the allocation of this fund and the outcomes that should be delivered.

4. We also indicated that we expect additional funds for childcare training places. This was part of the Scottish Government's commitment to increasing the provision of free Early Learning and Childcare (ELC) entitlement from 600 hours, to 1,140 hours by 2020. The planned expansion will have a significant impact on the demand for qualified childcare practitioners in the coming years, through the suite of qualifications for early learning and childcare practitioners and managers. At the time of writing the indicative funding letter we did not have confirmation of the funding or number of places to be delivered.

5. In addition to this the sector is aware that the ESF – Youth Employability Fund comes to an end in 2017-18. From 2018-19 we expect all colleges/regions to deliver activity as part of the ESF – Developing Scotland's Workforce programme. However, as there is a smaller intervention rate there will be a reduction in funded activity supported through ESF and for some college regions this could be a significant reduction.

6. Colleges/regions are also expected to deliver articulation places in collaboration with the university sector which is funded over and above our core funding.

There are also other funding streams, for example Foundation Apprenticeships, which do not feature in this planning cycle as they are to be funded directly by Skills Development Scotland.

Forward planning credit targets

7. Given the uncertainty around the credit targets going forward, we have put together a proposal to offer colleges an indicative credit target which should allow each college/region to respond flexibly to deliver the SFC and SG priorities.

8. Essentially this means that we provide an indicative total credit target for each college region. We expect to be able to fully fund this activity target through the credit funding model, taking account of the transition to fully implement the new model. From that total credit target we agree sub-targets for the delivery of:

- Flexible Workforce Development fund;
- Childcare places as part of the expansion of the ELC entitlement;
- ESF activity – under the Developing Scotland's Workforce programme.

9. SFC does not have agreed budgets for any funding stream, including our core activity target beyond Financial Year 2017-18. It is therefore likely that there will be changes which impact on the delivery of the activity targets set out in this paper. We are providing this paper for planning purposes only. It is not the basis of a confirmed funding commitment going forward.

10. The Annexes set-out some of the more technical detail of the proposal and a table with illustrative credit targets from 2017-18 to 2021-22.

Discussion

11. We are seeking the Group's view on the proposed approach of setting a total activity target at this point and seeking to agree sub-targets as more information becomes available. We are also seeking a view on the proposed distribution which aims to provide each college/region with a stable credit target from 2018-19.

Further information

12. Contact: Martin Smith, Chief Funding and Information Officer, email: msmith@sfc.ac.uk, or Gordon McBride, Assistant Director email: gmcbride@sfc.ac.uk.

Annex A

Colleges Activity Target Planning

1. The paper provides colleges/regions with illustrative credit targets over the period 2017-18 to 2021-22. Although both the sector and college/region targets are illustrative for all years and subject to change on an annual basis the paper does provide an early indication of planning volumes for the next 5 years. These are intended to inform the sector on the implications of the Youth Employment Initiative (YEI) project ending in 2017-18 and the likely requirements for additional Childcare and Flexible Workforce places over the period (still to be confirmed). The targets for 2021-22 also show the managed impact of the European Social Fund (ESF) projects ending in 2020-21.

European Social Fund Projects

2. SFC has been managing three ESF projects over the period 2015-16 to 2017-18. There is a project for the Highlands region, Developing Scotland's Workforce (DSW) and the Youth Employment Initiative (YEI). The YEI project will end in 2017-18 whilst the DSW project will continue for a further 3 years (2018-19 to 2020-21) subject to a satisfactory review of the project to date. The Highlands region project is funded from our HEI budget whilst the DSW and YEI projects are funded from the College budget.

3. For every £1 million match provided by SFC we will receive an additional £2 million for our YEI project but only an additional £667k for the DSW project. SFC provided a total of £8 million per year to fund these projects which when combined with the match from Europe provided a budget of £19.7 million in 2017-18 as shown in our indicative funding allocations.

4. From 2018-19 the DSW project will be the sole ESF project outwith the Highlands region. Our £8 million match will therefore attract a reduced European match of £5.3 million providing a total budget of £13.3 million. The DSW project however is focused on HE students only who are eligible for less student support funds from SFC. In 2017-18 the Student Support budget for the ESF projects was £5.5 million with the remaining £14.2 million paying for credits. If we assume £12.3 million of the £13.3 million is available for credit funding for 2018-19 then the loss to college teaching budgets is just under £2 million. The number of credits to be delivered would fall from the published 61,607 in 2017-18 to around 49,000 in 2018-19.

5. Once the DSW project does end the £8 million SFC match funding would still be available which would mean that the activity levels would only fall by around 18,000 (1%) credits for 2021-22.

6. **The sector credit targets (including ESF) for 2018-19 would therefore fall by around 13,000 Credits from the targets outlined in our 2017-18 indicative announcements. In 2021-22 there would be a further fall of 18,000 Credits.**

Childcare places

7. The sector will be asked to deliver additional childcare places on top of the current indicative targets. The Childcare numbers will start at around 650 FTEs for 2017-18 (c9,750 Credits) and we estimate that this could rise to around 1,350 FTEs (c24,000 Credits) for 2018-19. We are planning on the basis that they will continue at that level throughout the rest of this planning period 2021-22, although we have also provided an illustration of the revised credit targets if these additional places end in 2019-20 (Annex B). There will be additional childcare places for the Highlands region funded through the UHI but due to the specialist nature of the institution no childcare provision will be allocated to SRUC.

8. **The additional childcare places for 2017-18 would be an additional c9,750 Credits from the targets outlined in our 2017-18 indicative announcements. From 2018-19 to 2021-22 there would be further additional c14,250 Credits.**

Flexible workforce

9. The Flexible Workforce Credits are also likely to be around 28,000 for 2018-19, assuming a fund of £6 million. Again we are assuming that this level will continue to 2021-22. The Flexible workforce announcement spoke about a £10 million fund and it is likely the additional £4 million will be transferred to SFC over the coming months. We have not allocated the £4 million at this time.

10. **The Flexible Workforce places for 2017-18 (£6 million) would be an additional c28,000 Credits from the targets outlined in our 2017-18 indicative announcements and would continue at that level from 2018-19 to 2021-22.**

Combined effect

11. The combined effect of these changes would mean around c52,000 additional credits in 2018-19 less the c13,000 reduction in ESF for the same year. Overall we expect to be asked to deliver c39,000 Credits above the 2017-18 indicative levels (inc ESF) in 2018-19. This would mean an increase from 1.75 million to 1.79 million Credits.

Possible distribution between colleges

12. Colleges/regions delivering the YEI programme in 2015-16 to 2018-19 would have been expecting a significant reduction in places for 2018-19. Although there will have to be a rebalancing of curriculum it may not be necessary to

reduce the number of places in any college until 2021-22 when the ESF projects end.

13. Annex A1 below provides a possible scenario for credit targets (inc ESF, Flexible workforce and childcare) up to 2021-22. The activity levels are of course not confirmed at this time. SFC has attempted to protect current activity levels for all colleges (inc ESF) and deliver a managed transition to 2021-22 levels. The revised 2017-18 figures in Annex A1 include additional places for flexible workforce (c28,000 Credits) and Childcare (c9,750 Credits) that have yet to be confirmed and may differ from the numbers presented. We have also included an additional 1,000 Credits for City of Glasgow based on a prior agreement. For 2018-19 ESF credits will fall by c13,000 whilst Childcare Credits will increase by around c14,250 resulting in an overall increase of around c1,250 Credits from the 2017-18 targets. These 2018-19 levels are shown as unchanged for each college/region until 2021-22 when all colleges/regions will see a 1% reduction when the DSW ESF projects end.

14. The table also shows that activity levels are predicted to rise by 2.2% between the 2017-18 indicative allocations and the final numbers to be delivered for 2017-18. The Flexible Workplace places included within the 2.2% may not be confirmed for some time although the childcare numbers should be confirmed soon. Most colleges/regions will receive at least a 2.2% increase on top of the 2017-18 indicative allocations except those colleges/regions currently benefitting from a greater share of ESF places. This is designed to smooth activity levels over the years and avoid peaks and troughs where possible. It also allows those colleges/regions not benefitting from the higher levels of ESF support to be offered additional growth at the earliest point. Highlands will receive additional HE childcare places through the UHI.

15. The change between 2017-18 indicative and 2018-19 indicative levels follows a similar pattern. Overall there is a 2.3% increase from the 2017-18 indicative levels. Those colleges/regions who had benefitted most from the ESF projects see less of an increase but do still see some growth from the 2017-18 indicative levels. West Lothian, Borders and Dumfries & Galloway receive the highest level of growth which is in line with our demographic model.

16. The table also shows the increase in credits for each college/region between the 2017-18 indicative announcement and the 2018-19 illustrative levels including the additional childcare and flexible workforce places. It also shows the expected number of additional places to be delivered by each region for childcare and flexible workplace activity. There is not a direct correlation between growth received and places to be delivered for childcare and flexible workforce activity. For most colleges/regions the additional credits allocated exceed the number of additional childcare and flexible workforce places to be delivered however this is not the position for those colleges who currently have

the larger share of ESF activity (Glasgow, Lanarkshire, Dundee and West) and also Edinburgh College. The ESF colleges/regions were always likely to see a significant reduction in funded places. The growth for Edinburgh College is however still above the sector average.

17. It is likely that some colleges/regions will be unable to deliver the additional places shown. We are already aware that a number of colleges decided not to deliver their full allocation of ESF places in previous years. It would of course be advantageous to work with the sector to identify these colleges at the earliest time to aid the sector planning assumptions for future years and to help ensure success in delivering the additional places and core targets. This will mean there will be a likely need for redistribution across the sector. These discussions would take place locally with the outcome agreement manager and then at sector level within SFC. We believe it is beneficial to smooth the targeted delivery levels to aid resource planning requirements. The targets would be revisited each year as part of the Outcome Agreement discussions.

18. It may be that we receive guidance from the SG that they require a different number of childcare and/or flexible workforce places across the geographical regions. This need not change our overall illustrative targets for the regions. For example, if our demographic model identifies a need for 1,000 student places, we allocate 950 for core provision and 50 for childcare and flexible workforce. If we then subsequently require 100 places for childcare and flexible workforce we would expect the college to re-balance activity and deliver 900 core places plus the 100 childcare and flexible workforce places.

19. The table attached is based on a flexible workforce budget of £6 million but this may rise to £10 million. This would mean an additional c18,000 (1% on core) Flexible Workforce Credits to be delivered. If we do receive guidance from the SG to deliver markedly different distributions of childcare and flexible workforce places then we could use some of these additional credits strategically on a case by case basis. Total activity levels in 2018-19 based on the £6 million Flexible Workforce budget and excluding the ESF targets would be 1.75 million Credits, this would deliver 116,200 FTEs.

Annex A1: Illustrative Credit targets from 2017-18 indicative to 2021-22

	A	B	C	D	E	F	G	H	I	J	K	L
			A + K	A + K	A + K	e*0.99	(B-A) / A	(C-A) / A	(F-A) / A	(F-E) / E	C - A	
	Illustrative Credit targets inc ESF (except 2021-22 which includes SFC £8m match only)						change from 2017-18 indicative (inc ELS) to illustrative:			Change from 2020-21 to 2021-22	Credits increase from indicative 2017-18 to 2018-19	number of additional Childcare & flexible workforce Credits to be delivered
	2017-18 indicative	17-18	18-19	19-20	20-21	21-22	2017-18	2018-19	2021-22			
Ayrshire College	**125,507**	128,347	130,371	130,371	130,371	129,067	2.3%	3.9%	2.8%	-1.0%	4,864	3,960
Borders College	**25,095**	25,946	26,155	26,155	26,155	25,894	3.4%	4.2%	3.2%	-1.0%	1,060	782
Dumfries & Galloway College	**30,067**	30,875	31,336	31,336	31,336	31,023	2.7%	4.2%	3.2%	-1.0%	1,269	958
Dundee & Angus College	**108,333**	110,653	109,921	109,921	109,921	108,822	2.1%	1.5%	0.5%	-1.0%	1,588	3,290
Edinburgh College	**186,028**	190,117	191,528	191,528	191,528	189,613	2.2%	3.0%	1.9%	-1.0%	5,500	5,865
Fife College	**132,765**	136,082	137,769	137,769	137,769	136,391	2.5%	3.8%	2.7%	-1.0%	5,004	4,136
Forth Valley College	**86,214**	88,302	89,329	89,329	89,329	88,435	2.4%	3.6%	2.6%	-1.0%	3,115	2,677
Glasgow Region	**388,957**	397,441	392,961	392,961	392,961	389,031	2.2%	1.0%	0.0%	-1.0%	4,004	11,747
Highlands & Islands Region	**112,167**	114,005	114,005	114,005	114,005	112,865	1.6%	1.6%	0.6%	-1.0%	1,838	1,824
Lanarkshire Region	**185,733**	188,215	186,467	186,467	186,467	184,602	1.3%	0.4%	-0.6%	-1.0%	734	5,449
Newbattle Abbey College	**926**	926	926	926	926	926	0.0%	0.0%	0.0%	0.0%	0	0
North East Scotland College	**137,153**	141,168	142,472	142,472	142,472	141,048	2.9%	3.9%	2.8%	-1.0%	5,319	4,275
Sabhal Mòr Ostaig	**803**	803	803	803	803	803	0.0%	0.0%	0.0%	0.0%	0	0
SRUC	**22,867**	23,246	23,246	23,246	23,246	23,013	1.7%	1.7%	0.6%	-1.0%	379	376
West College Scotland	**166,111**	169,685	169,438	169,438	169,438	167,744	2.2%	2.0%	1.0%	-1.0%	3,327	5,068
West Lothian College	**43,499**	44,955	45,341	45,341	45,341	44,888	3.3%	4.2%	3.2%	-1.0%	1,842	1,355
Scotland	**1,752,225**	1,790,766	1,792,068	1,792,068	1,792,068	1,774,164	2.2%	2.3%	1.3%	-1.0%	39,842	51,763

Annex B: Illustrative Credit targets from 2017-18 indicative to 2021-22 (assumes additional childcare ends in 2019-20)

	A	B	C	D	E	F	G	H	I	J	K	L
			A + K	A + K	A + K	e*0.99	(B-A) / A	(C-A) / A	(F-A) / A	(F-E) / E	C - A	
	Illustrative Credit targets inc ESF (except 2021-22 which includes SFC £8m match only)						change from 2017-18 indicative (inc ELS) to illustrative:			Change from 2020-21 to 2021-22	Credits increase from indicative 2017-18 to 2018-19	number of additional Childcare & flexible workforce Credits to be delivered
	2017-18 indicative	17-18	18-19	19-20	20-21	21-22	2017-18	2018-19	2021-22			
Ayrshire College	**125,507**	128,347	130,371	130,371	128,478	127,193	2.3%	3.9%	1.3%	-1.0%	4,864	3,960
Borders College	**25,095**	25,946	26,155	26,155	25,775	25,518	3.4%	4.2%	1.7%	-1.0%	1,060	782
Dumfries & Galloway College	**30,067**	30,875	31,336	31,336	30,881	30,573	2.7%	4.2%	1.7%	-1.0%	1,269	958
Dundee & Angus College	**108,333**	110,653	109,921	109,921	108,325	107,242	2.1%	1.5%	-1.0%	-1.0%	1,588	3,290
Edinburgh College	**186,028**	190,117	191,528	191,528	188,747	186,860	2.2%	3.0%	0.4%	-1.0%	5,500	5,865
Fife College	**132,765**	136,082	137,769	137,769	135,769	134,411	2.5%	3.8%	1.2%	-1.0%	5,004	4,136
Forth Valley College	**86,214**	88,302	89,329	89,329	88,032	87,151	2.4%	3.6%	1.1%	-1.0%	3,115	2,677
Glasgow Region	**388,957**	397,441	392,961	392,961	387,256	383,383	2.2%	1.0%	-1.4%	-1.0%	4,004	11,747
Highlands & Islands Region	**112,167**	114,005	114,005	114,005	114,005	112,865	1.6%	1.6%	0.6%	-1.0%	1,838	1,824
Lanarkshire Region	**185,733**	188,215	186,467	186,467	183,760	181,922	1.3%	0.4%	-2.1%	-1.0%	734	5,449
Newbattle Abbey College	**926**	926	926	926	926	926	0.0%	0.0%	0.0%	0.0%	0	0
North East Scotland College	**137,153**	141,168	142,472	142,472	140,404	139,000	2.9%	3.9%	1.3%	-1.0%	5,319	4,275
Sabhal Mòr Ostaig	**803**	803	803	803	803	803	0.0%	0.0%	0.0%	0.0%	0	0
SRUC	**22,867**	23,246	23,246	23,246	23,246	23,013	1.7%	1.7%	0.6%	-1.0%	379	376
West College Scotland	**166,111**	169,685	169,438	169,438	166,978	165,308	2.2%	2.0%	-0.5%	-1.0%	3,327	5,068
West Lothian College	**43,499**	44,955	45,341	45,341	44,683	44,236	3.3%	4.2%	1.7%	-1.0%	1,842	1,355
Scotland	**1,752,225**	1,790,766	1,792,068	1,792,068	1,768,068	1,750,404	2.2%	2.3%	-0.1%	-1.0%	39,842	51,763

Finance and Resources Committee

February 2017

Appendix 3

South Lanarkshire College

Financial Planning: 2017/18 – 2021/22

Maintaining Long-term Financial Sustainability

Key Objectives per Financial Strategy	Performance Measure	2017/18 target	2018/19 target	2019/20 target	2020/21 target	2021/22 target
1. To achieve long-term financial sustainability and match resources with College strategic objectives, on an ongoing basis.	To generate an operating surplus each year	Surplus of £25k	Surplus of £25k	Surplus of £25k	Surplus of £25k	Surplus of £25k
2. To manage short term working capital in accordance with SFC ONS requirements	Reduce need for overdraft / early SFC draw down support at 31 March	Requirement restricted to £250k	Requirement restricted to £200k	Requirement restricted to £150k	Requirement restricted to £100k	Requirement restricted to £50k
3. To manage short term working capital at accounting year end	Reduce need for overdraft / early SFC draw down support at 31 July	Requirement restricted to £100k	Requirement restricted to £50k	Requirement restricted to £25k	No requirement	No requirement
4. To develop productive capacity to meet current and future learning and resource objectives through the economic, efficient and effective deployment of resources.	(a) Set targets for staff utilisation; and (b) Set targets for efficiency gains re non-salary costs	To be developed in 2017/18				

5. To plan and control the financing of College developments and ensure finance is available to fund capital expenditure per the College's strategic plans.	SFC capital allocation meets College's capital requirements per the Operational and Strategic Plans.	No requirement to top up SFC allocation				
6. To provide a consistent basis for evaluating strategic alternatives and developing effective financial planning and risk management.	(a) Increase non-SFC grant income; and (b) Increase commercial fee income, year-on-year	Training Agency income at 90% of target Growth of 10%	Training Agency income at 95% of target Growth of 10%	Training Agency income at 95% of target Growth of 10%	Training Agency income at 95% of target Growth of 10%	Training Agency income at 95% of target Growth of 10%
7. To integrate and harmonise financial and other College strategies		To be developed in 2017/18				
8. To work with its Regional partner to identify, and take advantage of, opportunities to minimise costs, particularly through collaborative procurement.		To be developed in 2017/18				

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Finance Committee

May 2017

Appendix 4A

South Lanarkshire College

Policies and Procedures

The Budgetary Process

Draft dated 8 May 2017

Version dated:	**5 April 2017**
Author:	**Head of Finance**
Approved by:	
Date of Approval:	
Date of next review:	**December 2018**

1. Purpose

The purpose of this document is to define the roles and responsibilities of the Board of Management, Principalship and staff, by detailing the College Policy and Procedure by which staff can identify income, and commit expenditure within an approved budgetary framework.

2. Policy Statement

The College will ensure that budget setting and monitoring of income and expenditure is robust and is controlled within the remit of a person's delegated authority and responsibility.

3. Scope

3.1 To ensure that there are adequate procedures and processes in place within the College, to ensure that effective budget setting and monitoring takes place within a given financial year.

3.2 This policy should be read in conjunction with the College's relevant equality, diversity and inclusion policies and its separate Disability, Race and Gender Equality Schemes.

4. The Regional Aspect

It must be noted that the College is assigned to New College Lanarkshire and that central grant-in-aid funding now comes from the Scottish Funding Council to The Lanarkshire Region rather than direct to the College itself. This is then allocated between the two Lanarkshire colleges via the Regional Outcome Agreement.

However, this document only concentrates on the budgeting process after the split of central funding has been agreed by The Lanarkshire Regional Strategic Board. The process to be followed re the split of funding between the two colleges is the subject of a separate document. *(This allocation document is in the process of being drafted and reference to it will be made when it has been adopted)*

5. Responsibilities

Responsibilities under this process document fall as follows:

5.1 The Head of Finance is responsible for the operation and management of the budgetary process.

5.2 The Board of Management has a duty to govern the College financial affairs and ensure that it provides suitable and efficient further education.

5.3 The Principal / Chief Executive is responsible for advising the Board of Management on the proper discharge of its financial duties.

5.4 The Principalship (i.e. the Principal and Depute Principal) has delegated authority to maximise the use of resources, through the achievement of economy, efficiency and effectiveness and for ensuring that financial considerations are taken into account at all stages of the decision-making process.

5.5 The Senior Management Team and staff carry delegated authority to ensure that, at all times, they shall endeavour to secure the best value for expenditure incurred.

5.6 The Head of Finance is responsible for presenting the budget to the Finance Committee in a management accounts format, and reconciling this with the format that is to be submitted to the Scottish Finding Council. Both versions should be approved by the Finance Committee and forwarded by them to the Board of Management for its final approval. Due consideration of the requirements to make any return via the Regional Strategic Body must be made where appropriate.

5.7 The Head of Finance is responsible for updating the financial performance of the College compared to budget at each meeting of the Finance Committee.

5.8 The Head of Finance is responsible for ensuring that procurement is controlled and monitored in such a way as to conform to the Procurement Reform (Scotland) Act 2014 and any subsequent legislation, and to any other pertinent legal or guidance requirements.

5.9 All heads of department and Associate Principals are responsible for including their income projections, staffing and capital requirements in their annual Operational Plans. This will inform the Principalship and the Head of Finance for their consideration re the initial overview budget.

5.10 Capital requirements re information technology and estates will be reviewed by the Principalship and forwarded by the Head of Finance to the Head of MIS and the Head of Estates for consideration / incorporation in the relevant capital budgets, should funding allow.

6. General principles

6.1 To ensure that the College budget is aligned to incorporate the operational activities that play a fundamental role in the achievement of the College's objectives.

6.2 To ensure that the College's budget is authorised at the beginning of the financial year and that any subsequent budget amendments throughout the year are appropriately authorised.

6.3 To ensure that the responsibility for budget setting is delegated to the appropriate managers and the achievement of budgets is specific and clear.

6.4 To ensure that there are monitoring controls in place that highlight deviances from budget, prompting action to investigate.

6.5 To ensure that the College's budget reflects the hierarchical structure and operations of the College, including costs associated with meeting legislative requirements (eg. Health and Safety, Disability Discrimination Act, etc).

6.6 To ensure that the budgetary system does not allow unnecessary expenditure to occur and that Income/Expenditure Variance are 'flagged' at an early stage. Any estimated variance of greater than 5% for the year at any time should be the subject of review by the Principalship.

6.7 To ensure that sufficient management information is produced to enable managers to monitor performance against budget.

6.8 To ensure that sufficient management information is produced to enable Board of Management members to monitor performance against budget.

6.9 To ensure that sufficient management information is produced to satisfy requirements re reporting to the Regional Strategic Body.

7. Procedures

Allocation by the Scottish Funding Council

7.1 The Region receives its annual funding allocation from the Scottish Funding Council, normally at the end of April/beginning of May preceding the funding year, although there is generally an indicative allocation issued prior to this. The process for the split of Regional funding is dealt with in another document *(This allocation document is in the process of being drafted and reference to it will be made when it has been adopted)*

7.2 The Head of Finance will summarise the funding movement from the previous year, together with any funding issues arising.

7.3 The Principal/Chief Executive will confirm acceptance of the allocation to the Funding Council, via the Regional Outcome Agreement.

7.4 Where a specific allocation is made by the Scottish Funding Council re Capital and Maintenance, the Head of Finance will agree the split between these two categories with the Principalship. This should take account of requirements made by all faculties and departments via their Operational Plans.

Overview Budget Preparation

7.5 The Head of Finance will meet with the Principalship to agree headline income and expenditure budgets.

7.6 The College should target at least a break even budget. This should then be projected over a three or five year period, as decided by the Board of Management.

7.7 The Head of Finance will ensure that the income and expenditure budget is in line with College surplus / deficit requirements (as per 7.6 above), and will renegotiate management spending plans when required.

7.8 A budgeted capital expenditure plan and consolidated cashflow forecast should also be prepared to supplement the budgeted income and expenditure account, taking account of any restrictions re SFC income drawdown (currently 62% for the 8 months to 31st March).

7.9 The Finance Committee will be presented with the College budget and three (or five) year forecast for consideration and recommendation to the Board of Management for approval. Upon approval by the Board of Management, this should be expressly minuted. The Budget can then be forwarded to the Scottish Funding Council.

7. Procedures (continued)

<u>Detailed Budget Preparation by Faculty / Department</u>

7.10 The Principalship and Associate Principals will meet with the Head of Finance to agree sector activity targets (based on Credits) and their other income targets, including fee waiver, business, and commercial income.

7.11 Income budgets for all faculties and other operating activities will be prepared by the relevant manager, agreed by the Principalship and by the Head of Finance.

7.12 All budget holders will be presented with a draft budget that meets the needs of the College and they will all be given an opportunity to review and feedback if necessary. KPIs will also be agreed.

7.13 All budget holders will be required to sign and date their approved budget as evidence of acceptance.

7.14 Any amendment to the final approved budget will be recorded on a budget approval form and appropriately signed, a copy of which will be sent to the budget holder.

7.15 Budget virement can be agreed between the budget holder and the Head of Finance confirmed, at least by e-mail, but in accordance with the Financial Regulations. These virements will be duly recorded on a designated form, a copy of which will be sent to the Head of Finance.

7.16 A comprehensive audit trail will be maintained in relation to the proposal and approval of budgets.

7.17 All employees responsible for raising orders through the PECOS system will be advised of the correct nominal coding procedures in order to reduce the level of any subsequent miscodings and to minimise the need for coding reallocations. The Head of Finance will periodically review the codes in order to identify any miscodings and update accordingly.

7.18 All budget proposals should be agreed and, where practicable, signed off before the commencement of the new financial year.

7.19 On the basis that budget funds are allocated on the basis of need and affordability, there should never be a ‘stalemate’ over the agreement of operational budgets.

7. Procedures (continued)

Monitoring and Review

7.20 The Head of Finance will be responsible for issuing monthly management reports and KPIs to budget holders within an agreed timescale and provide explanations to figures as required.

7.21 Monthly monitoring meetings should be held between the Head of Finance and all budget holders at which variances outwith thresholds should be investigated, noted and followed up at the next month's meeting. The Head of Finance should prepare a monthly summary report for the Principalship.

7.22 A formal review of budget variances between the Principalship and all budget holders should be undertaken at least each quarter.

8. Budgetary Process Procedures Review

8.1 This document will be reviewed every three years or earlier if changes affect it in any way.

Appendix 1

Ledger Codings

1. Non-salary expenditure budgets should be coded to the appropriate departments using the Subject Code 301000 ("Budget").

2. In the first instance, allocations to the academic faculties will be coded to the appropriate faculty management cost centre.
   These are:
   a. Construction ACO01
   b. Business ABM01
   c. Care AHH01

3. The College should aim to split salary and income budgets by academic department, but an initial split can be done by faculty.

Finance Committee

May 2017

Appendix 4B

South Lanarkshire College

Policies and Procedures

The Budget Preparation Procedure

Draft dated 8 May 2017

Version dated:	**8 May 2017**
Author:	**Head of Finance**
Date of next review:	**April 2018**

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Nominal ledger codes

Budget Overview

Financial Strategy

The College has a five-year Financial Strategy in place, and this will be refreshed each year. The Board of Management will agree the five-year strategy each year and this will be reported to the Regional Strategic Board and the Scottish Funding Council.

Targets are set re “management” accounts and these are fed into the annual budgets.

Annual Budgets

The College prepares an annual budget which is a function of the five-year rolling financial strategic plan.

Many of the income lines are set centrally (e.g. by the Scottish Funding Council, Skills Development Scotland etc.), so a major proportion of the College’s income is relatively immoveable. Allied to this, the activity levels given to the Lanarkshire Region, and contained in the Regional Outcome Agreement, dictate the level of fees that the College can expect.

The major source of additional income, as the potential for local authority income is seriously reduced, is thus commercial income. The academic faculties are thus now set targets for commercial income and this target is re-examined during the year, particularly if income (or expenditure) levels elsewhere. It is accepted that this figure must be achievable and realistic.

The upshot is that income from commercial sources may have to increase to cover for situations with a negative financial impact elsewhere. <u>This also forms part on the in-year budget review process that will normally be carried out in January / February.</u>

The “top down” Approach.

As a first step, the Head of Finance prepares an indicative annual budget for review by the Principalship. This budget looks to marry costs to available income. Whilst it is, of course, preferable for all expenditure requests to be met, this will seldom be possible. Thus, budgets will often require budget holders to pare back their requests. The Head of Finance will liaise with budget holders in this regard and report back to the Principalship with recommendations.

The Head of Finance will then inform each budget holder of their budget for the year.

Income – Central Funding

Scottish Funding Council (SFC)

The College's financial year runs from 1st August to 31st July and, in most cases, funding is allocated for this period. However, there are instances where an allocation may be made for the Government's financial year which runs from 1st April to 31st March.

Drawdown

Colleges draw down SFC funding on a monthly basis and there may be restrictions on what can be drawn down for the period from August to March. This is currently 62%.

For SLC, the drawdown is effected via the monthly SFC template which SLC send to New College Lanarkshire, who make a claim for the combined Regional request of New College Lanarkshire and South Lanarkshire College.

The total value of the monthly Regional drawdown is transferred from SFC to New College Lanarkshire (NCL) according to a set calendar, and a same day payment is made by NCL to South Lanarkshire College. This is to be checked by the Finance Department.

SFC Core Grant in Aid

Core Grant in Aid funding is allocated by the Scottish Funding Council to The Lanarkshire Region, and administered via the Regional Strategic Board (RSB). A Regional Outcome Agreement (ROA) is drawn up and agreed upon as draft by senior management of the two colleges and entered into a formal agreement which is considered and approved by the RSB.

The College's core Grant in Aid allocation is coded to 801001 CCA05.

SFC Capital and Maintenance

The College's total Capital and Maintenance grant comes vie the Regional Outcome Agreement. The College will split this allocation between Capital (coded to 801002 CCA05) and Maintenance (coded to 801005 CCA05) according to its requirements. These requirements should be informed by the departmental Operational Plans. The College must inform SFC of this split (this being done via NCL) and SFC may ask the College to confirm this split during the year.

The College is at liberty to augment its capital and maintenance budget from its own funds, but SFC should be informed.

Other SFC Grants

Although activity funding comes via the RSB, there will be occasions where funding comes directly to the College. These grants will generally be for specific purposes and it is College practice to set up codes for the income and the relevant expenditure relating to the income for ease of control. The receipt and spend of these grants is audited by the external auditors during their year-end review.

These grants will generally also be the subject of the budget-setting process.

ESF / SFC Youth Employment Initiative

Although this tranche of funding is also paid directly to the RSB, the split of activity has been maintained at the previous level of 60% to NCL with 40% coming to SLC. There is student support funding to accompany this activity and this is split on the same 60 / 40 basis.

It should be noted that income is distributed by SFC according to a set profile which the colleges cannot amend. At present, 25% of the income is received after the end of the academic year. However, provided the activity target is likely to be met, the income can be accrued into the year in which the activity was delivered.

Coding applicable: teaching - 801013 CCA05; student support receivable is coded to the appropriate Balance Sheet account(s) so as not to affect P & L.

SDS - Employability Fund

Employability Fund funding is managed by Skills Development Scotland. It runs from 1st April to 31st March. Number of places and activity are applied for through a procurement process. Funding linked to the number of places started and activity projected to take place during that financial year is approved based on past performance, quality of activity described and funding available within the Local Authority area targeted.

For budgeting purposes, and in the absence of any information to the contrary, the College assumes that activity for the period April – July will be in the proportion of the preceding April to March period.

Funding is drawn down based on outputs (number of starts and qualification achieved) and outcomes (progression to employment, Modern Apprenticeships, further training). Claims must be made within a strict time frame.

Note: Employability Fund funding was significantly reduced for 2017-18, and it may disappear next year, although no clear announcements have been made.

Income coded to 801016 CCA05.

SDS – Modern Apprenticeships

Modern Apprenticeship funding runs from 1st April to 31st March. Number of places and activity are applied for through a procurement process. Funding linked to the number of places started and milestones (achievement of activity or accredited units) projected to take place during that financial year is approved based on past performance. Applicants can apply in for a number of accredited Modern Apprenticeship frameworks, so long as the activity described is in line with the local employer needs.

As with the employability Fund, for budgeting purposes, and in the absence of any information to the contrary, the College assumes that activity for the period April – July will be in the proportion of the preceding April to March period.

Funding is drawn down based on starts and milestones achieved (number of starts and qualification achieved). Claims must be made within a strict time frame, or else it is lost to the training provider.

Income coded to 805430 AGF01.

SDS - Foundation Apprenticeships

Colleges can bid for the new Foundation Apprenticeships. The funding, like other SDS-funded initiatives, includes a combination of training fees (which go to the College) and beneficiary allowances (which go direct to the trainees).

Also, as with the other SDS programmes, for budgeting purposes, and in the absence of any information to the contrary, the College assumes that activity for the period April – July will be in the proportion of the preceding April to March period.

Income coded to 805507 plus the appropriate academic cost centre.

Local Authority Funding

The College has benefitted greatly from local authority income in previous years, but this is now subject to a more stringent bidding process. As with the SDS streams of income, funding covers a period from April to March. Again, in the absence of any information to the contrary, it is assumed that the College will be successful in winning tenders that will give it the same level of income for the period April – July as it received in the previous April – March period.

Income coded to 806314 AGF01

Income – Fees

<u>Core Activity Fees</u>

The College is further developing its **Curriculum Planning Model** to will incorporate a fee forecasting element. This should be used for budgeting purposes re core activity, including HN fees.

Full time HN Fees – core activity

In the absence of information to the contrary, the level of HN fees should be assumed to be the same as the previous year as these are set by SAAS and not the College.

Coding – 802101 plus the academic area cost centre

HN Fees – UWS

The College has a matriculation agreement with the University of the West of Scotland to deliver a B Acc programme. This is for a target number of students at an agreed fee. This forms the basis of the budget.

There is also currently a separate agreement whereby the College reserves a specific number of places on its HN programme to accommodate students who wish to pursue the B Acc.

The agreements are made prior to the start of the academic year and coding for both tranches of funding – 802601 plus the academic area cost centre

Construction Industry Training Board (CITB or Construction Skills)

Contracts based on industry requirements are drawn up by CITB and the College will agree (or not) to fulfil these. This forms the basis of the annual budget.

The bulk of the income is received in one of two annual instalments, with a third instalment encapsulating any classes where CITB is waiting for completion information.

Coding – 802203 plus the appropriate academic cost centre.

Income – Fees (continued)

Scotland & N Ireland Plumbing Employer Federation (SNIPEF)

The arrangement follows that of the CITB contracts. The SNIPEF contract forms the basis of the budget.

Coding – 802201 plus the appropriate academic cost centre.

Schools Provision

A contract will be signed before the start of the academic year and the income therein will form the basis of the budget.

Coding – 805103 plus the appropriate academic cost centre.

Part Time Fees

Part time fee income should be discernible from the Curriculum Planning Model. Some students will be able to claim Individual Learning Account (ILA) funding, but this does not affect the net income receivable from part time teaching.

Coding – 802401 plus the appropriate academic cost centre.

Commercial Income

The minimum required level of commercial income is, in part, driven by the requirements to produce a balanced budget, with each academic faculty being given a target for the year. However, each faculty is actively encouraged to better this target, especially where funding elsewhere falls short of target. The setting of targets is made by the Principalship and is monitored via the Funding Strategy Group.

Coding – 805020 plus the appropriate academic cost centre.

Coding of overseas income – 802104 plus the appropriate academic cost centre.

Other Income

Nursery Income

The College currently has a contract with an external nursery provider who pays a set amount as a facility fee. There is no VAT chargeable on this.

Coding – 807605 HML01

Training Restaurant

The College retains a small percentage of the training restaurant and bistro income (10%), but the bulk of the income is offset against costs of the appropriate academic area.

Coding – 807501 ACH01

Hair and Beauty Salon Income

All income is offset against costs of the appropriate academic area.

Interest Receivable

There is now no income receivable from bank deposits.

Staff Recharge

The College receives income where staff work for external organisations such as Education Scotland, but this is now negligible and no budget is now set.

Coding – 805301 AGL01

Expenditure – general notes

The current methodology is for the Head of Finance to prepare a draft income budget, taking into account latest information of the likes of Grant in Aid and activity levels. The Curriculum Plan will give an estimate of fee income for each course, although a view has to be taken on the proportion of fees that will be waived. In previous years, colleges were given an uplift in fee waiver income to take account of actual activity, but this is no longer the case.

Staffing - *See Appendix 1 for location of the relevant spreadsheets etc.*

Preparation of the Staffing Budget

A spreadsheet is prepared in April / May listing all permanent members of staff and their current salaries. This listing comes from the payroll system; a bespoke report is on the payroll system that provides this information. There are three spreadsheets; lecturing, monthly support and weekly support. The relevant department & faculty heads are then asked to confirm that the staffing shown is as per their own records. HR is also consulted on this; their input will highlight any planned movements in the staffing complement.

Assumptions are then made on salary awards, taking into account Government policy and any other pertinent factors.

Potential changes in employer contributions (national insurance and both pension schemes) should be available at this point and must be factored in. Both pension schemes issue projections based on either government policy (the teaching pension scheme administered by the SPPA) or as a result of a valuation in the case of the support staff scheme (administered by Glasgow City Council).

The lecturing spreadsheet includes the number of lecturing hours that each member of staff is available to teach. This is added up by faculty and so gives a total number of available lecturing hours.

The Curriculum Plan is populated with the courses being planned for the forthcoming year. This incorporates a planned number of lecturing hours required. Taking the permanent staffing complement and comparing it to the Plan figures gives a temporary staffing requirement in lecturing hours. This can be converted into full-time equivalent and a cost applied to it.

Staffing - *continued*

Overtime can be estimated from prior year actuals; costs are at the margins. The requirement for temporary (agency) staff is estimated from discussion with budget holders and the HR Department.

The three spreadsheets and the temporary lecturing costs, plus agency costs can then be totalled to give a summary staffing cost. Ideally, an element is built in for absence.

The academic faculties can be given a temporary lecturing budget to work with.

Monitoring

Monthly staffing costs are monitored at the monthly SMT meetings via reports prepared and presented by the Head of Finance. This report is also passed to the Head of HR.

Non Staff Expenditure – *see Appendix 2 for timetable information*

Operational Plans

Each department and faculty prepares an annual Operational Plan. This must take into account:

a) their own spending requirements for the year

b) requirements in terms of capital and maintenance spend

c) bursary equipment spend

To aid the first, they are now given expenditure information on a monthly basis. For 2016/17, budgets were a hybrid of formal requests and prior year spend. For 2017/18 onwards, the process will move more to satisfying formal requests.

Reporting and Monitoring

A system of monthly reporting is now in place. Budget holders will receive a monthly report and a cumulative report to build up an analysis of costs for the year.

The Head of Finance will review the reports with all budget holders on a monthly basis and this review will be undertaken by the Principalship on a quarterly basis, in the first instance, and more frequently if circumstances merit it.

In-Year Review of Budget Allocations

For academic areas, changes in activity levels during the year will be an important factor. This may require a change in budget allocation. Any allocation made before the start of the year must include a proviso that this could change, depending on circumstances, and this must be taken into account when budget holders effect their spends. This will also apply to the non-academic areas.

Any reallocation of budgets will not be reflected in the budget columns of the management accounts prepared for the Board, but the Finance Committee will be informed of any changes in budget allocation via the Head of Finance Report in the Committee meeting papers. The movements in spend will be reflected in the figures as shown in the variance reports in the quarterly management accounts.

Bursary Equipment

The College's bursary allocation for the Funding Council includes an allowance for equipment (e.g. safety equipment and kits). This is restricted to approximately 8% of the allocation. Prior to each academic year, the academic faculties prepare a Bursary Cost of Course Form for each bursary-funded class; this Form should contain all non-consumable costs.

The Bursary Officer inputs the figures into the bursary software system and this is reported to the Funding Council via the end-of-year FES return. It should be noted that the College is unable to amend the FES return, this making the accuracy of the costs contained in the Cost of Course Cost Form crucial.

From 2017/18, the Head of Finance and the Head of Student Services will review the Cost of Course Forms to ensure that the projected spend does not breach the 8% limit. The academic faculties will code all bursary expenditure accordingly and this will be reviewed by the Head of Finance and the Head of Student Services six months into the academic year.

Capital and Maintenance

Departmental requests will be discussed by the Principalship and the Head of Finance, with the input of the Head of Estates and the Head of IT.

To repeat the note in the section on Income, the College's total Capital and Maintenance grant comes vie the Regional Outcome Agreement. The College will split this allocation between Capital and Maintenance according to its requirements. These requirements should be informed by the departmental Operational Plans. The College must inform SFC of this split (this being done via NCL) and SFC may ask the College to confirm this split during the year.

The College is at liberty to augment its capital and maintenance budget from its own funds, but SFC should be informed. The College is required to report on its Capital and Maintenance spend throughout the year. <u>It should be noted that the Regional Strategic Body receives the College's monthly and quarterly funding drawdown and other financial reporting returns.</u>

Finance and Resources Committee

May 2017

Appendix 6

Procurement Report

Overview

Scottish Public Procurement is governed by a legal framework which stems from the European Procurement Directives. These link back to a strategy which is in place to ensure public purchases are made in a simple, fair and transparent manner and that all public spending follows the same processes and procedures.
Recently derived from the European Directives is the Procurement Reform (Scotland) Act 2014, which details legislation that must be followed.

South Lanarkshire College currently does not have full procedures and processes in place to ensure it is meeting with the legislation defined by the Scottish Government. APUC are providing assistance and expertise to ensure the appropriate processes and procedures are implemented to make certain the legislation is adhered to.
This legislation is applicable to all regulated procurements that exceed a contract value of £50K.

Below is an overview of the progress made to date. Further updates will be provided regularly over the coming months.

Contracts

Tender Process

A tendering process is being developed that can be applied uniformly across the College. A more informal process will be applied to requirements under the £50K threshold, and a formal procedure will apply to those above the £50K threshold.

Details of this process will be contained within the Finance Regulations and Procedures document, however please see below a summary of the suggested format the process will take:

Level of Expenditure	**Category of Purchase**
< £5,000	Low Value Purchasing Procedure
£5,000 - £9,999	One written quotation
£10,000 - £49,000	3 Formal Quotations
=>£50,000 - £164,176 (Goods & Services)	Regulated Procurement (Reform Act)
=>£2,000,000 - £4,104,394 (Works)	Regulated Procurement (Reform Act)
=>£164,176 (Goods and Services)	EU Regulated Procurement
=>£4,104,394	EU Regulated Procurement

Framework Contracts

Requirement	Previous Supplier	Current Supplier	Award Date	Value	Estimated Annual Saving	Improved Efficiency/Benefits
Water	Business Stream	Anglian Water via SP f/w	TBC	Approx £38K per annum	Approx £3K	Benefit from framework contract conditions and contract management
Multi-functional devices	Ricoh	Capital Solutions	October 2016	£28k per annum	Approx £7.5k	As above
Beauty Kits		Capital	August 2016	£14k	NA	As above
Hair Kits		Capital	August 2016	£46k	NA	As above

Recent Contracts

Requirement	Previous Supplier	Current Supplier	Award Date	Value	Estimated Annual Saving	Improved Efficiency/Benefits
Electricity	Scottish Power	EDF Energy via SP f/w	1st November 2016	Approx £200K per annum	Approx £20K	Benefit from framework contract conditions and contract management
Gas	Total Gas	Total Gas via SP f/w	Planned to be 1st Feb 2017	Approx £78K per annum	Approx £12k	As above
Multi-functional devices	Ricoh	Capital Solutions	October 2016	£28k per annum	Approx £7.5k	As above

Operational Plan

The table below contains projects that will be taken forward in the next 6 to 9 months

Requirement	Previous Supplier	Current Supplier	Est Award Date	Value	Improved Efficiency/Benefits	Comments
Nursery Provision			April 2018	TBC		Documents under review
Mobile Phones			June 2017	TBC		Awaiting award to Scottish Govt contract
Beauty Kits		Capital	July 2017	Approx £15k	Benefit from framework contract conditions and contract management	JB to meet to discuss next steps and take mini-comp forward asap
Hair Kits		Capital	July 2017	£46k	As above	As above
Water	Business Stream	Anglian Water via SP f/w	TBC	Approx £38K per annum	Benefit from framework contract conditions and contract management	JB to review usage with CF

Collaborative Opportunities

As the College is an APUC member, a record of all collaborative contracts the College partake in, should be maintained. This is done using a system called Contract Uptake. APUC uses this system to generate various annual reports.

The system has been recently updated to reflect the College's current collaborative contract usage, which is very low. APUC have been set a target that institutions should have 40% of their total spend as participation of collaborative contracts.

As the College works through the contract wave plan, opportunities for moving to collaborative spend should present itself.

Collaborative contracts include frameworks set up by APUC, Scottish Procurement, Crown Commercial and others.

As North Lanarkshire College and South Lanarkshire College are part of the same region, it is logical that they should collaborate on procurement aspects that will be of benefit to both institutions.

Such areas of collaboration include, the tendering policy and value thresholds, the procurement strategy, and joint contracts where there are common areas of spend.

The tendering policy and procedures have already been edited to reflect those similar to New College Lanarkshire, and the Procurement Strategy is underway.

Areas identified for common spend are waste management and pest management, which are planned to be tendered early 2017.

Contract Register

As the College is an APUC member, a contract register should be maintained using the system Hunter. Legislation states that only contracts with a total spend value over £50K are required to be published publicly. This information has been updated for the College and can be accessed via the College website; for lower contract spend, information can be accessed via Hunter.

Finance Regulations and Procedures

The Financial Regulations are currently under review and the Procurement Manual has been updated in line with recent legislation, with defined processes and procedures. The manual is currently in its first draft but following approval, should be made accessible to all College staff.

Procurement Strategy

The College is not obliged to publish a Procurement Strategy as the total annual spend for the College is below the required minimum. However, a Procurement Strategy is currently under development in line with best practice and will be in line with the College's regional partner, New College Lanarkshire.

Operational Procurement Review

The College is not obliged to complete a full PCIPS assessment as the total annual spend for the College is below the required minimum. However, a light assessment is scheduled to take place in February 2017, called an Operational Procurement Review. For this review certain questions will be asked of the College, and evidence will be required to clarify level of completion, from which actions will be derived.

A draft of this questionnaire has been completed in advance of the OPR, to identify what information needs to be collated.

Sustainability

Part of the recent changes to legislation from Scottish Government, is the Sustainable Procurement Duty, where published tenders should consider how the local area can be benefit economically, environmentally or socially.

Sustainability should also be built into the procurement process and sustainable objectives set, which are then monitored and reported upon.

The Flexible Framework has recently been completed for the College, identifying actions within specific areas which the College will need to work towards to improve its sustainability within Procurement.

A sustainability group already exists within the College, therefore it will be considered how the issues discussed within this group can be linked back to Procurement, and a log of possible sustainable opportunities kept, which can be referred to for upcoming tender exercises.

Finance Committee

May 2017

Appendix 7

South Lanarkshire College

Finance and Resources Committee

of the Board of Management

Reporting period: February 2017 to April 2017

Estates Report

South Lanarkshire College East Kilbride

1. Risk

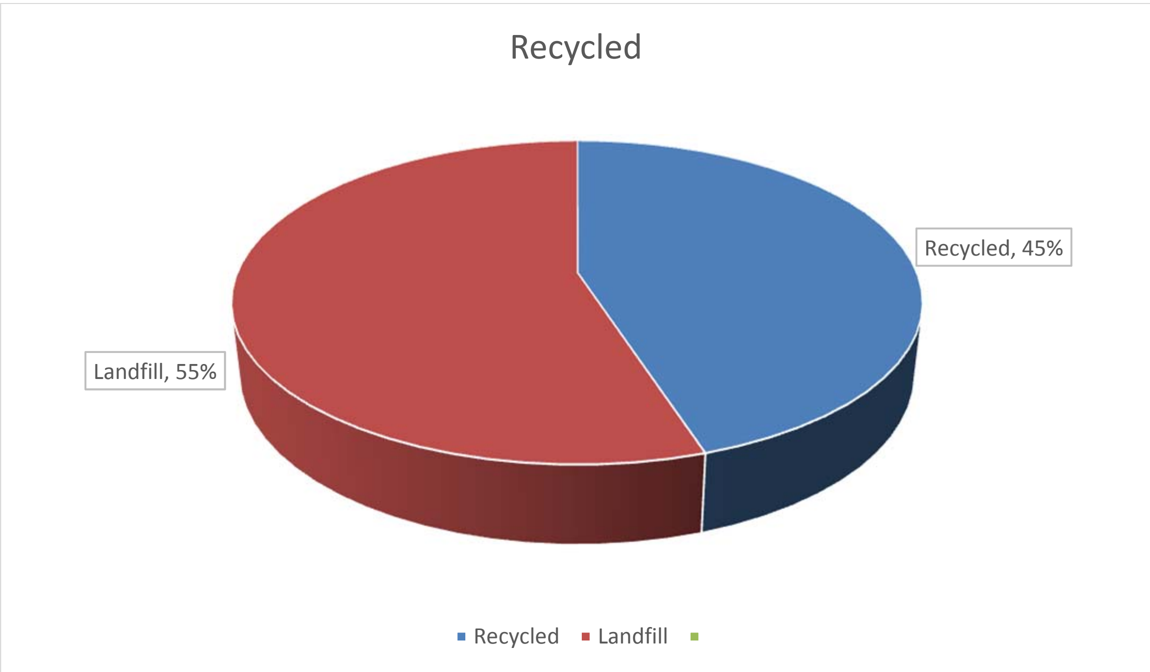
One live Insurance claim ongoing, although this has been declared “dormant” by our insurers who are very confident that there will be no liability.

2. Sustainability

Solar PV panels on workshop wing have produced 197 Mwh, offset 104.52 Co2 and earned £21,694 plus the incoming energy saving of £13,790 (0.07 per KWh) total saving of £35,484.00 from install in June 2013.
This is in accordance with the projected payback time.

Waste

Waste recycling for the quarter (Jan - Mar 2017) was 146 tonnes compared to 124 in last quarter. Recycling figures for this period are a total of 45%



Drop in recycle rate is due to contractor’s method of reporting, incorporating all other waste in vehicle thus other less recycle active businesses are affecting our figures.

South Lanarkshire College East Kilbride

Energy Consumption

Feb - Apr	Gas - kWh	Electricity - kWh
2016	511,828	602,567
2017	537,762	628,662
Percentage Variance	**+5%**	**+4%**

Water

Cubic Metres Consumed		
Feb – Apr	Main Building	Annex
2016	2,750	N/A
2017	2,414	10
Percentage Variance	10.3% Decrease	N/A

3. Planned Activities

Fourth Floor IT room - Contract awarded via tender process. Hold on start date.

5 Year Electrical Testing Ongoing. Testing completed, awaiting report.

Regular, routine PPM activities.

Several procurement activities being pursued with College's Procurement Manager including waste management, mobile phones, water services and small refurbishments.