NOTICE OF MEETING

There will be a meeting of the Finance and General Purposes Committee on Tuesday 19 July 2016, 0900-1000 hours in Room G10, Aberdeen City Campus.

MEMBERS OF THE BOARD OF MANAGEMENT
Mr. I Gossip (Chair)
Prof. J Harper
Mr. J Henderson
Ms. S Masson
Mr. K Milroy
Mr. A Smith
Mr. R Wallen
Ms. K Wetherall

IN ATTENDANCE
Mr. R Scott, Vice Principal Finance
Ms. P May, Secretary to the Board of Management
Ms. P Kesson, Minute Secretary
AGENDA
Meeting of 19 July 2016

1. Apologies for Absence

2. Minute of Previous Meeting
   2.1. Meeting of 17 May 2016 (paper enclosed)

3. Matters arising from Minute of Previous Meeting (paper enclosed)

4. Report by the Principal (paper enclosed)

5. Matter for Decision
   5.1. Fees for Full-time Students from England, Wales and Northern Ireland (paper enclosed)

6. Matters for Discussion
   6.1. Student Activity, AY2015-16 (paper enclosed)
   6.2. Procurement (paper enclosed)
   6.3. Reclassification (paper enclosed)

7. Summation of Business and Date and Time of Next Meeting

Reserved Items of Business

8. Matter for Decision
   8.1. College Debts

9. Matters for Discussion
   9.1. Internal Audit Review of Payroll
   9.2. Financial Monitoring
   9.2. Outreach Centres Update

10. Summation of Reserved Items of Business
Draft Minute of Meeting of 17 May 2016

The meeting commenced at 0900 hours.

PRESENT – I Gossip (Chair), J Harper, J Henderson, S Masson, K Milroy, A Smith, R Wallen, K Wetherall
IN ATTENDANCE – R Scott, P May, P Kesson
OBSERVER – C Beattie

In acknowledging Ms Brimmer’s recent resignation from the Board, Mr Gossip paid tribute to the contribution she had made to the Committee during her time as a Board Member.

Mr Gossip welcomed Mr Beattie who was attending the meeting as an observer.

1. Apologies for Absence
There were no apologies.

2. Minute of previous Meeting
The Minute of Meeting held on 15 March 2016 was approved.

3. Matters arising from Minute of previous Meeting
   3.1 The Committee noted a report providing updated information on matters arising from the meeting held on 15 March 2016.

   Mr Wallen confirmed that the College had been given permission by the Scottish Funding Council to retain the proceeds of the sale of the site of the former Balgownie Centre and that the process is not time bound.

   Mr Wallen provided further information on national collective bargaining.

4. Report by the Principal
The Committee noted a report by the Principal providing information on: audit; funding for AY2016-17; audited financial statements for 2014-15; estates development strategy; Engineering Technologies at Fraserburgh Campus; environmental management; College Energy Efficient Pathfinder (CEEP); North East Property Group; Facilities and Property Managers’ Network; use of premises; and support services.

Mr Wallen advised that staff consultation events for the new Estates Development Strategy were taking place on 16 and 17 May 2016.

Mr Wallen informed Members that the College was working with partners in the region to identify where savings could be made in the use of premises and the provision of support services. It was noted that the report on the review by the Leadership Foundation is due at the end of July 2016 and that findings and recommendation would be shared with the Board and its Committees as appropriate in due course.

In noting that the audited financial statements of the Board have now been made public it was agreed that a press release would be prepared in readiness for any requests for information.
5. **Matters for Decision**

5.1 **Fees for Full-time Students from England, Wales and Northern Ireland**

The Committee considered the issue of setting an appropriate fee rate for full-time students from England, Wales and Northern Ireland. It was noted that this matter would also be considered by the Learning & Teaching and Student Services Committee at its meeting later in the day.

It was noted that demand is very low from students from the Rest of the UK (RUK) and that raising the fees is unlikely to impact on the number of people who come to Scotland to study at the College.

After some discussion it was agreed that the fee rate for non-advanced full-time RUK students will be in the range of £3,968 to £5,168 and the fee rate for advanced full-time RUK students will be in the range of £4,060 to £5,185.

It was recognised that the fee relating to OPITO students from the RUK would be dealt with as a separate commercial decision.

5.2 **College Banking Arrangements**

The Committee considered the College’s banking arrangements.

Members approved the removal of Mr Leach as an authorised user of the ‘Business Online’ system; approved the addition of Ms Alison Noble as an Authorised user of the ‘Business Online’ system; and authorised the Chair of the Committee and Principal to sign any documentation as the Clydesdale Bank might require.

6. **Matters for Discussion**

6.1 **Student Activity, AY2015-16**

The Committee considered a paper providing information on the current status of student activity for the academic year 2015-16.

Members noted the current position in that the College activity level is sitting slightly ahead of the SFC planned activity target, with further credits planned to be generated through Business Community Development (BCD). Mr Wallen advised that BCD activity would continue to be monitored and if possible some BCD courses will be spanned into 2016-17 to enable the College to claim the related credits against next year’s activity target.

In noting a recent Public Audit Committee Report highlighting issues with the claiming of additionality at another college, Mr Wallen advised Members that clarification had been sought from the SFC regarding NESCol’s approach to additionality this year and advised that a response had yet to be received.

6.2 **Procurement**

The Committee considered matters relating to procurement.

Information was provided on contracts awarded; current and forthcoming procurements; and new procurements rules which came into force in April 2016.

Mr Scott provided further contextual information on the key changes to procurement and actions taken to ensure compliance with legislation, which included changes being made to the College’s Financial Regulations.

The Committee noted the information provided in the report and approved amendment of the Financial Regulations with respect to procurement.
6.3 **Reclassification**
The Committee considered a paper providing information on matters related to the reclassification of colleges as central government bodies.

Information was provided on resource returns for the year to 31 March 2016; depreciation funds; assurance and audit requirements; and funding for the fiscal year to 31 March 2017.

Mr Scott confirmed that the College had now received notification of its funding allocation for 2016-17.

The Committee noted the information provided in the paper.

7. **Summation of Business and date and time of next Meeting**
The Secretary gave a summation of the business conducted. The next meeting of the Finance and General Purposes Committee is scheduled to take place on Tuesday 19 July 2016 at 0900 hours.

**Reserved Items of Business**

8. **Matters for Decision**

8.1 **College Budget, 3 years to AY2018-19**

8.2 **Capital Programme**

8.3 **Update on College Provision in North Aberdeenshire**

9. **Matter for Discussion**

9.1 **Financial Monitoring**

10. **Summation of Reserved Items of Business**
The Secretary gave a summation of the reserved items of business.

The meeting concluded at 0955 hours.
Matters Arising from the Minute of the Previous Meeting

1 Introduction
1.1 This paper is to update the Committee on matters arising from the minute of the meeting of 17 May 2016.

2 Matters Arising
2.1 The following provide an update on matters discussed at the last meeting of the Committee:

4 Report by the Principal
A press release regarding the College’s Financial Statements for 2014-15 has been prepared. To date it has been requested by Original 106 FM.

5.1 Fees from Full-time Students from England, Wales and Northern Ireland
The Committee is asked to consider this matter further under Agenda Item 5.1.

6.1 Student Activity, AY2015-16
At the time of writing, the Directors of Curriculum are collating information to seek approval from the SFC regarding the College’s approach to claiming additionality in AY2016-17.

6.3 Reclassification
At the last meeting of the Committee it was reported that the College had received notification of its funding allocation for 2016-17. On 01 July 2016 the SFC published the following circular - Additional Academic Year (AY) 2016-17 teaching and fee waiver grant for colleges.

The circular advised that additional teaching and fee waiver grant is being allocated to Colleges to help meet operational pressures in the sector in AY 2016-17. A copy of the circular can be accessed on the SFC website – http://www.sfc.ac.uk/sectorcommunications

The additional monies increase NESCol’s allocation from £31,697,360 to £31,997,258, an increase of £299,898.

8.1 College Budget, 3 years to AY2018-19

8.2 Capital Programme
The Board of Management will consider these matters at a Board Meeting scheduled for 19 July 2016.

8.3 Update on College Provision in North Aberdeenshire
A further update on this matter is provided under Agenda Item 9.3.

9.1 Financial Monitoring
The concerns noted at the last meeting in relation to further cuts to student support funds have been raised as part of the ongoing correspondence between the Principal and John Kemp at the SFC.

3 Recommendation
3.1 It is recommended that the Committee note the contents of this paper.

Rob Wallen
Principal

Pauline May
Secretary to the Board of Management
Report by the Principal

1. **Introduction**
   1.1. The purpose of this report is to provide information to the Committee.

2. **Audit**
   2.1. The Audit and Risk Committee meets on 19 July 2016. The Committee will consider: reports on the internal audit reviews undertaken in May 2016; reclassification; North East Scotland College Students’ Association and College policies. A report on the findings of the internal audit review of payroll appears on this agenda as a matter for discussion.

3. **Site of the Former Balgownie Centre**
   3.1. The bargain for the sale of the site has fallen because the prospective purchaser has withdrawn from negotiations. The site has reverted to its previous status of being ‘held for sale’.
   3.2. Advice has been received from Burness Paull and J&E Shepherd, chartered surveyors, that the market for housing development sites is at a low point and that the Balgownie site should be held for the present. The property market had shown some signs of recovery prior to the referendum on continued membership of the European Union. Advisors suggest that the position is next reviewed in September 2016, by which time there is expected to be more evidence of the recovery’s strength.

4. **Estates Development Strategy**
   4.1. In April 2016, the Board of Management adopted an estates development strategy for the College. Design development of the preferred options set out in the strategy is almost complete at the time of writing. The designs will be presented to the Board of Management at a meeting that will take place on 19 July 2016.

5. **Engineering Technologies, Fraserburgh Campus**
   5.1. The project to refurbish and extend facilities at the Fraserburgh Campus is progressing on schedule and within budget. The project team, construction contractor and College staff continue to have effective working relationships and good progress is being made. Phases 2 and 3 of the programme of works have begun on schedule.

6. **College Energy Efficiency Pathfinder (CEEP)**
   6.1. Information on this programme was presented to the Committee at its last meeting. In June 2016, the Scottish Funding Council (SFC) decided to defer further work on this programme pending the outcome of the Scottish Government’s spending review. The SFC expects that this initiative will be put ‘on hold’ until the end of the calendar year.

7. **Support Services**
   7.1. The three SFC funded institutions in the North East (North East Scotland College, the Robert Gordon University and the University of Aberdeen) continue work to review professional and support services activities currently being undertaken at each institution, so that good practice might be identified and shared and that duplication might be avoided.
   7.2. The Leadership Foundation, the organisation appointed to facilitate this work, now expects that the outputs of the exercise will be available in September 2016. These will take the form of a series of reports outlining findings and recommendations on the options available in relation to the future structure and delivery of shared professional services support across the three institutions.
8. Recommendation

8.1. It is recommended that the Committee note the contents of this report.

Rob Wallen
Principal
Fees for Full-time Students from England, Wales and Northern Ireland

1 Introduction
1.1 The purpose of this paper is to provide the Committee with information about fee rates for full-time students from England, Wales and Northern Ireland. This paper will also be considered by the Learning & Teaching and Student Services Committee at its meeting on 19 July 2016.

2 Background
2.1 At its meeting on 17 May 2016 this Committee considered a paper on fees for full-time students from England, Wales and Northern Ireland – for the purposes of this paper referred to as Rest of the UK (RUK).

2.2 At the meeting, the principle was adopted that the total income derived from an RUK student should be the same as that derived from a ‘home’ student for the same course – albeit derived from different sources.

2.3 In the paper considered at the meeting, tables were included that indicated the total income derived from different categories of students.

2.4 These tables were based on information from SFC.

2.5 Based on these tables, the Committee agreed that the fee rates for RUK students should be calculated on the basis of the credit-based funding and the fee paid (from whatever source) in relation to a ‘home’ student. This was:

- Non-advanced: £2,960-£4,160 (depending on price band) plus £1,008 = £3,968-£5,168
- Advanced: £2,775-£3,900 (depending on price band) plus £1,285 = £4,060-£5,185.

3 Further Consideration
3.1 However, SFC has now provided further guidance.

3.2 They now indicate that, in the complexities of the SFC funding formulae, there is a provision that a deduction is made from the credit-based funding on the basis of the assumed fee income. In other words the effect is such that the credit-based funding is inclusive of the fee income.

3.3 As such if the RUK fee is to generate the same income as is obtained for each ‘home’ student, the fee rates should be:

- Non-advanced: £2,960-£4,160 (depending on price band)
- Advanced: £2,775-£3,900 (depending on price band).

3.4 Adopting these rates would ensure that there was consistency that could be defended in terms of treatment of students from all parts of the UK.

3.5 It is also the case that these slightly lower figures would be less of a barrier to RUK students undertaking a College course and therefore are less likely to reduce the number of RUK students undertaking College courses; that said the numbers involved are very low and as such it is unlikely to have much impact on College enrolment or College income whatever decision is taken.
4 Recommendation

4.1 It is recommended that the Committee note the changed position regarding fees for RUK students on full-time advanced level College courses.

Rob Wallen
Principal
Student Activity, AY2015-16

1. Introduction
   1.1 The purpose of this report is to provide the Committee with information on the current status of student activity for the academic year 2015-16.

2. Background
   2.1 For the purposes of securing funding from the Scottish Funding Council (SFC) College activity is measured in credits, with the credits arranged in 5 price bands, which provide a method of aggregating student activity on different types of course and different modes of attendance in such a way that the duration of each programme and its resource demands are approximately reflected in the aggregated totals.

   2.2 Ordinarily, if a college falls short of its target the SFC would require part of grant-in-aid for the year to be repaid.

   2.3 The College monitors the level of enrolments and rates of student retention throughout the year, as well as the projected level of additional activity. These data are important in allowing the College to ensure that activity will at least meet required target levels. A low level of early withdrawal enables the College to secure its SFC funding at an early stage in the year and allows for the curriculum offer to be adjusted to reduce costs in the latter part of the year.

3. Current Activity Levels AY2015-16
   3.1 The figures noted below and presented in Appendix 1 should only be read as an approximation of the current position. The final calculation of credits can only be made at the end of the academic year and is dependent on: the final tally of enrolments for all types of activity across the whole year and student retention rates. As such the data below are indicative.

   3.2 The Regional Outcome Agreement established with the SFC for AY2015-16 sets the College’s target for student activity at 139,549 credits.

   3.3 At the time of writing this report, the College activity level is currently sitting at 144,965 credits. Data cleansing that takes place at the end of the academic year will likely reduce this down to 143,260. This will give the College a potential surplus of 3,711 credits against the SFC target. See Appendix 1.

   3.4 It is worth highlighting that the three Schools collectively are above target by 3,809 credits.

   3.5 BCD target is 14,029 credits [including the Scottish Maritime Academy] and are currently sitting at 14,511 of credits that are logged in the system. This is an increase of 482 against their target.

   3.6 It will be noted that if this additional activity above the target were funded, it could generate some £800,000 of additional income. However, while there is a penalty for undershooting the target, there is no reward for exceeding it.

   3.7 Consideration is being given as to whether any of the excess activity can legitimately be counted towards the 2016-17 target because it “spans” into that year. This would have the effect of reducing costs of delivery in 2016-17.

4. Recommendation
   4.1 It is recommended that the Committee note the contents of this report.
<table>
<thead>
<tr>
<th>Full Time Enrolments:</th>
<th>Target</th>
<th>Actual to-date</th>
</tr>
</thead>
<tbody>
<tr>
<td>School of Creative Industries, Computing and Business Enterprise</td>
<td>2,830</td>
<td>2,884</td>
</tr>
<tr>
<td>School of Engineering, Science and Technology</td>
<td>1,501</td>
<td>1,522</td>
</tr>
<tr>
<td>School of Service Industries</td>
<td>2,379</td>
<td>2,355</td>
</tr>
<tr>
<td>Business and Community Development</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,720</strong></td>
<td><strong>6,771</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Full Time Retention to-date:</th>
<th>Enrolled</th>
<th>Early withdrawal</th>
<th>% Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>School of Creative Industries, Computing and Business Enterprise</td>
<td>2,884</td>
<td>136</td>
<td>95%</td>
</tr>
<tr>
<td>School of Engineering, Science and Technology</td>
<td>1,522</td>
<td>89</td>
<td>94%</td>
</tr>
<tr>
<td>School of Service Industries</td>
<td>2,355</td>
<td>155</td>
<td>93%</td>
</tr>
<tr>
<td>Business and Community Development</td>
<td>10</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,771</strong></td>
<td><strong>380</strong></td>
<td><strong>95%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Part Time Retention to-date:</th>
<th>Enrolled</th>
<th>Early withdrawal</th>
<th>% Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>School of Creative Industries, Computing and Business Enterprise</td>
<td>790</td>
<td>85</td>
<td>96%</td>
</tr>
<tr>
<td>School of Engineering, Science and Technology</td>
<td>3,148</td>
<td>92</td>
<td>98%</td>
</tr>
<tr>
<td>School of Service Industries</td>
<td>1,393</td>
<td>53</td>
<td>93%</td>
</tr>
<tr>
<td>Business and Community Development</td>
<td>8,036</td>
<td>107</td>
<td>91%</td>
</tr>
<tr>
<td>Professional Development</td>
<td>85</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>13,452</strong></td>
<td><strong>337</strong></td>
<td><strong>98%</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Early retention (ALL):</th>
<th>Enrolled</th>
<th>Early withdrawal</th>
<th>% Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>School of Creative Industries, Computing and Business Enterprise</td>
<td>3,674</td>
<td>221</td>
<td>96%</td>
</tr>
<tr>
<td>School of Engineering, Science and Technology</td>
<td>4,670</td>
<td>181</td>
<td>97%</td>
</tr>
<tr>
<td>School of Service Industries</td>
<td>3,748</td>
<td>208</td>
<td>94%</td>
</tr>
<tr>
<td>Business and Community Development</td>
<td>8,046</td>
<td>107</td>
<td>91%</td>
</tr>
<tr>
<td>Professional Development</td>
<td>85</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>20,223</strong></td>
<td><strong>717</strong></td>
<td><strong>96%</strong></td>
</tr>
</tbody>
</table>
### Key Performance Indicators

<table>
<thead>
<tr>
<th>Students Enrolled (Actual)</th>
<th>Early student withdrawal (withdrawn students as a % of enrolled students)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FT Enrolments</td>
<td>6,935</td>
</tr>
<tr>
<td>PT Enrolments</td>
<td>12,240</td>
</tr>
</tbody>
</table>

### Credits:-

<table>
<thead>
<tr>
<th>School of Creative Industries, Computing and Business Enterprise</th>
<th>Target Credits</th>
<th>Actual To-date</th>
<th>Planned Provision</th>
<th>Projected Outturn</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>44,108</td>
<td>46,446</td>
<td>0</td>
<td>46,446</td>
</tr>
<tr>
<td>School of Engineering, Science and Technology</td>
<td>37,115</td>
<td>38,969</td>
<td>0</td>
<td>38,969</td>
</tr>
<tr>
<td>School of Service Industries</td>
<td>45,337</td>
<td>44,954</td>
<td>0</td>
<td>44,954</td>
</tr>
<tr>
<td>Business and Community Development</td>
<td>13,326</td>
<td>13,727</td>
<td>0</td>
<td>13,727</td>
</tr>
<tr>
<td>Scottish Maritime</td>
<td>703</td>
<td>784</td>
<td>0</td>
<td>784</td>
</tr>
<tr>
<td>Professional Development</td>
<td>75</td>
<td>85</td>
<td>0</td>
<td>85</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>140,664</strong></td>
<td><strong>144,965</strong></td>
<td><strong>0</strong></td>
<td><strong>144,965</strong></td>
</tr>
</tbody>
</table>

**Projected Outturn after “cleansing”**

<table>
<thead>
<tr>
<th>Total SFC Target [incl. 3,035 ESF]</th>
<th>143,260</th>
</tr>
</thead>
<tbody>
<tr>
<td>Over/Under Target</td>
<td>+ 3,711</td>
</tr>
</tbody>
</table>

- Three schools collectively are above target by **3,809 credits**. Based on the average price band of £216.00 these additional credits are potentially worth **£822,744**

- BCD target is 14,029 credits [including SM] and currently sitting at 14,511 credits. This is 482 above target.

- Spanning [or transferring] **2,000** credits into 2016-17 is potentially worth a saving of **£432,000** to the College.

- Spanning [or transferring] **3,000** credits into 2016-17 is potentially worth a saving of **£648,000** to the College.

Given the current financial pressures the College is facing we should try and maximise the number of credits that could be transferred over into AY2016-17.
Procurement

1. Introduction
   1.1. The purpose of this report is to provide information to the Committee on matters relating to procurement.

2. Contracts Awarded
   2.1. Four contracts with a value of over £50,000 have been awarded since the last meeting of the Finance and General Purposes Committee. These are set out in the table below.

<table>
<thead>
<tr>
<th>Procurement</th>
<th>Contractor</th>
<th>Contract Value £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audio Visual Equipment</td>
<td>Streamtec</td>
<td>300,000</td>
</tr>
<tr>
<td>Hospitality Uniforms &amp; Equipment Lot 1</td>
<td>Alexandra Workwear</td>
<td>71,489</td>
</tr>
<tr>
<td>Hospitality Uniforms &amp; Equipment Lots 2 &amp; 3</td>
<td>E. Russum &amp; Sons</td>
<td>56,460</td>
</tr>
<tr>
<td>Fraserburgh Training Kitchen &amp; Bistro</td>
<td>Burns Construction</td>
<td>398,374</td>
</tr>
</tbody>
</table>

3. Current and forthcoming procurements
   3.1. Procurement processes are being undertaken for:
      3.1.1. student bus transport
              (jointly with Robert Gordon University and the University of Aberdeen);
      3.1.2. distance learning services and materials;
      3.1.3. College intranet replacement
      3.1.4. sports uniforms for staff and students;
      3.1.5. sports facilities rental;
      3.1.6. student accommodation rental; and
      3.1.7. workshop equipment maintenance.
   3.2. The level of procurement activity is significantly greater than has been normal in recent years. This is a consequence of the requirements set out in Regulations introduced under the Procurement Reform (Scotland) Act 2014, which drives public sector organisations to establish longer term ‘single-source’ contracts for the supply of goods and services.

4. Recommendation
   4.1. It is recommended that the Committee note the information provided in this report.

Rob Wallen    Roddy Scott
Principal     Vice Principal Finance
Reclassification

1. **Introduction**
   1.1. The purpose of this paper is to provide information to the Committee on matters related to the reclassification of colleges as central government bodies. Reclassification took effect on 01 April 2014.

2. **Government Banking Service**
   2.1. The Scottish Funding Council (SFC) has requested colleges to provide information on their existing banking arrangements and the financial aspects of those relationships in terms of interest income and bank charges.

   2.2. It is anticipated that colleges will be moved to the Government Banking Service on 01 April 2017. The Royal Bank of Scotland delivers the service from a central office in Edinburgh. It is understood that there will be no ‘local’ contacts and that colleges’ new accounts will be managed and administered from the central office.

   2.3. The SFC has yet to clarify whether or not the requirement to move to the Service applies to Aberdeen Skills and Enterprise Training Ltd (ASET). If ASET were required to move to the Service, there would be an impact on its ability to pay Gift Aid to the College and alternative means of moving cash would be put in place to mitigate that impact.

3. **Funding – Fiscal year to 31 March 2017 (2016-17)**
   3.1. At the time of writing, the College is still in correspondence with the SFC regarding the offer of grant and associated activity level (measured in funding credits) for the academic year to 31 July 2017, the first 8 months of which form the last 8 months of fiscal year 2016-17.

   3.2. The timing of the funding agreement impacts negatively in the context of reclassification because it makes it significantly more difficult for colleges to set ‘breakeven’ budgets that avoid disrupting service delivery.

   3.3. The requirement to set a breakeven budget was noted by the Board of Management at its meeting on 06 June 2016. The draft budget will be presented to the Board of Management at its meeting on 19 July 2016 and will show a breakeven position. However, this has only been achieved by taking into account cost savings that have yet to be secured and assumptions of further income from the SFC to support additional staff costs arising from the pay settlement for 2016-17 and anomalies relating to the transfer of animal care activity to the SRUC.

4. **Resource Returns for the year to 31 March 2017 (2016-17)**
   4.1. The SFC require colleges to set monthly cash flow projections for the fiscal year 2016-17 and to submit these by 18 July 2016. The College has not submitted these at the time of writing because the College has yet to reach agreement with the SFC on the level of funding for the academic year 2016-17.
5. **Depreciation Funds**

5.1. The SFC has provided colleges with a template to set out colleges’ intended use of grant-in-aid funds that had been deemed by the SFC to be cash ring-fenced to fund net depreciation charges (depreciation funds). (For clarity, this is not ‘new money’; it is permission to spend funds already allocated to colleges in core grant in aid, which require to be spent by 31 March 2017.)

5.2. The SFC’s guidance states that colleges can apply depreciation funds to meet the costs of national bargaining and to the costs of pay settlements for 2015-16 and 2016-17 as well as additional employment costs such as increased superannuation payments for teachers and a shortfall in student support funding.

5.3. This will require colleges to break down their staff costs across different cost elements so that ‘base’ staff costs, i.e. those driven by circumstances in 2014-15, can be identified separately for reporting purposes from those staff costs arising from pay settlements and cost increases.

6. **Financial Forecast Return**

6.1. The SFC has, once again, requested colleges to complete and submit a Financial Forecast Return (FFR). Prior to reclassification two years ago, this was an important part of the SFC’s monitoring arrangements and provided officials with a means of measuring the financial security/sustainability of colleges. The financial information required to be returned is based on ‘traditional’ accounting approaches, which differ from the accounting treatments required since reclassification for Scottish Government financial returns (and, indeed, from the new accounting treatments required under the new Statement of Recommended Practice (SORP) for colleges and universities).

6.2. The relevance of the document is questionable given that the SFC and Scottish Government appear to place most reliance on Scottish Government financial returns in assessing institutional financial performance.

6.3. That said, an interesting aspect of the return process it is that the SFC has told colleges to assume that for academic year 2017-18 there will be no change in college activity targets or grant in aid (‘flat cash’) and that pay increases will be limited to 1%.

7. **Recommendation**

7.1. It is recommended that the Committee note the information provided in this paper.

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