

AGENDA

Meeting: Finance, Commercial and Estates Committee

Date: Thursday 22 September 2022 at 3.30pm

Location: Microsoft Teams

Papers highlighted in purple font have not been published with the agenda as they are either due for future publication or are not in the public domain.

No	Item	Action	Lead	Pages
1	Welcome, Apologies and Declarations of Interests	Note	SM	N/A
2	Minutes of the Previous Meeting: 7 June 2022	Approve	SM	
3	Matters Arising / Actions Outstanding	Note	SM	2-2
4	Strategic Update: Estates	Note	JL	
	4.1 New Build Project Board Minutes: <ul style="list-style-type: none"> 14 June 2022 1 September 2022 (<i>Paper to Follow</i>) 	Note	HH	N/A
5	Strategic Update: Digital Services	Note	KG	
6	Strategic Update: Finance	Note	GD	3-11
7	Strategic Update: Commercial Activity	Note	IH	
8	Financial Forecast Report to 2026-27	Note	SD	
9	Procurement Update	Note	GD	
10	Annual Report to Board	Approve	SM	
11	Review of Meeting	Discuss	All	N/A
12	Date of Next Meeting Thursday 17 November 2022 <ul style="list-style-type: none"> Joint Audit and Risk/Finance Commercial and Estates Committee: 3.15pm Finance Commercial and Estates Committee: 4pm 	Note	SM	N/A



Key:	
	Outstanding and deadline passed
	Progressing and on target
	Complete

Board of Governors: Finance, Commercial and Estates Committee

Actions Outstanding / Progress Made

	Date of Meeting	Action	Responsibility	Deadline	Comments
1	07.06.22	To recommend the draft budget for 2022-23 to the Board of Governors for approval.	Chief Financial Officer	23.06.22	Complete
2	07.06.22	To approve the procurement project for student PPE.	Chief Financial Officer	30.06.22	Complete
3	07.06.22	To approve the Procurement Strategy 2022-24.	Chief Financial Officer	30.06.22	Complete
4	07.06.22	To prepare an update on how to progress with the objective on ethical, social and environmental policies to ensure compliance with Public Body Carbon reporting requirements.	Chief Financial Officer	13.09.22	Complete. On agenda
5	07.06.22	To approve the Accounting Policies for 2021-22.	Chief Financial Officer	31.07.22	Complete
6	07.06.22	To feed into the Director: Governance and Compliance any points to be included in the Annual Report to the Board.	Committee Members	30.06.22	Complete

COVER SHEET FOR PAPERS TO BE CONSIDERED BY THE BOARD

Strategic Update: Finance	
Date of Meeting:	22 September 2022
Purpose:	This paper sets out the draft Fife College financial year end position 1 August 2021 to 31 July 2022
Intended Outcome:	<p>To provide Committee members with an update on the current draft position of the financial performance to 31 July 2022 compared with the projected position reported at the June Committee meeting.</p> <p>To provide an update on the commercial income achievement to the year-end 31 July 2022 and ongoing activities.</p>
Paper Submitted by:	Susan Dunsmuir, Chief Financial Officer
Prior Committee Approvals:	N/A
Board Impact from Decision:	To provide assurance to the Board that the College financial position and budget is being appropriately managed in line with relevant guidance and best practice
Financial Health Implications:	As per paper
Learner Implications:	N/A
Equality and Diversity Implications:	N/A
Risks Assessed:	N/A
Publicly Available:	Yes
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Date of Production:	12 September 2022

Strategic Highlights - Finance

The Finance team is currently finalising the 31 July 2022 year end position with our external audit of the financial statements due to commence on 26 September 2022. The finance update provided focuses on the projected year end outturn for 31 July 2022 and compares this to the projected year end position reported at June's committee meeting as well as the F1 forecast.

Overall, we are currently projecting an adjusted operating surplus of £1,480k which is £1,238k ahead of the position reported in June 2022 and £1,678k ahead of the F1 forecast.

The variances on the adjusted operating position compared to the position reported in June are mainly attributable to:

- o SFC grants are higher by £412k due mainly to better than expected European Social Fund (ESF) credit income (£696k) offset by grants carried forward to 2022-23 (£310k).
- o Non-SFC Income streams are overall £202k below the position reported in June 2022.
- o Staff expenditure is £461k lower due to departmental savings.
- o Non-staff expenditure is £627k lower due to departmental savings.
- o Restructuring costs are £78k higher.

The deferred capital grant of £4,561k for the land purchase relating to the Dunfermline Learning Campus has been released into the income and expenditure account (SFC grants) as a non-cash adjustment due to accounting disclosure requirements.




The land swap with Fife Council with regards to the Dunfermline Learning Campus has resulted in a loss on disposal of £202k. This has been offset by a profit on disposal of £361k relating to the derecognition of the Media Space and Garages lease.

The recent land and buildings revaluation exercise carried out by FG Burnett has resulted in an overall increase in the value of the College's land and buildings of almost £8m. This relates to an increase in the value of land and buildings across all campuses. This will not affect the adjusted operating surplus as this is a non-cash adjustment. The College's external auditors will be closely analysing the revaluation report as part of the year end audit.

We have received the actuarial report on the latest valuation of the LGPS pension scheme, which results in a net expenditure impact on the I&E of £27k. This will not impact the underlying surplus position as a non cash movement. The net discount rate (discount rate net of inflation) used by the actuary has significantly increased compared to the previous year. The increase in the discount rate assumption coupled with the slight decrease in the CPI assumption has resulted in a gain on the balance sheet. The provision has now moved from being a £30m liability to a £12m asset. This is a similar position across other colleges local government pension schemes. The pension revaluation report will be closely analysed by the College's external auditors.

Flags/Indicators

Financial Data

-  Where a reported figure is greater than or equal to (\geq) budget/forecast this is flagged green.
-  Where a reported figure is less than ($<$) budget/forecast by $<5\%$ this is flagged amber.
-  Where a reported figure is less than ($<$) budget/forecast by $>5\%$ this is flagged red.

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Finance - Summary and Forecast

2019/20 Actual £'000	2020/21 Actual £'000	Income and Expenditure	2021/22 FY F1 £'000	2021/22 Outturn Reported at June FC £'000	2021/22 Year End Outturn £'000	Variance to Outturn Reported at June £'000	Variance to Outturn Reported at June %	Status (v Outturn Reported at June)	Variance to F1 £'000	Variance to F1 %	Status (v F1 Forecast)
49,191	51,492	Income	50,357	50,907	56,645	5,738	11.3%	▲	6,288	12.5%	▲
(27,738)	(27,495)	Direct Staffing Costs	(29,162)	(28,935)	(28,703)	232	0.8%	▲	459	1.6%	▲
(2,997)	(2,611)	Operating Expenditure	(2,472)	(2,744)	(2,362)	382	13.9%	▲	110	4.4%	▲
18,456	21,386	Contribution	18,723	19,227	25,580	6,352	33.0%	▲	6,857	36.6%	▲
(9,086)	(10,568)	Overheads - Staff	(10,888)	(10,840)	(11,579)	(740)	(6.8%)	▼	(691)	(6.4%)	▼
(8,743)	(10,189)	Overheads - Non-Staff	(8,848)	(8,860)	(8,614)	246	2.8%	▲	234	2.6%	▲
(3,294)	(5,001)	Pension Adjustments	0	0	(6,100)	(6,100)		▼	(6,100)		▼
(2,668)	(4,373)	Surplus/(Deficit) for year	(1,013)	(472)	(714)	(242)	(51.2%)	▼	299	29.5%	▲
(432)	(51)	Restructuring	0	(300)	(378)	(78)	(25.9%)	▼	(378)		▼
0	0	Profit/(Loss) on Disposal	0	0	159	159		▲	159		▲
1,045	(241)	Revaluation Reserve	1,125	1,125	750	(375)	(33.3%)	▼	(375)	(33.3%)	▼
(2,055)	(4,664)	Historic Cost Surplus/(Deficit)	112	353	(183)	(535)	(151.8%)	▼	(295)	(263.1%)	▼
(1,045)	241	Revaluation Reserve	(1,125)	(1,125)	(750)	375	0.0%	▲	375	33.3%	▲
1,811	1,735	Depreciation (Net of Deferred Capital Grant Release)	1,717	1,717	1,735	18	1.1%	▲	18	1.1%	▲
0	0	Profit/(Loss) on Disposal	0	0	(159)	(159)		▼	(159)		▼
3,294	5,001	Non-Cash Pension Adjustments	0	0	6,100	6,100		▲	6,100		▲
0	0	Release of Land Grant	0	0	(4,561)	(4,561)		▼	(4,561)		▼
(767)	(481)	Revenue Funding Allocated to Loan Repayments	(481)	(481)	(481)	0	0.0%	▲	0	0.0%	▲
(222)	(222)	Revenue Funding Allocated to Unfunded Pensions	(222)	(222)	(222)	0	0.0%	▲	0	0.0%	▲
1,016	1,609	Adjusted Operating Surplus/(Deficit)	1	242	1,480	1,238	512.3%	▲	1,479	147905.2%	▲

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Indicator	2019/20 Actual £'000	2020/21 Actual £'000	2021/22 FY F1 £'000	2021/22 Outturn Reported at June FC £'000	2021/22 Year End Outturn £'000	Variance to Outturn Reported at June £'000	Variance to Outturn Reported at June %	Status (v Outturn Reported at June)	Variance to F1 £'000	Variance to F1 %	Status
SFC Grants	35,919	38,829	37,903	37,966	43,906	5,940	15.6%	▲	6,003	15.8%	▲
Academic Fees	3,155	3,211	2,784	2,827	2,797	(30)	(1.1%)	■	13	0.5%	▲
Other Income	1,481	1,066	913	894	779	(115)	(12.9%)	▼	(134)	(14.7%)	▼
Bursary Income	369	364	414	414	397	(16)	0.0%	▲	(16)	(4.0%)	■
Commercial Training	1,452	1,247	1,470	1,718	1,657	(61)	(3.5%)	■	187	12.7%	▲
SDS Modern Apprentices	960	944	997	1,185	1,196	11	0.9%	▲	199	20.0%	▲
SDS Foundation Apprenticeships	403	629	425	400	400	(0)	(0.1%)	■	(25)	(6.0%)	▼
Non-Managed Service VQs	533	867	668	621	507	(114)	(18.3%)	▼	(161)	(24.1%)	▼
Scottish Prison Service	4,512	4,284	4,679	4,685	4,689	5	0.1%	▲	11	0.2%	▲
Conference Centre - Venue	407	50	105	197	316	119	60.2%	▲	211	201.2%	▲
Total Income	49,191	51,492	50,357	50,907	56,645	5,738	11.3%	▲	6,287	12.5%	▲

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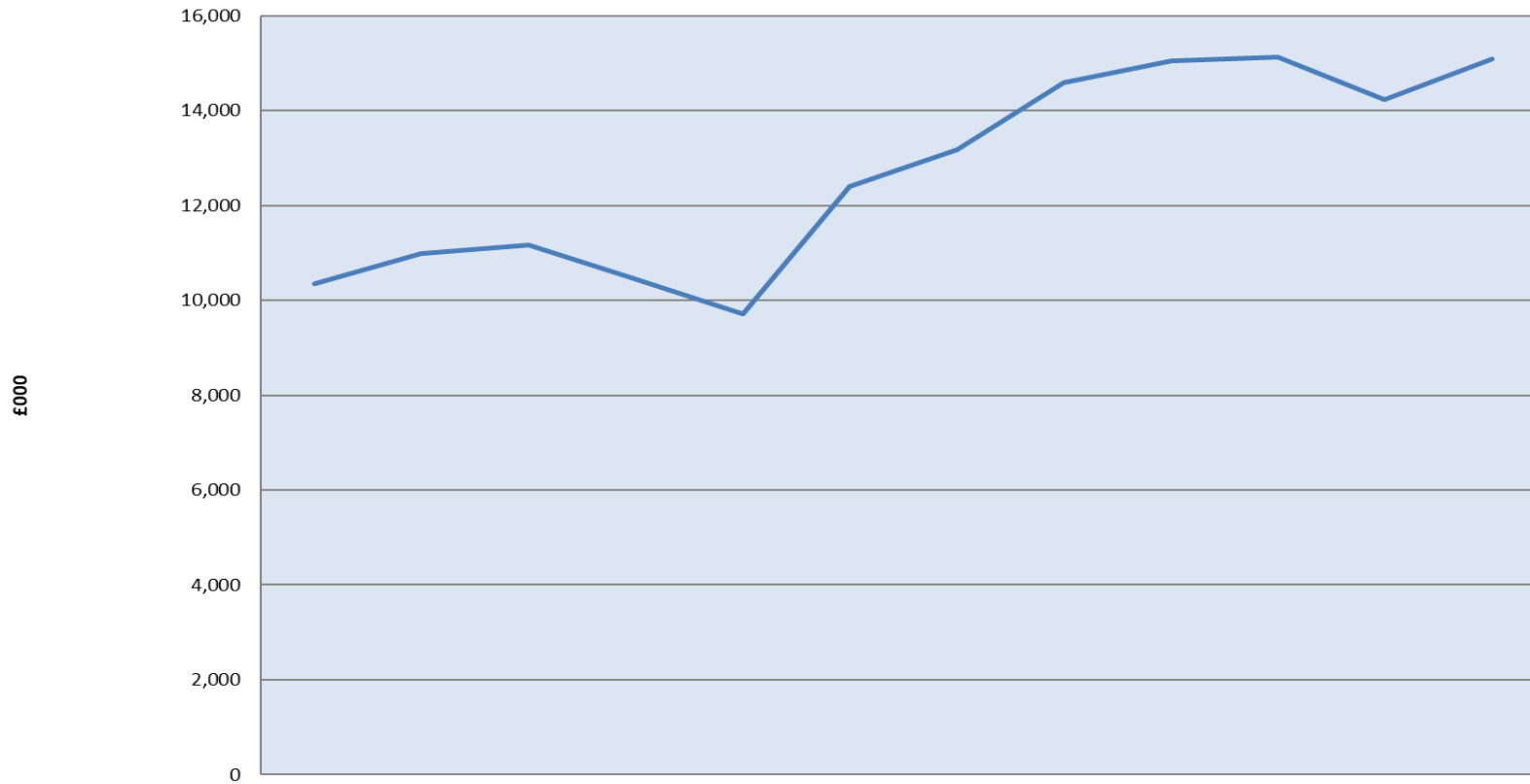
Indicator	2019/20 Actual £'000	2020/21 Actual £'000	2021/22 FY F1 £'000	2021/22 Outturn Reported at June FC £'000	2021/22 Year End Outturn £'000	Variance to Outturn Reported at June £'000	Variance to Outturn Reported at June %	Status (v Outturn Reported at June)	Variance to F1 £'000	Variance to F1 %	Status
Direct Staff Costs	27,738	27,495	29,162	28,935	28,703	232	0.8%	▲	459	1.6%	▲
Direct Non-Staff Costs	2,997	2,611	2,472	2,744	2,362	382	13.9%	▲	110	4.4%	▲
Support Staff Costs	9,086	10,568	10,888	10,840	11,579	(740)	(6.8%)	▼	(691)	(6.4%)	▼
Support Non-Staff Costs Exc. Pension Adj	8,743	10,189	8,848	8,860	8,614	246	2.8%	▲	234	2.6%	▲
Total Expenditure	48,565	50,864	51,370	51,379	51,258	121	0.2%	▲	112	0.2%	▲

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Balance Sheet	2019/20 Actual	2020/21 Actual	2021/22 Jul YTD Projection
	£M	£M	£M
Fixed Assets	79.0	78.3	91.5
Current Assets	12.0	16.6	22.1
Total Current Liabilities	17.6	20.4	20.2
Total Creditors Due > 1 year	26.9	27.6	32.8
Total Provisions	36.8	30.8	(12.3)
Total Assets	9.7	16.0	72.9
Total Reserves	9.7	16.0	72.9

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Cash Balance August 2021 - July 2022



	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22
Month/Yr End Balance	10,345	10,986	11,162	10,451	9,721	12,402	13,185	14,585	15,052	15,124	14,236	15,094

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KEY RATIOS	Jul 22 YTD Actual	Jul 22 YTD F1	Annual F1 21/22	Notes
Adjusted Operating Position				
Adjusted Operating Margin	2.6%	0.0%	0%	This is the adjusted operating position as a percentage of turnover. Small changes can indicate issues within the business, costs could be increasing and therefore sales prices should be increased accordingly.
Income ratios				
Total Income	52,084	50,357	50,357	Excludes land grant.
Total Funding Council Grant as % of Total Income	76%	75%	75%	Excludes land grant.
Total Other Income as % of Total Income	24%	25%	25%	
Expenditure ratios				
Total Expenditure	51,258	51,370	51,370	Excludes pension adjustments.
Total Staff Costs as % of Total Income	79%	80%	80%	
Property Costs as % of Total Income	12%	12%	12%	Staff and non-staff property costs
Direct Staff Costs as % of Total Income	55%	58%	58%	This percentage shows the total staff costs as a percentage of total income generated within the schools in total.
Overhead Staff Costs as % of Total Income	20%	22%	22%	This percentage is the total support staff costs as a percentage of total income generated. i.e. for every £1 of income support payroll costs are 21p. Excludes job evaluation accrual (£968k).
Balance sheet strength				
Current Ratio	1.10		1.00	This ratio looks at the relationship between current assets and current liabilities.
Overdrafts, Loans, Finance Leases	3,579		4,619	
Working Capital				
Cash and Current Asset Investments	15,094		5,588	Underlying cash balance is £5,561k. See Cash report for breakdown of provisions.
Days Ratio of Cash to Total Expenditure	110		42	