

South Lanarkshire College

Management Forecast for the 12 Months to July 2022

Index

Ref 33-22	Forecast for the 12 Months to July 2022 as at 12 th April 2022 Narrative to the Management Forecast
Ref 34-22	Mid-Year Forecast (MYR) as supplied to SFC in March 2022
Ref 35-22	Cashflow forecast as supplied to SFC in April 2022 covering the drawdown for May and June 2022.

Summary

The management forecast to populate the SFC document the Mid-Year Forecast has been prepared for the 12 months to July 2022, showing a deficit of £596k. This is a significant movement from the previous Forecast. The main issues are (a) as noted previously, the potential shortfall in core activity income and the resultant fall in fee income and (b) the additional professional fees that the College is incurring due to the governance issues currently being addressed.

Re (a), a significant amount of professional advice has been sought re the governance issues and the College has been issued with costs to the value of £248k to 31st March, with the prospect of additional costs to be forthcoming. Re (b), as noted previously, recruitment in some areas is below what was experienced last year and although the Budget did reflect, for example, a decrease in HE student recruitment, the Forecast reflects a further drop in recruitment, although the College is taking active steps to rectify this and is hopeful of minimising any shortfall to ensure that any financial impact is minimised. Remedial measures implemented recently have reduced its potential for clawback or shortfall re 2021/22 activity.

The Management Forecast reflects an optimistic but realistic view of income, some lines of which are still to be confirmed, and an assumption that generally lower-than-anticipated costs will increase over the final months of the financial year to be nearer budget. The situation re the salary awards for both lecturing and support staff may have a significant impact on this year's financial outturn.

The Management Forecast has been translated into the SFC Mid-Year Return.

Note re Financial Year 2020/21

It should be noted that whilst the College reached its core and ESF activity target in the year 2020/21 and has incorporated all of its anticipated activity income in that year's accounts, it has been flagged up that if the Regional partner and / or the sector has not met their respective activity targets, there may be a financial cost that may be spread across the sector.

Whilst the College has had its own discussions with SFC on this matter, it did not receive a definitive ruling on whether SLC may be financially impacted for any shortfall in activity on the part of the Region or the sector. In the discussions, SFC officers stated that they would be endeavouring to ensure that SLC, having met its own targets, would not suffer financially. The College has not made any provision for any clawback in the 2020/21 accounts or in the management forecast for 2021/22 and will not do so until the situation is clarified.

South Lanarkshire College
Management Forecast for the 12 Months to July 2022

Income

1. The College will reach its initial core activity target.
2. What is termed EU activity is additional to SFC core activity and the rule at present is that the College would not be able to draw down this funding in full if it failed to reach the target. This stance is being discussion by the sector with SFC and the College has also had its own discussions on this matter. As at 12th April, no definitive decision has been made by SFC as to the impact on colleges and the Forecast makes an assumption that it will be short of target by approximately 1,000 credits. Whilst the College is still working hard to close the gap to reach its full target, the potential shortfall has been built into this forecast. It should be noted that this shortfall figure is improved on the previously reported figure.
3. This figure represents an allocation to cover the additional costs of delivering tuition to students who studies were not completed in 2020/21 and who are returning in 2021/22. The College is confident that this tranche of funding is not at risk.
4. The College has earmarked half of the SFC Capital allocation to revenue items and half to capital projects.
5. The Backlog Maintenance allocation has been utilised to pay for the roof repairs that have been undertaken.
6. SFC have earmarked funds to cover a job evaluation exercise for middle management and support staff. This has been incorporated into the Budget as a contra with Salaries expenditure.
7. SFC allocated additional ring-fenced support for the sector, and this has been incorporated into the Budget, with a contra for the Expenditure. The split of support is:

a. Supporting digital inclusion	£142k
b. Supporting mental health	£124k
c. Additional counselling services	£45k
8. SFC allocates funding to the Region for the provision of support to levy-fund employers under the Flexible Workforce Development Fund. The College activity is below what it can draw down but is working to bridge this gap.
9. A review of the Employability Fund activity revealed that the budget has been overestimated, although allied activity will be delivered under different programmes. The figure reported now is improved from the previously-reported figure.
10. The shortfall in Fee income is increased from the February forecast as the expected income has not materialised largely reflected the drop in full time HN students at a rate that is worse than expected, a situation which is being found throughout the sector as potential students take advantage of amended entrance requirements at universities.
11. There has been success in further developing the activity levels with the local authority and this offsets the loss of Employability Fund activity noted above, but a more conservative view of Alternative Income forecast has been incorporated reflecting a shortfall in activity in other areas.
12. Other Income is anticipated to be on budget but a moderation of the income from the College nursery is expected and may affect this..

South Lanarkshire College
Management Forecast for the 12 Months to July 2022

Payroll

- 13.* It should be noted that the College is subject to the impact of National Collective Bargaining decisions and thus not in direct control of any salary awards.
* Initial indications are that salaries will be slightly above budget reflecting an anticipated salary award offer by the Employers' Association that is higher than was provided for in the budget. No agreements have been reached with the lecturing or support staff unions as yet – negotiations remain ongoing but if the claims are met, the additional cost to the College for the year will be approximately £350k. That would increase the predicted deficit by this amount.
* A 1.25% increase in employer NIC contributions will impact the College from April 2022 and this has now been factored into the Forecast.
14. As mentioned in point 6 above, there is a job evaluation exercise underway for the support staff within the sector and whilst it is hoped that SFC funding will cover any costs, the College has made provision for unfunded costs.
15. The College makes a modest provision each year to cover the additional costs of historic early retirements.

Non-Salary Expenditure

16. The College does have funds available to attend to existing and future asset replacement, which reduces the strain on the recurrent Property budget. The significant increases in utility costs will not affect the College until the next financial year as it is protected by a framework contract negotiated by APUC on the sector's behalf. Some minor works and replacements have not been commissioned as soon as had initially been anticipated and the Forecast reflects this decrease in anticipated costs which will spill into 2022/23.
17. Net depreciation costs are significantly increased this year, reflective of the buildings revaluation at 31st July 2021.
18. The College is expecting a considerable expense in respect of the professional fees incurred as a result of continuing governance issues. Whilst there have been savings in some lines of Central Services, it is expected that these will be more than covered by the additional professional fees.
19. Marketing has been concentrated on less expensive social media outlets but with activity levels below target, there has been additional spend so costs have risen since the last Forecast. However, it is anticipated that these should not be over budget.
20. The allocation of Academic Supplies reflects a blended approach to learning, with investment in digital provision being funded centrally but with more students returning to teaching in the building, costs have risen accordingly, although they are still anticipated to be below budget for the year.
21. Cross College costs incorporate any subsidy of the refectory due to ongoing reduced numbers on campus. This is not expected to be as high as initially anticipated.

For Mid Year Return				
At 1 April 2022				
Management Forecast		12 Months to July 2022		
Year to 31st July 2022	Note	2021/22		
		<u>Forecast</u>	<u>Budget</u>	<u>Variance</u>
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>INCOME</u>				
SFC - Grant in Aid	1	12,977	12,977	0
SFC / EU	2	617	906	(289)
SFC Core activity		13,594	13,883	(289)
SFC - Deferred Activity	3	257	257	0
SFC - Total activity		13,851	14,140	(289)
SFC - Capital	4	344	344	0
SFC - Backlog Maintenance	5	578	578	0
SFC - Salaries Contribution	6	176	176	0
SFC - Other	7	311	311	0
		1,409	1,409	0
Total SFC income		15,260	15,549	(289)
FWDF	8	70	100	(30)
SDS Employability Fund	9	173	200	(27)
Fees	10	1,954	2,211	(257)
Alternative Funding	11	748	784	(36)
Other income	12	80	76	4
Total Income		18,285	18,920	(635)
<u>EXPENDITURE</u>				
<u>Wages & Salaries</u>				
Recurrent	13	13,900	13,760	(140)
SFC - salaries contribution	14	176	176	0
Pension Provision	15	30	30	0
		14,106	13,966	(140)
<u>Non Salary Expenditure</u>				
Property	16	991	1,125	134
SFC - Capital	3	922	922	0
SFC - Other	7	311	311	0
Net Depreciation	17	450	450	0
Central Services	18	915	850	(65)
Marketing	19	150	150	0
Academic supplies	20	931	975	44
Cross College Costs	21	105	150	45
		4,775	4,933	158
Total Expenditure		18,881	18,899	18
Surplus / (Deficit)		(596)	21	(617)