

SOUTH LANARKSHIRE COLLEGE

Finance and Resources Committee

Meeting of 4th September 2019

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 2019 and 5-year budget to year 2023/24. Also presented are the updated reports on Procurement and Estates.

2 Executive Summary

2.1 Management Forecast – 12 months to July 2019 (Appendix 1)

The Management Forecast shows a projected surplus for the 12 months of £109k – see **Appendix 1B**. **Appendix 1A** provides a commentary on the forecast.

SFC have decided to withhold the element of grant which is to offset costs of certain areas of the collective bargaining agreements. This will now be released to the colleges in 2019/20. However, they have instructed colleges to include this income in both the income and expenditure lines in the year end accounts. It should also be noted that not all awards made via the centralised negotiations are funded by SFC. In particular, cost of living increases have to be funded wholly by the College.

Appendix 1D provides a Balance Sheet.

The College received £1,375k in respect of Backlog Maintenance grant. The treatment of this grant in the accounts is attached as **Appendix 1E** for the information of the Committee.

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Executive Summary (continued)

2.2 Draft Budget for the 12 months to July 2020 (Appendix 2)

The Committee is referred to **Appendix 2A** for a commentary on the budget and the forecast, attached as **Appendix 2B**. The College is forecasting a balanced budget but this must be caveated for the implications of any increases re national bargaining that may arise during the year. Modest increases in income and expenditure have been incorporated into the model.

Review the draft Budget for the 12 months to July 2020 and recommend its approval to the Board of Management.

2.3 Draft Forecast for the 5 years to July 2024 (Appendix 2C)

The Committee is referred to **Appendix 2C** for the draft forecast for the 5 years required by the Funding Council. A full commentary and the Funding Council's template will be presented to the Board of Management.

Throughout the period, the College is, again, forecasting a balanced budget but this must be caveated for the implications of any increases re national bargaining that may arise during the year. Colleges are not in control of this.

Account has been taken of the Funding Council's guidance on activity levels and, in particular, the ending of ESF activity in 2021/22. The Funding Council are revisiting the allocation of activity and the College has made the assumption that there will be a decrease in activity levels of 3.1% in 2022/23, but there is planned to be an increase in credit value. The forecast assumes that EU-supported funding will be replaced by the Funding Council. With this amounting to over £1.3 million per annum, the implications of this not being replaced have to be seen as a substantial risk to the College.

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Executive Summary (continued)

Modest decreases in costs have been incorporated into the model but more challenging income targets must be set to compensate for anticipated cost increases. The increased income targets are seen to be realistic, given the level of current alternative income activity.

Members are asked to review the draft forecast for the period to 2023/24 and recommend its approval to the Board of Management, with the caveat of the assumption being made that EU-supported funding will be replaced by the Funding Council and that the overall College payroll costs can be contained at 1.5% over the period.

2.4 Procurement

Attached as **Appendix 4** is the quarterly procurement report. Of particular note is that the work undertaken in respect of the expending of the Backlog Maintenance Grant received from SFC.

Members are asked to note the work being undertaken in the area of procurement.

2.5 Estates Report

Attached, as **Appendix 5**, is the report from the College's Head of Facilities. As requested, the monitoring of service level agreements shows a comparison to prior periods, with notes where appropriate.

Members are asked to note the contents of the Report and the work being done on the College estates.