

SOUTH LANARKSHIRE COLLEGE

Finance and Resources Committee

Meeting of 31st August 2020

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 2020 and 4-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 2020 (Appendix 1)

The Management Forecast shows a projected surplus for the 12 months of £52k – see **Appendix 1B**. **Appendix 1A** provides a commentary on the forecast.

As at April 2020, the College was forecasting a management deficit in for the year to July, with the effect on many of the lines of income and expenditure simply unknown. However, situation improved, particularly when the college sector was subsequently informed that it could submit a claim under the UK Government's Furlough Scheme. The income of £170k allowed the College to move back into surplus. Additionally, fee income rose to a level higher than anticipated and there was saving of approximately £50k re Estates costs. **Appendix 1C** provides a Balance Sheet and the College's internal management cashflow report, attached as **Appendix 1D**, shows a healthier position that was anticipated, although the timing aspect of this has to be acknowledged and there will be a significant outflow of funds in August / September to bring the free funds down by half.

Committee to note the forecasted surplus position for the year.

2.2 Allocation of funds from SFC for 2020/21 (Appendix 2)

Subsequent to the preparation of the budget, the Funding Council has allocated a further four tranches of ring-fenced financial support for the College. A summary of the SFC funds distributed is attached as **Appendix 2**. It must be noted that there has been no agreement on the split of the Regional teaching grant for the year and the College's budget assumes a figure of £190k in its income that is still the subject of discussion. The issue is one which may persist for succeeding years, it should be noted. The budget will be recast when agreement is reached, and the more recent allocations from SFC will be incorporated, although none of these actually result in any change to the forecast surplus, as all income must be matched to expenditure.

Committee to note the allocations for the year and the implications re the issue of non-agreement.

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Executive Summary (continued)

2.3 Draft Budget for the 12 months to July 2021 and the following years to July 2023/24. (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.

The issue re the agreement of the split of Regional funding, as mentioned above, is very pertinent and significant for the College, particularly as this may flow into succeeding years. Should the split not be resolved as SLC hopes, the College's surplus situation will move to deficit and the paper asks for Committee, and Board, guidance.

Throughout the period to 2023/24, 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 where the College is not funded, and the split of Regional core Grant in Aid, as already mentioned.

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. This situation remains as a significant risk area for the College.

The College is reviewing its arrangements for non-core income generation and is confident of putting measures in place to increase its income levels in this area. The COVID 19 situation may well influence this and the College has to be alert to having to moderate its expenditure over the period.

SFC requested scenario planning to be undertaken according to their template, and this is attached as **Appendix 3D**. Once the budget is finalised, the College will be undertaking its own scenario planning exercise.

Review the draft Budget for the 12 months to July 2021, considering the implications of a decrease in anticipated core funding and recommend its approval to the Board of Management.

The Committee should also consider the implications of the Regional split of SFC funds not being as anticipated; the paper asks the Committee to consider two options.

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Executive Summary (continued)

2.4 Estates Report

Attached, as **Appendix 4**, 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.

2.5 Procurement

The College has, on secondment from APUC, a recently appointed a new Supply Chain Manager who works 0.5FTE. The previous incumbent left APUC and her replacement joined the College in June. She will be heavily involved in ensuring that procurement meets appropriate standards and requirements. Attached as **Appendix 5** is her quarterly procurement report.

As per **Appendix 2**, the College has been allocated a significant amount of ring-fenced funding and the role of the Supply Chain Manager will be crucial in ensuring that the College accesses all potential collaborative framework agreements to obtain maximum value for money.

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