

## AGENDA

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A meeting of the Finance, Commercial and Estates Committee will be held on Thursday 18 November 2021 from 4.10pm to 5.30pm. Please join via 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    | JT   | N/A   |
| 2  | Minutes of the Previous Meeting: 14 September 2021 | Approve | JT   |       |
| 3  | Matters Arising / Actions Outstanding              | Note    | JT   | 2-2   |
| 4  | Digital Services Update                            | Note    | KG   |       |
| 5  | Estates Update                                     | Note    | JL   |       |
|    | 5.1 New Build Project Board Minutes:               | Note    | SR   |       |
|    | • 6 October 2021                                   |         |      |       |
|    | • 3 November 2021                                  |         |      |       |
| 6  | Financial Update                                   | Approve | SD   | 3-11  |
| 7  | Commercial Activity Update                         | Note    | SD   |       |
| 8  | 2021/22 F1 Forecast                                | Note    | SD   |       |
| 9  | Academic Fees 2022-23                              | Approve | SD   |       |
| 10 | Procurement Update                                 | Note    | SD   |       |
|    | 10.1 Procurement Annual Report                     | Approve | SD   |       |
| 11 | Review of Meeting                                  | Discuss | All  | N/A   |
| 12 | Date of Next Meeting                               | Note    | JT   | N/A   |
|    | Tuesday 8 March 2022 at 9.30am                     |         |      |       |



| 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 | 14.09.21        | To submit the FFR to the Board of Governors at the September meeting, prior to it being submitted to SFC in October 2021.                      | S Dunsmuir     | 29.09.21 | Complete |
| 2 | 14.09.21        | To approve the spend for the Tools and Hardware and Glenrothes Works Project Management and Design Team projects as detailed within the paper. | S Dunsmuir     | 30.09.21 | Complete |
| 3 | 14.09.21        | To approve the Annual report to the Board of Governors.  | M Philp        | 29.09.21 | Complete |



### COVER SHEET FOR PAPERS TO BE CONSIDERED BY THE BOARD

| <b>Finance and Commercial Update Reports</b> |  |
|--|--|
| <b>Date of Meeting:</b>                      | 18 November 2021   |
| <b>Purpose:</b>                              | This paper sets out the October 2021 year to date position in comparison to the year to date budget.   |
| <b>Intended Outcome:</b>                     | To provide Committee members with an update on the October 2021 year to date position in comparison to the year to date budget. To approve the F1 budget.<br><br>To provide an update on the commercial income achievement and ongoing activities. |
| <b>Paper Submitted by:</b>                   | Susan Dunsmuir, Chief Financial Officer  |
| <b>Prior Committee Approvals:</b>            | N/A  |
| <b>Board Impact from Decision:</b>           | 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   |
| <b>Financial Health Implications:</b>        | As per paper   |
| <b>Learner Implications:</b>                 | N/A  |
| <b>Equality and Diversity Implications:</b>  | N/A  |
| <b>Risks Assessed:</b>                       | N/A  |
| <b>Publicly Available:</b>                   | Yes  |
| <b>Author Contact Details:</b>               | Gail Dunn (gaildunn@fife.ac.uk)<br>0344 248 0115 ext. 5485   |
| <b>Date of Production:</b>                   | 9 November 2021  |

## Executive Summary - Finance

The Finance update report is focusing on the October 2021 year to date position in comparison to the year to date budget.

Overall, based on the October 2021 year to date accounts, the College is currently £267k ahead of the year to date budget position. Income is £263k better than budget for the year to date with expenditure being £45k higher than budget. Revaluation Reserve is £49k ahead of budget due to the annual revaluation of the College's land and buildings. This will be adjusted in the F1 forecast.




The variances are mainly attributable to:

- o Non-SFC Income streams are overall £375k better than budget.
- o Academic Fees are £72k behind budget and SFC grants are £112k behind budget for October year to date.
- o Staff and non-staff expenditure are broadly in line with October year to date budget.

The Finance Team has completed the F1 forecast review for 2021/22 and we have provided a summary of this updated forecast position compared to the 2021/22 budget for committee members to review and approve. The outturn of the F1 forecast returns an underlying breakeven position compared to a surplus of £489k at budget.

## 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.

FIFE COLLEGE












Finance - Summary and Forecast

| 2019/20<br>Actual<br>£'000 | 2020/21<br>Actual<br>£'000 | Income and Expenditure                 | 2021/22 FY<br>Budget £'000 | 2021/22<br>October<br>YTD Budget<br>£'000 | 2021/22<br>October<br>YTD Actual<br>£'000 | Variance to<br>Budget<br>£'000 | Variance to<br>Budget % | Status |
|----------------------------|----------------------------|--|----------------------------|---|---|--------------------------------|-------------------------|--------|
| 49,191                     | 51,492                     | Income                                 | 51,170                     | 12,367                                    | 12,630                                    | 263                            | 2.1%                    | ▲      |
| (27,738)                   | (27,495)                   | Direct Staffing Costs                  | (29,143)                   | (6,618)                                   | (6,628)                                   | (10)                           | (0.1%)                  | ■      |
| (2,997)                    | (2,611)                    | Operating Expenditure                  | (2,968)                    | (973)                                     | (1,004)                                   | (31)                           | (3.2%)                  | ■      |
| <b>18,456</b>              | <b>21,386</b>              | <b>Contribution</b>                    | <b>19,059</b>              | <b>4,776</b>                              | <b>4,998</b>                              | <b>222</b>                     | <b>4.6%</b>             | ▲      |
| (9,086)                    | (10,568)                   | Overheads - Staff                      | (10,947)                   | (2,588)                                   | (2,567)                                   | 20                             | 0.8%                    | ▲      |
| (8,743)                    | (10,189)                   | Overheads - Non-Staff                  | (8,422)                    | (1,946)                                   | (1,971)                                   | (24)                           | (1.3%)                  | ■      |
| (3,294)                    | (5,001)                    | Pension Adjustments                    | 0                          | 0   | 0   | 0                              | 0.0%                    | ▲      |
| <b>(2,668)</b>             | <b>(4,373)</b>             | <b>Surplus/(Deficit) for year</b>      | <b>(310)</b>               | <b>242</b>                                | <b>460</b>                                | <b>218</b>                     | <b>89.9%</b>            | ▲      |
| (432)                      | (51)                       | Restructuring                          | 0                          | 0   | 0   | 0                              | 0.0%                    | ▲      |
| 1,045                      | (241)                      | Revaluation Reserve                    | 930                        | 234                                       | 284                                       | 49                             | 21.1%                   | ▲      |
| <b>(2,055)</b>             | <b>(4,664)</b>             | <b>Historic Cost Surplus/(Deficit)</b> | <b>619</b>                 | <b>477</b>                                | <b>744</b>                                | <b>267</b>                     | <b>56.1%</b>            | ▲      |

| ADJUSTED OPERATING POSITION                                | 2019/20<br>Actual<br>£'000 | 2020/21<br>Actual<br>£'000 | 2021-22<br>FY Budget<br>£'000 |
|--|----------------------------|----------------------------|-------------------------------|
| <b>Historic Surplus/(Deficit) Exc. Revaluation Reserve</b> | <b>(3,100)</b>             | <b>(4,424)</b>             | <b>(311)</b>                  |
| <b>Add Back:</b>   |                            |                            |                               |
| - Depreciation (Net of Deferred Capital Grant Release)     | 1,811                      | 1,735                      | 1,503                         |
| - Non-Cash Pension Adjustments                             | 3,294                      | 5,001                      | 0                             |
| <b>Deduct:</b>   |                            |                            |                               |
| - Revenue Funding Allocated to Loan Repayments             | (767)                      | (481)                      | (481)                         |
| - Revenue Funding Allocated to Unfunded Pensions           | (222)                      | (222)                      | (222)                         |
| <b>Underlying Operating Surplus/(Deficit)</b>              | <b>1,016</b>               | <b>1,609</b>               | <b>489</b>                    |






- Historic cost surplus is £267k better than the October year to date position due mainly to the commercial income being better than budget and all other expenditure being broadly in line with budget..
- Revaluation Reserve is £49k ahead of budget for the year to date due to the annual revaluation of the College's land and buildings.

## FIFE COLLEGE

| Indicator                      | 2019/20<br>Actual £'000 | 2020/21<br>Actual £'000 | 2021/22 FY<br>Budget<br>£'000 | 2021/22<br>October YTD<br>Budget<br>£'000 | 2021/22<br>October<br>YTD Actual<br>£'000 | Variance to<br>Budget £'000 | Variance to<br>Budget % | Status  |
|--------------------------------|-------------------------|-------------------------|-------------------------------|---|---|-----------------------------|-------------------------|---|
| SFC Grants                     | 35,919                  | 38,829                  | 39,178                        | 9,755                                     | 9,643                                     | (112)                       | (1.2%)                  |  |
| Academic Fees                  | 3,155                   | 3,211                   | 3,224                         | 645                                       | 573                                       | (72)                        | (11.1%)                 |  |
| Other Income                   | 1,481                   | 1,066                   | 704                           | 150                                       | 153                                       | 4                           | 2.6%                    |  |
| Bursary Income                 | 369                     | 364                     | 414                           | 0   | 0   | 0                           | 0.0%                    |  |
| Commercial Training            | 1,452                   | 1,247                   | 1,030                         | 220                                       | 361                                       | 141                         | 64.1%                   |  |
| SDS Modern Apprentices         | 960                     | 944                     | 825                           | 180                                       | 236                                       | 56                          | 31.1%                   |  |
| SDS Foundation Apprenticeships | 403                     | 629                     | 199                           | 66  | 333                                       | 267                         | 403.5%                  |  |
| Non-Managed Service VQs        | 533                     | 867                     | 706                           | 141                                       | 128                                       | (14)                        | (9.6%)                  |  |
| Scottish Prison Service        | 4,512                   | 4,284                   | 4,635                         | 1,162                                     | 1,163                                     | 1                           | 0.1%                    |  |
| Conference Centre - Venue      | 407                     | 50                      | 255                           | 49  | 41  | (9)                         | (17.4%)                 |  |
| <b>Total Income</b>            | <b>49,191</b>           | <b>51,492</b>           | <b>51,170</b>                 | <b>12,367</b>                             | <b>12,630</b>                             | <b>263</b>                  | <b>2.1%</b>             |  |

- The SFC Grants £112k adverse variance currently relates to SFC Foundation Apprenticeship credits as a result of under recruitment. The position on core credits achievement is under review as work is ongoing to realise to the overall target.
- The academic fee income is behind budget due to lower than expected full-time HE recruitment.
- Overall, commercial income is £443k better than budget for October year to date due mainly to higher SDS Foundation Apprenticeship income as a result of a delay in 20/21 milestones being claimed and also better than expected Commercial Training and SDS Modern Apprentices income.
- The Conference Centre venue hire market continues to be challenging as customers remain cautious to return to the facility resulting in a short fall on our income target.

**FIFE COLLEGE**

| Indicator                                | 2019/20<br>Actual<br>£'000 | 2020/21<br>Actual<br>£'000 | 2021/22 FY<br>Budget<br>£'000 | 2021/22<br>October YTD<br>Budget £'000 | 2021/22<br>October<br>YTD Actual<br>£'000 | Variance to<br>Budget<br>£'000 | Variance to<br>Budget % | Status  |
|--|----------------------------|----------------------------|-------------------------------|--|---|--------------------------------|-------------------------|---|
| Direct Staff Costs                       | 27,738                     | 27,495                     | 29,143                        | 6,618                                  | 6,628                                     | (10)                           | (0.1%)                  |  |
| Direct Non-Staff Costs                   | 2,997                      | 2,611                      | 2,968                         | 973                                    | 1,004                                     | (31)                           | (3.2%)                  |  |
| Support Staff Costs                      | 9,086                      | 10,568                     | 10,947                        | 2,588                                  | 2,567                                     | 20                             | 0.8%                    |  |
| Support Non-Staff Costs Exc. Pension Adj | 8,743                      | 10,189                     | 8,422                         | 1,946                                  | 1,971                                     | (24)                           | (1.3%)                  |  |
| <b>Total Expenditure</b>                 | <b>48,565</b>              | <b>50,864</b>              | <b>51,480</b>                 | <b>12,125</b>                          | <b>12,170</b>                             | <b>(45)</b>                    | <b>(0.4%)</b>           |  |

- Total expenditure is broadly in line with October year to date budget.

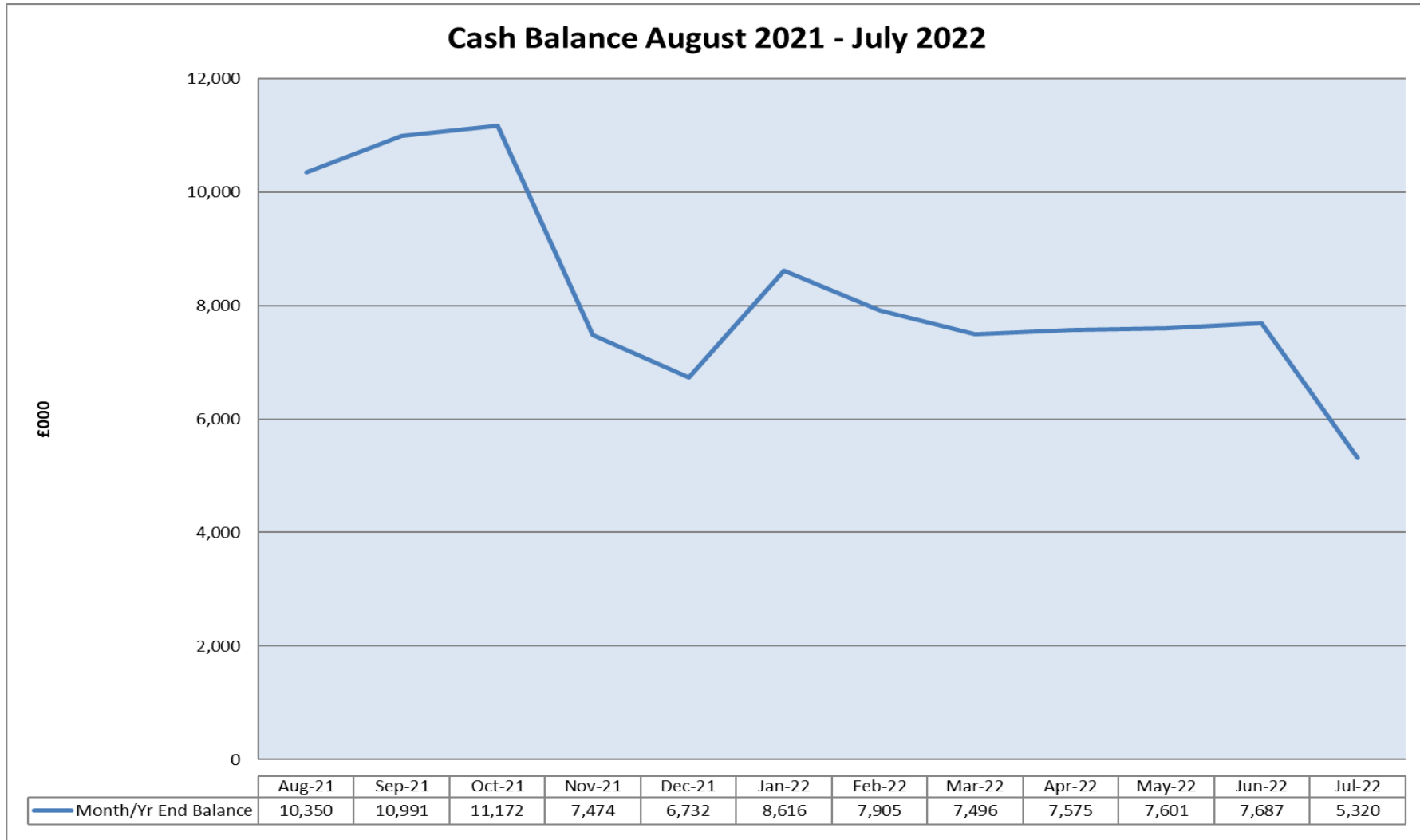


## FIFE COLLEGE

| Balance Sheet                | 2019/20<br>Actual | 2020/21<br>Actual | 2021/22<br>Oct YTD<br>Actual |
|------------------------------|-------------------|-------------------|------------------------------|
|                              | £M                | £M                | £M                           |
| Fixed Assets                 | 79.0              | 78.3              | 77.5                         |
| Current Assets               | 12.0              | 16.6              | 16.3                         |
| Total Current Liabilities    | 17.6              | 20.4              | 19.0                         |
| Total Creditors Due > 1 year | 26.9              | 27.6              | 27.3                         |
| Total Provisions             | 36.8              | 30.8              | 30.8                         |
| <b>Total Assets</b>          | <b>9.7</b>        | <b>16.0</b>       | <b>16.8</b>                  |
| <b>Total Reserves</b>        | <b>9.7</b>        | <b>16.0</b>       | <b>16.8</b>                  |

- The current liabilities include the deferred capital grant for the land purchase of £4.5m. As we have had agreement in principal from the Scottish Government for the Dunfermline Learning Campus funding of £100m, we expect to release this grant into the I&E in the near future.

FIFE COLLEGE



- We are projecting to close on £5.32m of cash at July 2022 subject to core credit and commercial income achievement. This will be closely monitored throughout the year.

## FIFE COLLEGE CONSOLIDATED

| KEY RATIOS                                       | Oct 21<br>YTD<br>Actual | Oct 21<br>YTD<br>Budget | Annual<br>Budget<br>21/22 | Notes  |
|--|-------------------------|-------------------------|---------------------------|--|
| <b>Operating position</b>                        |                         |                         |                           |  |
| Gross Profit Margin                              | 40%                     | 39%                     | 37%                       | This is gross profit 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.   |
| Operating Surplus/(Deficit)                      | 460                     | 242                     | -310                      |  |
| Operating Surplus/(Deficit) as % of Total Income | 3.6%                    | 2.0%                    | -0.6%                     |  |
| <b>Income ratios</b>                             |                         |                         |                           |  |
| Total Income                                     | 12,630                  | 12,367                  | 51,000                    |  |
| Total Funding Council Grant as % of Total Income | 76%                     | 79%                     | 75%                       |  |
| Total Other Income as % of Total Income          | 24%                     | 21%                     | 25%                       |  |
| <b>Expenditure ratios</b>                        |                         |                         |                           |  |
| Total Expenditure                                | 12,170                  | 12,125                  | 51,310                    |  |
| Total Staff Costs as % of Total Income           | 73%                     | 74%                     | 79%                       |  |
| Property Costs as % of Total Income              | 16%                     | 17%                     | 12%                       | Staff and non-staff property costs   |
| Direct Staff Costs as % of Total Income          | 52%                     | 54%                     | 57%                       | 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%                     | 21%                     | 21%                       | 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 20p.  |
| <b>Balance sheet strength</b>                    |                         |                         |                           |  |
| Current Ratio                                    | 1.13                    |                         | 1.00                      | This ratio looks at the relationship between current assets and current liabilities. The figure excludes the £4.5m deferred grant for the new build land purchase.   |
| Overdrafts, Loans, Finance Leases                | 4,986                   |                         | 4,619                     |  |
| <b>Working Capital</b>                           |                         |                         |                           |  |
| Cash and Current Asset Investments               | 11,172                  |                         | 5,588                     | The October 21 cash balance is high mainly due to provisions for SFC clawbacks (£1.2m), a provision for Rosyth dilapidations (£1.4m), increased staff costs due to pay rises and pension increases (£1m) and a delay in creditor spend (£1.8m) |
| Days Ratio of Cash to Total Expenditure          | 90                      |                         | 42                        |  |