

AGENDA

A meeting of the Finance, Commercial and Estates Committee will be held on Tuesday 14 September 2021 at 9.30am 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: 8 June 2021	Approve	JT	
3	Matters Arising / Actions Outstanding	Note	JT	2-2
4	Digital Services Update	Note	KG	
5	Estates Update	Note	SR	
	5.1 New Build Project Board Minutes:	Note	SR	
	• 4 August 2021			
	• 1 September 2021			
6	Financial Update	Note	SD	3-12
7	Commercial Activity Update	Note	SD	
8	Three Year Financial Forecast	Note	SD	
9	Business Development Update	Note	SD	
10	Procurement Update	Note	SD	
11	Annual Report to Board of Governors	Approval	JT	
12	Review of Meeting	Discuss	All	N/A
13	Date of Next Meeting	Note	JT	N/A
	Thursday 18 November 2021 at 4.00pm			



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	08.06.21	To set out the College’s approach to redoubling our efforts to grow commercial revenue income and incentivising relevant staff to further engage in revenue generation and innovation/knowledge exchange activities in partnership with industry.	S Dunsmuir	14.09.21	Complete – on agenda
2	08.06.21	To recommend the draft budget 2021-22 to the Board of Governors for approval.	S Dunsmuir	23.06.21	Complete
3	08.06.21	To approve the accounting policies for year end 31 July 2021.	S Dunsmuir	31.07.21	Complete
4	08.06.21	To further strengthen the policy by referring to independent audits/checks undertaken in relation to cash.	S Dunsmuir	31.07.21	Complete
5	08.06.21	To approve the changes to the Procurement Strategy.	S Dunsmuir	31.07.21	Complete
6	08.06.21	To feed information to the Director: Governance and Compliance for inclusion in the draft Annual Report to the Board.	All Committee Members	30.06.21	Complete



COVER SHEET FOR PAPERS TO BE CONSIDERED BY THE BOARD

Finance and Commercial Update Reports	
Date of Meeting:	14 September 2021
Purpose:	This paper sets out the draft Fife College financial year end position 1 August 2020 to 31 July 2021.
Intended Outcome:	<p>To provide Committee members with an update on the current draft position of the financial performance to 31 July 2021 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 2021 and ongoing activities.</p>
Paper Submitted by:	Susan Dunsmuir, Chief Financial Officer
Prior Committee Approvals:	N/A
Board Impact from Decision:	N/A
Financial Health Implications:	As per paper
Learner Implications:	N/A
Equality and Diversity Implications:	N/A
Risks Assessed:	N/A
Publicly Available:	Yes
Author Contact Details:	Gail Dunn (gaildunn@fife.ac.uk) 0344 248 0115 ext. 5485
Date of Production:	3 September 2021

Executive Summary - Finance

The Finance Team is currently finalising the 31 July 2021 year end position with our external audit of the financial statements due to commence on 27 September 2021. The finance update information provided is focusing on the current projected year end outturn for 31 July 2021 and compares this to the projected year end position reported at the June 2021 committee meeting as well as the F1 forecast.

Overall, we are currently projecting an underlying surplus of £1,740k which is £745k ahead of the position reported in June 2021 and £1,678k ahead of the F1 forecast. Income is £1,271k ahead of the June 2021 position and £3,403k better than the F1 forecast. Expenditure is £527k higher than the position reported in June 2021 and £1,726k higher than F1.

The variances are mainly attributable to:

- Grant income is £884k higher than the June 2021 outturn position due the Scottish Funding Council (SFC) job evaluation grant of £967k being accounted as part of the annual accounts offset by a decrease in the amount claimed for skills boost courses and mental health counsellors. The job evaluation grant will be received once the exercise has been completed.
- Academic fee income is £39k higher than the June 2021 projection due to less 2020/21 fee income being deferred to 2021/22 as was reported and £320k higher than F1 due to better than expected recruitment and retention of HE students.
- All other income is £348k higher than the June projection as a result of better than expected commercial training and SDS MA income and £927k better than the F1 position due to commercial training, SDS MA and furlough income.
- Staff costs across the college are £696k higher than the June 2021 position which is due to the job evaluation cost of £967k being accounted for offset by further savings made from temporary staffing and vacancies. Staff costs are £617k better than the F1 forecast predominantly due to savings made from voluntary severance within the year, reduced temporary staffing and the delay in recruiting vacancies.
- Non-staff costs are £176k better than the June 2021 position due to goods worth £300k being capitalised offset by an increase in spend as a result of additional funds being granted to the budgetholders. Non-staff costs were £2,292k higher than F1 due to additional budget being granted for digital and estates spend as well as student equipment.

Within the Adjusted Operating Surplus table we have supplied committee members with a projection of the underlying surplus that would be reported within the year end financial statements based on the projected year end outturn. Based on the projected year end outturn we are currently projecting an underlying surplus of £1,740k. This larger than expected surplus will be used to offset deferred expenditure from 2020-21 occurring in 2021-22 and supporting financial sustainability.

Committee members should note that we are shortly expecting confirmation from the Scottish Government that the final business case for the new Dunfermline Learning Campus will be approved. After receiving this confirmation we will need to release the capital grant relating to the purchase of the land (£4.5m) into the statement of comprehensive income as per the SORP regulations. The adjusted operating position will be adjusted for this non-cash item.

The recent land and buildings revaluation exercise carried out by FG Burnett has resulted in an overall decrease in the value of the College's land and buildings of £188k. This decrease relates to the value of the land purchased for the Dunfermline Learning Centre whose previous value was inclusive of VAT but now is exclusive of VAT as a result of the College opting not to tax the land as part of a land swap bartering arrangement with Fife Council. The value per acre has also decreased which has resulted in an overall decrease in the value of this land of £1.3m. This decrease has been offset by an increase in the value of the College's buildings of £1.1m. This will not affect the adjusted operating surplus as this is a non-cash adjustment.

At the time of writing this report we have not yet received the actuary report on the latest valuation of the LGPS pension scheme, which will also impact the year end accounts but will not impact the underlying surplus position.

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

2018/19 Actual £'000	2019/20 Actual £'000	Income and Expenditure	2020/21 FY F1 £'000	2020/21 Outturn Reported at June FC £'000	2020/21 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)
48,065	49,191	Income	48,081	50,213	51,484	1,271	2.5%	▲	3,403	7.1%	▲
(27,141)	(27,718)	Direct Staffing Costs	(28,618)	(27,285)	(27,480)	(195)	(0.7%)	▲	1,138	4.0%	▲
(2,636)	(2,997)	Operating Expenditure	(2,521)	(3,283)	(2,790)	493	15.0%	▲	(268)	(10.6%)	▼
18,288	18,475	Contribution	16,941	19,645	21,215	1,570	8.0%	▲	4,273	25.2%	▲
(9,535)	(9,086)	Overheads - Staff	(9,878)	(9,898)	(10,399)	(501)	(5.1%)	▼	(521)	(5.3%)	▼
(8,209)	(8,763)	Overheads - Non-Staff	(7,855)	(9,562)	(9,878)	(316)	(3.3%)	▲	(2,023)	(25.8%)	▼
(2,652)	(3,274)	Pension Adjustments	0	0	0	0			0		
(2,108)	(2,648)	Surplus/(Deficit) for year	(791)	185	938	753	406.9%	▲	1,729	218.6%	▲
(1,211)	(432)	Restructuring	0	(43)	(51)	(8)	(18.6%)	▼	(51)		
643	1,045	Revaluation Reserve	932	932	932	0	0.0%	▲	0	0.0%	▲
(2,677)	(2,035)	Historic Cost Surplus/(Deficit)	141	1,074	1,819	745	69.3%	▲	1,678	1191.4%	▲

ADJUSTED OPERATING POSITION	2018/19 Actual £'000	2019-20 Actual £'000	2019-20 FY F1 Forecast £'000	2020/21 Outturn Reported at June FC £'000	2020/21 Year End Outturn £'000
Historic Surplus/(Deficit) Exc. Revaluation Reserve	(3,319)	(3,080)	(791)	142	887
Add Back:					
- Depreciation (Net of Deferred Capital Grant Release)	1,705	1,811	1,557	1,557	1,557
- Non-Cash Pension Adjustments	2,652	3,274	0	0	0
Deduct:					
- Revenue Funding Allocated to Loan Repayments	(608)	(767)	(482)	(482)	(482)
- Revenue Funding Allocated to Unfunded Pensions	(222)	(222)	(222)	(222)	(222)
Underlying Operating Surplus/(Deficit)	208	1,016	62	995	1,740

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Indicator	2018/19 Actual £'000	2019/20 Actual £'000	2020/21 FY F1 £'000	2020/21 Outturn Reported at June FC £'000	2020/21 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	34,160	35,919	36,672	37,945	38,829	884	2.3%	▲	2,157	5.9%	▲
Academic Fees	3,328	3,155	2,891	3,172	3,211	39	1.2%	▲	320	11.1%	▲
Other Income	959	1,481	646	961	1,060	99	10.4%	▲	415	64.2%	▲
Bursary Income	382	369	414	414	367	(46)	(11.2%)	▼	(46)	(11.2%)	▼
Commercial Training	1,837	1,452	1,030	1,173	1,249	76	6.5%	▲	219	21.3%	▲
SDS Modern Apprentices	958	960	709	825	944	120	14.5%	▲	236	33.2%	▲
Foundation Apprenticeships	357	403	615	579	629	50	8.6%	▲	14	2.3%	▲
Non-Managed Service VQs	845	533	853	862	867	5	0.6%	▲	14	1.6%	▲
Scottish Prison Service	4,573	4,512	4,226	4,258	4,276	18	0.4%	▲	50	1.2%	▲
Conference Centre - Venue	666	407	24	24	50	26	106.8%	▲	26	110.1%	▲
Total Income	48,065	49,191	48,081	50,213	51,484	1,271	2.5%	▲	3,403	7.1%	▲

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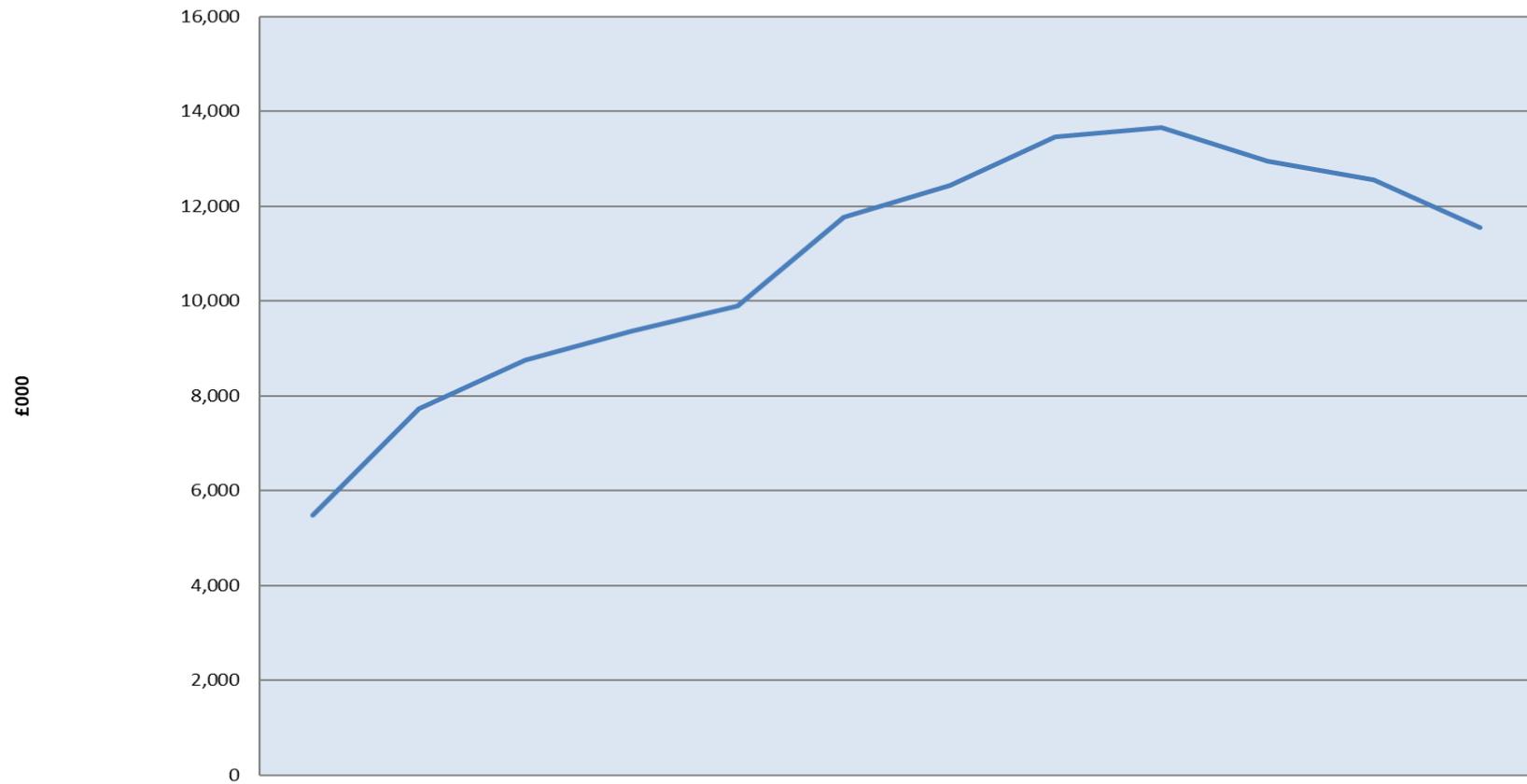
Indicator	2018/19 Actual £'000	2019/20 Actual £'000	2020/21 FY F1 £'000	2020/21 Outturn Reported at June FC £'000	2020/21 Year End Outturn £'000	Variance to Outturn Reported at June £'000	Variance to Outturn Reported at June %	Status (v Outturn Reported at June)	Variance to F1 £'000	Variance to F1 %	Status
Direct Staff Costs	27,141	27,718	28,618	27,285	27,480	(195)	(0.7%)	■	1,138	4.0%	▲
Direct Non-Staff Costs	2,636	2,997	2,521	3,283	2,790	493	15.0%	▲	(268)	(10.6%)	▼
Support Staff Costs	9,535	9,086	9,878	9,898	10,399	(501)	(5.1%)	▼	(521)	(5.3%)	▼
Support Non-Staff Costs Exc. Pension Adj	8,209	8,763	7,855	9,562	9,878	(316)	(3.3%)	■	(2,023)	(25.8%)	▼
Total Expenditure	47,521	48,565	48,872	50,028	50,546	(520)	(1.0%)	■	(1,675)	(3.4%)	■

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Balance Sheet	2018/19 Actual £M	2019/20 Actual £M	2020/21 Jul YTD Actual £M
Fixed Assets	81.2	79.0	79.8
Current Assets	7.2	12.0	16.3
Total Current Liabilities	14.0	17.6	14.5
Total Creditors Due > 1 year	28.9	26.9	27.6
Total Provisions	21.0	36.8	36.6
Total Assets	24.6	9.7	17.4
Total Reserves	24.6	9.7	17.4

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Cash Balance August 2020 - July 2021



	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
Month/Yr End Balance	5,474	7,721	8,758	9,370	9,902	11,760	12,438	13,459	13,659	12,944	12,548	11,547

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KEY RATIOS	20/21 FY Projection	Annual F1 20/21	Notes
Operating position			
Gross Profit Margin	41%	35%	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)	938	-791	
Operating Surplus/(Deficit) as % of Total Income	1.8%	-1.6%	
Income ratios			
Total Income	51,484	48,081	
Total Funding Council Grant as % of Total Income	75%	76%	
Total Other Income as % of Total Income	25%	24%	
Expenditure ratios			
Total Expenditure	50,546	48,872	
Total Staff Costs as % of Total Income	74%	80%	
Property Costs as % of Total Income	16%	15%	Staff and non-staff property costs
Direct Staff Costs as % of Total Income	53%	60%	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%	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 19p.
Balance sheet strength			
Current Ratio	1.12	0.85	This ratio looks at the relationship between current assets and current liabilities.
Overdrafts, Loans, Finance Leases	5,106	5,076	
Working Capital			
Cash and Current Asset Investments	11,547	3,389	The high year end cash balance is explained in the cash section of this report.
Days Ratio of Cash to Total Expenditure	102	27	