

**BOARD OF MANAGEMENT**

Finance and General Purposes Meeting to be held

On 8 June 2021 at 1330 by Teams

Agenda Number	Item	Presented By	Action Required: Decision, Discussion, For Noting
F.21.02.01	(i) Resignations	C Fair	Noting
	(ii) Appointments		
F.21.02.02	Apologies for Absence	C Fair	Noting
F.21.02.03	Any Additional Declarations of Interest including specific items on this Agenda	M Easton	Noting
F.21.02.04	Minutes of previous meetings:	M Easton	Decision
	(i) Draft Minutes of F&GP Meeting held on 17 March 2021*		
F.21.02.05	Matters Arising from previous Board meetings:	C Fair	Noting
	(i) Matters Arising from F&GP Meeting held on 17 March 2021 *		
F.21.02.06	Emerging Issues		
	(i) Moray Growth Deal	D Patterson	Noting
	(ii)		
F.21.02.07	2020-2021 Financial Forecast Return – comparison v budget *	S McInnes	Noting
	(i) Q3 Management Accounts		
F.21.02.08	Estates Update *	D Duncan	Noting
F.21.02.09	Policies due for Review *	D Duncan	Noting
RESERVED ITEMS			
F.21.02.10	Reserved Minutes of F&GP Meeting held on 17 March 2021 *	M Easton	Decision
F.21.02.11	Reserved Matters Arising/Actions from previous F&GP meeting held on 17 March 2021 *	C Fair	Noting

Draft Agenda F&GP Meeting 8 June 2021

F.21.02.12	2021-22 - Budget	S McInnes	For Discussion
F.21.02.13	Date of next meeting – 9 September 2021	C Fair	Noting

**Finance and General Purposes Committee
Draft Minutes of Meeting held on
Wednesday 17 March 2021 at 1400 hours by Teams**

Present:

Murray Easton (Convenor)
Peter Graham
David Patterson
Caroline Webster

In Attendance:

Deborah Newton
Shelly McInnes
Derek Duncan
Cathie Fair (Clerk)

Item		Action	Date
F.21.01.01	(i) Resignations		
3.1	• There were no resignations.		
	(ii) Appointments		
3.2	• There have been no new appointments.		
F.21.01.02	Apologies for Absence		
3.1	Apologies were received from Rosemary McCormack Hermione Morris (HISA) El Melton		
F.21.01.03	Any Additional Declarations of Interest including specific items on this Agenda		
3.1	There were no additional declarations of interest.		
F.21.01.04	Draft Minutes of Finance and General Purposes Committee Meeting held on 21 April 2020		
4.1	Subject to a minor modification, the minutes were accepted as a true record and approved by the Committee: Proposed: Caroline Webster Seconded: David Patterson		
F.21.01.05	Matters Arising/Actions Sheet from F&GP Meeting held on 21 April 2020.		
5.1	Majority of actions had been completed and 7.2 – laundry claim would be discussed under Estates Update.		
F.21.01.06	Emerging Issues		
	(i) UHI Aligned Finance Service		

6.1	This item is reserved and the minute held in confidence.		
	(ii) UHI Budget		
6.2	This item is reserved and the minute held in confidence.		
	(iii) Student Residences		
6.3	This item is reserved and the minute held in confidence.		
F.21.01.07	2020-21 Financial Forecast Return – comparison v budget		
	(i) Management Accounts to 31 January 2021		
7.1	The Committee noted a greatly encouraging reduction in the deficit. Risks and opportunities continue to present a moving picture and the College has benefitted considerably from the extension of furlough.		
7.2	Shelly is comfortable by the end of year College will be in a break-even position.		
7.3	The Committee questioned staff levels and also the impact to the budget on national bargaining. When an ATR (authority to recruit) is raised, this is considered by SLT and every vacancy is challenged. Every vacancy is advertised internally in the first instance with a view to consider at risk Refectory Staff for redeployment. National Job Evaluation has been undertaken since September 2018 so potentially any uplift will be backdated. Job Evaluation presents a massive risk as Colleges are underfunded for this and there is the risk of industrial action over this. Pay rises have been lower than anticipated although pension contributions are due to rise.		
7.4	A discussion took place over ESIF funding. There is a risk of potential clawback.		
7.5	By following SFC guidance over a reduction to 16 credits Moray College is 2000 credits short. There is a plan to go back to 18 credit next year. Every UHI partner will fail to meet their targets for this year. If SFC were to use this year as a basis for allocation of funding this could potentially have a very negative impact.		
7.6	It is very unlikely that a drawdown cash advance from UHI will be needed by the College. Furlough income has been extremely useful. College anticipates additional transitional		

	funding which could be used to fund VSS. It is very difficult to estimate what saving are likely to be sustainable. College is unlikely to be able to keep staff costs down. Operating costs are likely to increase but income streams are also likely to increase.		
7.7	The Committee questioned whether the VSS figure of £450K was still realistic and whether the closure of the Refectory be sufficient.		
Action	A new Proposal on VSS for Refectory staff needs to come to the Board meeting on 24-03-2021	SLT	24-03-2021
7.8	Some students may have to defer to next year and this may affect credit income. There are significant concerns over ESIF income generally across the sector.		
F.21.01.08	Estates Update		
8.1	Derek highlighted the key points from the Estates Update including: <ul style="list-style-type: none"> • Campus Restart 2021 • Move4Ward End of Lease • Academy Building heating • Gull Management • Essential Repairs • AGBC Storm damage repairs • Laundry Claim • Capital and BLM Plan update 		
8.2	Derek further explained he had written to the Loss Adjuster requesting them to review the settlement offer and consider extending the business interruption settlement to reflect the significant disruption caused.		
8.3	The Committee questioned whether flood under Academy building heating would result in an insurance claim. Pick Everard to be asked to inspect the area.		
8.4	Committee questioned the overall status of the leased space in AGBC. Currently the Ambulance Service is the only tenant although there are potential new tenants.		
8.5	Committee questioned opportunities to spend our allocation of capital spend. Covid restrictions have meant we have been unable to use all of our allocation.		
F.21.01.09	Policies Due for Review		

9.1	There was nothing available to report under this item.		
RESERVED ITEMS			
F.21.01.10	Draft Reserved Minutes of Finance and General Purposes Committee Meeting held on 24 November 2020		
10.1	This item is reserved and the minute held in confidence.		
F.21.01.11	Reserved Matters Arising of Finance and General Purposes Committee Meeting held on 24 November 2020		
11.1	This item is reserved and the minute held in confidence.		
F.21.01.12	Update on 2021/22 Budget and 4 Year Financial Plan		
12.1	This item is reserved and the minute held in confidence.		
F.21.01.13	Risk Register		
13.1	This item is reserved and the minute held in confidence.		
F.21.01.14	Date of next meeting – 8 June 2021		

Matters Arising from Finance and General Purposes Committee 17 March 2021

		ACTION	DATE	Update
F.21.01.07	2020-21 Financial Forecast Return – comparison v budget			
	(i) Management Accounts to 31 January 2021			
7.7	A new Proposal on VSS for Refectory staff needs to come to the Board meeting on 24-03-2021	SLT	24-03-2021	

Agenda Item Reference: F.21.02.07

Title of Paper:	FY 2020-21 FFR – Comparison v. Budget			
To Committee:	Finance & General Purposes Committee ('F&GP')			
Subject:	Estimated Outturn for FY 2020/21			
Version number and date:	2 June 2021			
Brief summary of the paper:	<p>The key messages for the F&GP to note are as follows;</p> <ul style="list-style-type: none"> - Prior to accounting adjustments for net depreciation, the College is estimating a deficit of £208k for the 2020/21 financial year. This compares favourably (+£511k) to the approved budgeted deficit of £719k, and favourably (+189k) to the Q2 estimated deficit of £396k. <p>This is an Underlying Operating Surplus (as per the SFC's definition) before pension adjustments of £188k. This compares favourably (+£506k) to the approved budgeted deficit of £318k, and favourably (+£188k) to the Q2 estimated break even position.</p> <ul style="list-style-type: none"> - We are estimating that the College will close the close the year with a positive cash balance of £369k (excluding student support funds). This is a positive variance of £819k compared to the approved budget of £450k overdrawn and a positive variance of £302k to the Q2 estimated position of £67k. 			
Recommendations:				
Action requested/decision required:	For noting and discussion			
Status: (please tick ✓)	Reserved:	X	Non-reserved:	
Date paper prepared:	31 May 2021			
Date of committee meeting:	8 June 2021			
Author:	Director of Finance			
Link with strategy: Please highlight how the paper links to, or assists with: Strategic Plan including <ul style="list-style-type: none"> • Curriculum • Learning and Teaching 	Enclosed papers are linked to the College's financial sustainability.			

Agenda Item Reference: F.21.02.07

<ul style="list-style-type: none"> • Organisational culture • Partnership • Sustainability 	
<p>Equality and diversity implications:</p>	N/A
<p>Resource implications: <i>(If yes, please provide detail)</i></p>	N/A
<p>Risk implications: <i>(If yes, please provide detail)</i></p>	Risk of failing to achieve financial sustainability.
<p>Appendices:</p>	As enclosed

Analysis of material movements against Q2 estimated out-turn

Income – (£260k positive variance to Q2 estimated out-turn)

Sustainability Funding (£215k - Positive variance of £215k)

Increase of income due to additional FE income distributed by the SFC at the end of March 2021. The conditions of this additional income allow the College to use it for organisational change that supports financial sustainability and so this additional income is being ring-fenced for the VSS. Any income left over after completion of the VSS will be carried forward to FY 21/22 to support students who have had to defer this year.

The College also received an additional £145k of HE sustainability income from the SFC in early April with similar conditions as the additional FE income. All of this income is being deferred to help students who will not complete this year.

HE Funding (£2,479k - £104k positive variance)

As described at Q2, the original HE income forecast assumed 857 students at £2,789 average income per FTE. The latest HE RAM update shows an estimated additional £214k (Current estimated outcome of 843 HE FTE at £3,196 average income per FTE.) The RAM update from EO has been delayed due to the ongoing cyber-incident so final RAM has not been received yet.

Offsetting the additional HE income is the Micro-RAM adjustment (adjustment due to students being taught by staff from different Partnership campuses/Moray College staff teaching students from other Partnership campuses) Prior year was a **reduction £110k** so similar assumed this year. The College should have had the first indication of the Micro-RAM adjustment the week beginning 8 March 2021. We have not seen a first draft of this adjustment, nor can EO advise when to expect it. A significant amount of work is required once first draft is received to ensure the figure is correct. The adjustment was not finalised until June 2020 in FY 2019/20.

Commercial Income (£228k - £31k positive variance)

The majority of the increase (£27k) relates to Oil and Gas Assessment (OGA) income which the College was able to continue to deliver despite the additional lock downs from Jan 2021. It was anticipated at Q2 that minimum additional assessments would be delivered due to social distancing restrictions and employers furloughing staff however demand continued and the College was able to deliver the assessments safely with appropriate risk assessments having been undertaken.

Other Education Activity/Income (£484k - £30k positive variance)

Modern Apprenticeship's income has increased by £30k compared to the Q2 estimated outcome. Due to the additional lock-down it was anticipated that MA income would be lost due to apprentice's losing their roles however this has not happened and the income has improved.

Furlough Income (£335k – Favourable variance of £35k)

The furlough scheme has been extended three times since the budget was approved – with the final extension now until September 2021. It is assumed that the College will continue to make use of this scheme until September – predominantly for the refectory staff who remain unable to return to work. We continue to investigate redeployment opportunities for the refectory staff which will have an impact on the level of furlough that can be claimed.

Expenditure – (£215k adverse variance to Q2 estimated out-turn)

Severance (£215k – Adverse variance of £215k)

The additional expenditure relates to the VSS which is being funded from the additional FE income received from the SFC at the end of March.

Staff Costs (£10,856k – No change)

The **average FTE** in FY 2019/20 was 248. This compares to the **FTE at the end of FY 2019/20 of 241** and the **FTE at 30 April 2021 of 236.1**.

Cash Position (£369k - £302K favourable variance to Q2 estimated out-turn)

It is estimated that the College will close the year with a positive cash balance of **£369k (excluding student support funds)**. This is a positive variance of **£302k** compared to the **Q2 estimated out-turn position of £67k**. This is due to the improvements in income plus additional HE funding that will be spent next year on supporting students that have to defer.

It is assumed that all of the capital funding received from the SFC will be spent by the end of the current financial year. It is a condition of the funding that funds are *committed* by 31 March 2021. An inability to do this means the funding can be clawed back.

We are currently undertaking a reconciliation of the capital funds that we have been unable to commit or spend to date/anticipate being able to spend by 31 July 2021 in response to a sector wide request from the funding council. These funds have not been committed or spent due to the ongoing issues with lock-down/availability of contractors and materials – matters out with the College's control and linked directly to the global pandemic. Potentially we may have to return funds to the SFC if they do not allow us to carry these funds forward. Projects/repairs have been identified for all funds. Any clawback would result in the projects using next year's funding. (The College's share of funding is yet to be advised from EO although UHI wide capital maintenance funding has been reduced). The quantum of the potential underspend will be provided at the June Board meeting.

INCOME & EXPENDITURE STATEMENT (excl pension adjustments)

	Revised FFR - Sep 2020	Latest Position		Anticipated Out-Turn @ Q3	Variance	Anticipated Out-Turn @ Q2	Variance (Anticipated Out-Turn @ Q3 v Anticipated Out-Turn @ Q2)		
		(20/21 Annual)	Actuals	Estimate		(YE 31 Jul 21)		(Anticipated Out-Turn v Revised FFR)	(YE 31 Jul 21)
			(Aug-Apr 20/21)	(May - Jul 20/21)					
	£'000	£'000	£'000	£'000	£'000	£'000	£'000		
Income:									
FE Recurrent Funding	5,387	4,040	1,347	5,387	-	5,387	-		
Additional Sustainability Funding	-	-	215	215	215	-	215		
HE Recurrent Funding	2,375	1,859	620	2,479	104	2,375	104		
Other Recurrent Funding (Excl DCG)	5	-	-	-	(5)	5	(5)		
Maintenance Funding	250	204	46	250	-	250	-		
Commercial Income	330	166	62	228	(102)	197	31		
- Oil and Gas Assessment Centre	110	107	30	137	27	110	27		
- FWDF	200	33	32	65	(135)	65	-		
- Leisure	10	14	-	14	4	10	4		
- Other	10	12	-	12	2	12	-		
Other Education Activity/Income	462	381	103	484	22	454	30		
- Modern Apprenticeships	112	114	37	151	39	121	30		
- Employability Fund	70	51	-	51	(19)	51	-		
- Foundation Apprenticeships	180	131	39	170	(10)	170	-		
- Job Centre Plus/DWP	100	85	27	112	12	112	-		
Tuition Fees (HE & FE)	1,513	1,173	340	1,513	-	1,513	-		
Other Income (excl Release of DCG)	1,137	765	277	1,042	(95)	1,049	(7)		
- European Funding	7	1	-	1	(6)	1	-		
- Other Grants	500	387	113	500	-	500	-		
- Nursery	335	266	84	350	15	350	-		
- Beechtree	-	5	-	5	5	5	-		
- Hair, Beauty, Camp Therapy	25	7	18	25	-	25	-		
- Misc Income	220	67	51	118	(102)	118	-		
- Rent of accommodation	50	32	11	43	(7)	50	(7)		
Release of DCG	379	296	99	395	16	395	-		
Scottish Teachers Superannuation Funding	306	230	76	306	-	306	-		
National Bargaining Funding	968	726	242	968	-	968	-		
Furlough Income	200	304	31	335	135	300	35		
	13,312	10,145	3,458	13,602	290	13,199	404		
Expenditure:									
Staff Costs	(11,096)	(8,106)	(2,750)	(10,856)	240	(10,856)	-		
Severence	-	-	(215)	(215)	(215)	-	(215)		
Operating costs	(2,058)	(1,388)	(463)	(1,851)	207	(1,851)	-		
Depreciation	(877)	(666)	(222)	(888)	(11)	(888)	-		
	(14,031)	(10,160)	(3,650)	(13,810)	221	(13,595)	(215)		
Total Surplus/(Deficit)	(719)	(16)	(192)	(208)	511	(396)	189		
Depreciation	877	666	222	888	11	888	-		
Repayment of loan	(97)	(73)	(24)	(97)	-	(97)	-		
Deferred Capital Grant	(379)	(296)	(99)	(395)	(16)	(395)	-		
Underlying (Deficit)/Surplus	(318)	282	(93)	188	606	(0)	189		

CASH FLOW

	Revised FFR - Sep 2020	Latest Position		Anticipated Out-Turn	Variance	
		(20/21 Annual)	Actuals	Estimate		(YE 31 Jul 21)
			(Aug-Apr 20/21)	(May - Jul 20/21)		
	£'000	£'000	£'000	£'000	£'000	
Income Surplus / (Deficit)	(719)	(16)	(192)	(208)	511	
Non-cash Adjs:						
Depreciation	877	666	222	888	11	
Deferred Capital Grant release	(379)	(296)	(99)	(395)	(16)	
	(221)	354	(69)	285	506	
Financing						
Loan Repayments	(97)	(73)	(24)	(97)	-	
Capital Funding	662	778	-	778	116	
Capital Expenditure						
- 2019/20 Projects - Cash received in prior year	(98)	(37)	(61)	(98)	-	
- 2020/21 Projects	(662)	-	(778)	(778)	(116)	
Working Capital:						
Repayment of EO drawdown in advance	(249)	(249)	-	(249)	-	
FE/HE Grant received in advance of income recognition	-	894	(894)	-	-	
Fees received prior to income statement recognition	-	(85)	85	-	-	
July's furlough claim received in August	100	100	-	100	-	
Foundation Apprenticeships cash received in advance of income recognition	-	35	(35)	-	-	
April's furlough claim paid in May	-	29	(29)	-	-	
Payroll cash movement against income statement recognition	-	165	(165)	-	-	
Non staff costs cash against income statement treatment	-	(120)	120	-	-	
Additional sustainability funding to be used for deferred students	-	145	-	145	-	
Other working capital movement	(50)	(247)	364	117	167	
	(394)	1,334	(1,417)	(82)	167	
Net Cash Flow	(615)	1,688	(1,486)	203	673	
Opening Cash Balance (Excluding Student Support Funds)	166	166	166	166	-	
Closing Cash Balance (Excluding Student Support Funds)	(450)	1,854	369	818	818	
Closing Student Support Funds		618	-	-		
Total Closing Cash		2,472	369	369		