



For the future you want

POLICY & RESOURCES COMMITTEE

AGENDA

A meeting of the Policy & Resources Committee will be held at 14:00 hours on Tuesday, 20 February 2018 in the Boardroom, Milton Road.

		Lead Speaker	Paper
1	WELCOME & APOLOGIES	Chair	
2	DECLARATIONS OF INTEREST	Chair	
3	MINUTES OF PREVIOUS MEETING <i>for approval</i>	Chair	A
4	MATTERS ARISING REPORT	Chair	B
5	BUSINESS TRANSFORMATION PLAN		
	5.1 Business Transformation Plan Update	N Croft	C
	5.2 Recruitment & Retention Dashboard Attached	J Pearson	D
<i>Item 5.1 is presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.</i>			
6	STRATEGIC PLAN AND BLUEPRINT 2017-22 UPDATE	A Craig / N Croft	E
7	DRAFT PERFORMANCE MONITORING DASHBOARD	A Craig / N Croft	Verbal
8	FINANCE REPORT		
	8.1 Finance Report	L Towns	F
	8.2 Management Accounts to December 2017 Attached	L Towns	G
9	HUMAN RESOURCES REPORT	M Hernandez	H
10	CAPITAL AND INFRASTRUCTURE REPORT		
	10.1 Estates Sub-Group 23.01.18	N Paul	I
	10.2 Cyber Security Essentials Update	C McDougall	J

Item 10.1 is presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.

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|----|--|---------------------|---|
| 11 | GENERAL DATA PROTECTION REGULATION (GDPR) UPDATE | N Croft | K |
| 12 | HORIZON SCANNING REPORT | | |
| | 12.1 Horizon Scanning Overview Attached | L Towns | L |
| | 12.2 Impact of Brexit Update Attached | M Jeffrey / N Croft | M |
| 13 | ANY OTHER COMPETENT BUSINESS | | |
| 14 | DATE OF NEXT MEETING: 22 May 2018 | | |

FOR INFORMATION / DISCUSSION			
Meeting	Policy & Resources Committee 20.02.18		
Presented by	Jonny Pearson		
Author/Contact	Jonny Pearson	Department / Unit	Executive
Date Created	02.02.18	Telephone	0131 297 8449
Appendices Attached			
Disclosable under FOISA		Yes.	

2017/18 RECRUITMENT & CREDITS UPDATE

1. PURPOSE

This paper aims to provide the Policy & Resources Committee with an updated overview of the College's performance against its 2017/18 recruitment and retention targets and to update progress around full-time recruitment for AY 2018/19.

The figures in this paper are accurate as of 02 February 2018.

2. BACKGROUND

For academic year 2017/18 the SFC set Edinburgh College an activity target of 187,028 credits. This is comprised of:

Core Credits	Additional Childcare Credits	ESF Credits	Total Credits
184,028	1,714	2,000	187,742

As in 2016/17, the college is required to achieve its core credits (184,028) including a minimum of 52,340 HE credits before we are able to claim the 2,000 ESF credits.

The additional 1,714 Early Years credits were allocated to the college to enable our local authority partners to meet the workforce development needs of the Scottish Governments 1140 hours commitment.

3. DETAIL

Current credit position 185,561 (60,883 HE credits)

3.1. Semester 2

Planned Credits	Delivered Credits	Balance	Projected Out-turn
17,715	10,865	6,850	192,411

We have already achieved our activity target of 184,028 credits and can now go on to demonstrate that we will exceed the additional early years target of 1,174 by 307 credits and our ESF target by 481 credits. This will mean that we have over-delivered by 4,669 credits at no extra cost. This will have been achieved through:

- Improved recruitment
- Increased average class size
- Improved retention
- Increased number of progressing students

We are now focusing on improving achievement and reducing the level of partial success.

3.2. 2018/19 Full-time Recruitment

Applications for full-time courses for AY 2018/19 opened on Monday 22 January 2018, our current position is:

Applications	Offers Made	Offers Accepted
(2018/19) 3,709	279	156
(2017/18) 3,370	194	134

- 1.7% increase in number of applications
- 44% increase in number of offers
- 16% increase in number of offers accepted

4. BENEFITS AND OPPORTUNITIES

Following evaluation of last year's data, we have implemented changes designed to further improve our Performance Indicators for 2018/19. Constant analysis of comparative data has enabled us to make pro-active changes to the curriculum and to the application process as a whole.

5. STRATEGIC IMPLICATIONS

The Board is responsible for the financial sustainability of the College. It is Good practice for the Board to monitor all areas of performance that can impact on the College's viability.

6. RISK

At the Risk Management & Assurance Group meeting on 16 January 2018, the following change was proposed to the 'Shortfall in Recruitment' top risk: *"Members agreed that further analysis of BREXIT impacts, and the competition of private training providers, was needed to understand the effect these will have on recruitment levels. Members agreed that until more analysis is completed, the risk scoring should remain at an inherent risk of 10, and a residual risk of 8"*. The Audit & Risk Assurance Committee will consider the full Top Risk Register at its meeting on 21 February 2018.

7. FINANCIAL IMPLICATIONS

Bodies fundable by the SFC are required by the Financial Memorandum to deliver their outcome agreement. Failure to achieve targets agreed with the SFC may result in financial clawback.

8. LEGAL IMPLICATIONS

Not applicable.

9. WORKFORCE IMPLICATIONS

Not applicable.

10. REPUTATIONAL IMPLICATIONS

Achieving this level of continued growth improves our reputation and helps both Scottish Government and SFC have confidence in the direction of travel of Edinburgh College.

11. EQUALITIES IMPLICATIONS

Not applicable.

CONCLUSIONS/RECOMMENDATIONS

The Policy & Resources Committee are asked to NOTE the information provided by the Assistant Principal (Recruitment & Retention).

FOR INFORMATION / DISCUSSION			
Meeting	Policy & Resources Committee 20.02.18		
Presented by	Lindsay Towns		
Author/Contact	Lindsay Towns	Department / Unit	Finance
Date Created	30.01.18	Telephone	-
Appendices Attached	<i>Appendix 1: Management Accounts to December 2018 (with commentary)</i>		
Disclosable under FOISA		Yes.	

MANAGEMENT ACCOUNTS TO DECEMBER 2018

1. **PURPOSE**
To provide the Policy & Resources Committee with an update on the financial performance of the college.
2. **BACKGROUND**
The Policy & Resources Committee are asked to review the management accounts at each meeting, in order to assess the college's current financial position.
3. **DETAIL**
Contained within Appendix 1.
4. **BENEFITS AND OPPORTUNITIES**
The Board is responsible for the financial sustainability of the college, and it is considered good practice to monitor all areas of performance that can impact on the college's viability.
5. **STRATEGIC IMPLICATIONS**
Content inherent within strategic objectives.
6. **RISK**
Content assists monitoring college's financial performance.
7. **FINANCIAL IMPLICATIONS**
Inherent within content.
8. **LEGAL IMPLICATIONS**
Some content may cover legal issues.
9. **WORKFORCE IMPLICATIONS**
Some content may cover workforce issues.

10. REPUTATIONAL IMPLICATIONS

None.

11. EQUALITIES IMPLICATIONS

None.

CONCLUSIONS/RECOMMENDATIONS

The Policy & Resources Committee are asked to DISCUSS and NOTE the Management Accounts to December 2018.



FINANCIAL REPORT

5 MONTHS TO 31 DECEMBER 2017

CONTENTS

Report from Chief Operating Officer

1. Executive Summary
2. Credit Activity
3. Progress with the Transformational Plan and its alignment to the College's 2017/18 Budget
4. Income Analysis
5. Expenditure Analysis
6. Staff Cost Analysis
7. Trading Departments
8. Cash-flow
9. Balance Sheet
10. SFC Reporting
11. Key Performance Data

Appendices:

1. Income and Expenditure Account Summary and Detail.
2. Balance Sheet
3. Cash-flow

DISTRIBUTION

Executive Team
Board of Management P&R Committee
Senior Management Group

The following report provides an update on the financial position of
Edinburgh College at 31st December 2017

1. EXECUTIVE SUMMARY

Activity

	2017/18 Annual Budget		Actuals achieved @ 26/01/18	Due to be received
GIA @ £224 per credit income	£41,293,859		£40,592,832	£701,027
Credit Target / achieved	184,028		181,218	2,810
Additional Childcare @ £141.5 per credit income	£242,554		-	£242,554
Credit Target / achieved	1,714		-	1,714
ESF @ £238.15	£476,300		-	£476,300
ESF Credit target / achieved	2,000		-	2,000

- 1.1 Edinburgh College's core activity target for Academic Year 2017/18 is **184,028** credits. If the HE credit total of 54,340 is achieved a further **2,000** credits through the ESF Developing Scotland's Workforce 2017/18 initiative will be received. The HE credit target has already been exceeded but receiving funding is dependent on the overall target being achieved. In addition, **1,714** funded credits will be available in relation to additional childcare places. The College's total target is therefore **187,742** credits. The College is targeting levels above this planned activity.

1.2 Income and Expenditure

	<u>Annual Budget</u> £000s	<u>YTD Budget</u> £000s	<u>YTD Actuals</u> £000s	<u>YTD Variance</u> £000s	<u>Previous YTD</u> £000s	<u>Full Year Forecast</u> £000s
Funding Council Grants	45,699	17,788	17,788	-	17,498	45,699
Tuition Fees and Commercial & Other Income	17,154	7,304	7,167	(137)	7,325	16,427
Deferred Income	3,187	1,332	1,332	-	1,280	3,187
Exceptional Support Grants	-	-	-	-	67	-
Total Income	66,040	26,424	26,287	(137)	26,170	65,313
Staff Costs	45,592	18,421	18,090	331	18,745	45,131
Other Costs	15,715	6,307	6,242	66	6,713	15,496
Depreciation	5,246	2,193	2,193	-	2,247	5,246
Exceptional Support Costs	-	-	-	-	67	-
Total Expenditure	66,553	26,921	26,525	397	27,772	65,873
Operating (Deficit)	(514)	(497)	(237)	260	(1,603)	(560)

- 1.3 The College has set a £0.5m deficit budget for 2017/18 which is in line with the second year of the business transformation plan as agreed with the SFC. In 2016/17 the College exceeded its budget targets in the first year of the transformation plan. The 2017/18 budget already incorporates cost reductions of £1.5m on a recurring basis identified in the previous year, in addition to savings arising from recent voluntary severance schemes. The College is similarly

seeking to achieve an improved financial performance against the £0.5m starting 2017/18 deficit budget.

- 1.4 The December operating position shows a deficit of £0.24m (previous month deficit £0.16m) against a profiled budget deficit of £0.5m. The details which underpin this net favourable position of £0.3m are outlined below and largely comprise positive expenditure variances (mostly within staff costs) totaling £402k, partly offset by adverse income variances within tuition fees of net £97k (mainly lower SAAS funded students), and commercial income, net £72k (SDS and Nursery income lower than planned).
- 1.5 The full year forecast operating deficit now stands at £0.6m, an improvement of £14k compared to last month's projection but £46k adverse compared to budget. The main changes are outlined below.

Following a review of the aforementioned SAAS funded students, the full year forecast for SAAS income has been reduced by £150k and is now £4.1m. This is due to the initial increases in the SAAS income budget for Childcare activity which has achieved its credit targets, but not resulted in the additional SAAS fee income expected. Although, non-SAAS HE fees have exceeded budget by £51k, managing agent forecast income remains in line with budget, but FE tuition fees are below budget.

Current indicators point to most other income sources being in line with budget. However, aassociate degree student numbers are currently down by 28 students (a deterioration of 3 students from last month), across a number of courses compared to projections. As a consequence, the full year forecast for associate degree income has been reduced by a further £17k and now stands at £0.9m (a shortfall of £132k compared to the full year budget of £1.0m).

In addition, the latest review of the Nursery performance shows a full year income shortfall for the year of £50k and, as a result, is now forecast at £1.1m (full year budget £1.15m). Mitigating Nursery expenditure savings of £20k have already been identified (reflected in the forecast), whilst further savings are being sought to bridge the potential income gaps.

In line with last months' projection, forecast activity from the IES (WEACT) contract shows a revenue shortfall of circa. £270k. However, this has been partly mitigated by savings in associated partnership payments of £90k (leaving a current net forecast I&E shortfall of £180k). The IES contract is likely to be extended beyond the current year at slightly reduced contracted activity levels for which an impact review is due to be undertaken.

During February there are scheduled Department Performance Review meetings and a Mid-Year Performance Review with Executive members and Heads of Department. At these meetings full year reviews of income forecasts will be covered, as well as mitigating actions, and the updates reflected in the January management.

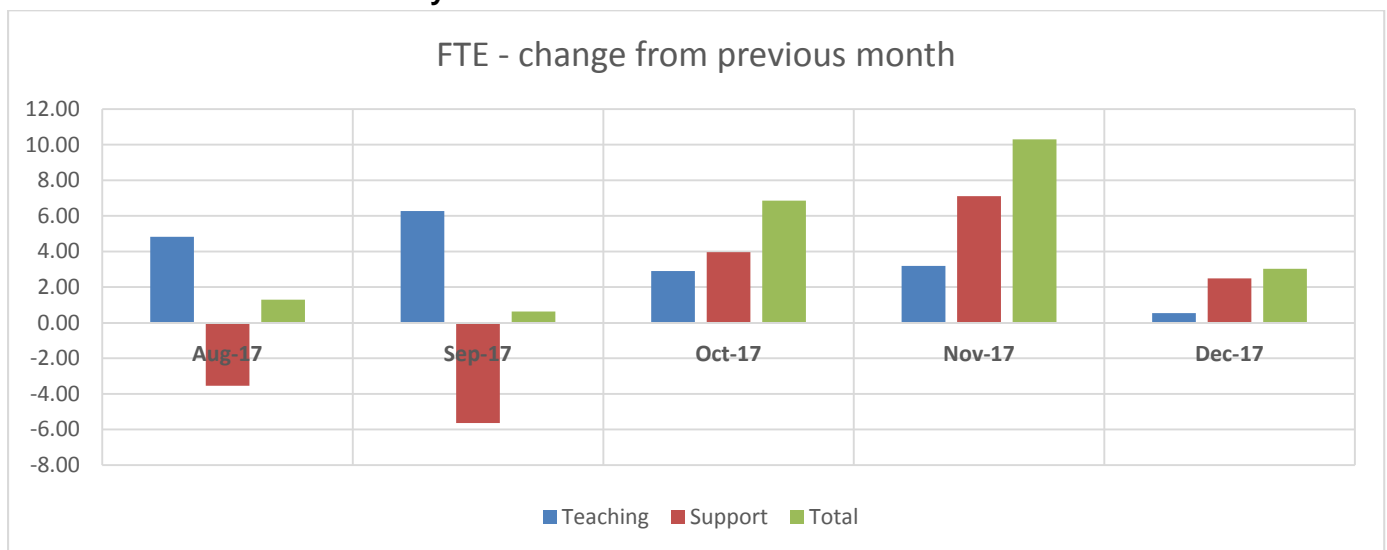
- 1.6 The financial effect of unfilled vacant posts, delayed recruitment and staff vacancy churn remains favourable, which reflects full year forecast staffing costs at £45.1m, £461k lower than budget and £171k lower than last month's projection. The staff cost forecast excludes any effect of potential lecturers cost of living increases from April 2017 if agreed by the NJNC. In addition, £60k savings have been identified following budget reviews of the nursery, marketing, estates, and curriculum food costs. As a result the full year forecast for total expenditure now stands at £65.9m, £680k lower than the full year budget, which is a decrease of £231k from last month's projection.

1.7 Staff (Full Time Equivalent)

FTE	31/07/17	31/12/17	Other movement	VS reduction (phase 3 scheme)	31/12/16
Teaching	473.8	491.6	17.8	-	492.7
Support	548.0	552.3	6.4	(2.1)	592.3
	1,021.8	1,043.9	24.2	(2.1)	1,085.0

Since July 2017 staff numbers have increased by a net 22.1 FTE across a number of departments as a result of vacancies being filled. Increase in December 2017 is 3.0 FTE.

FTE Staff movements by month are shown below:



1.8 Cash Position

Opening Cash	Month-end cash	Forecast year-end cash	Comments
			Opening cash includes net £1.4m of 2016/17 underspent student support funds which will be returned to the SFC in the current year. This recovery will have no effect on the allocation of funds for 2017/18.
			The month-end cash balance includes £1.3m of student support funds. The forecast balance for the year-end is £1.1m (an improvement of £151k from last month's projection). This movement primarily relates to lower staff costs, and other operating expenditure (net £0.4m), partly offset by higher projected student support funds net expenditure of £0.2m.
01/08/2017	31/12/2017	31/07/2018	
£'m.	£'m.	£'m.	

4.8	4.2	1.1
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1.9 Capital Expenditure

Opening Fixed Assets	Additions YTD	Depreciation	Closing Fixed Assets	Comments
01/08/2017	31/12/2017	31/12/2017	31/12/2017	Additions to date are fully funded by associated grants and largely comprise College Energy Efficient Pathfinder (CEEP) project works, together with ICT developments and CCTV upgrades. Capital funds of £2.3m in total (net of CEEP project funding of £2.2m) have been made available to the College for the 2017/18 financial year (£1.1m has been assigned for priority capital works, and £1.2m has been set aside for estates maintenance and facilities costs).
£'m.	£'m.	£'m	£'m.	
146.5	2.0	(2.2)	146.3	

1.10 Underlying Operating Result

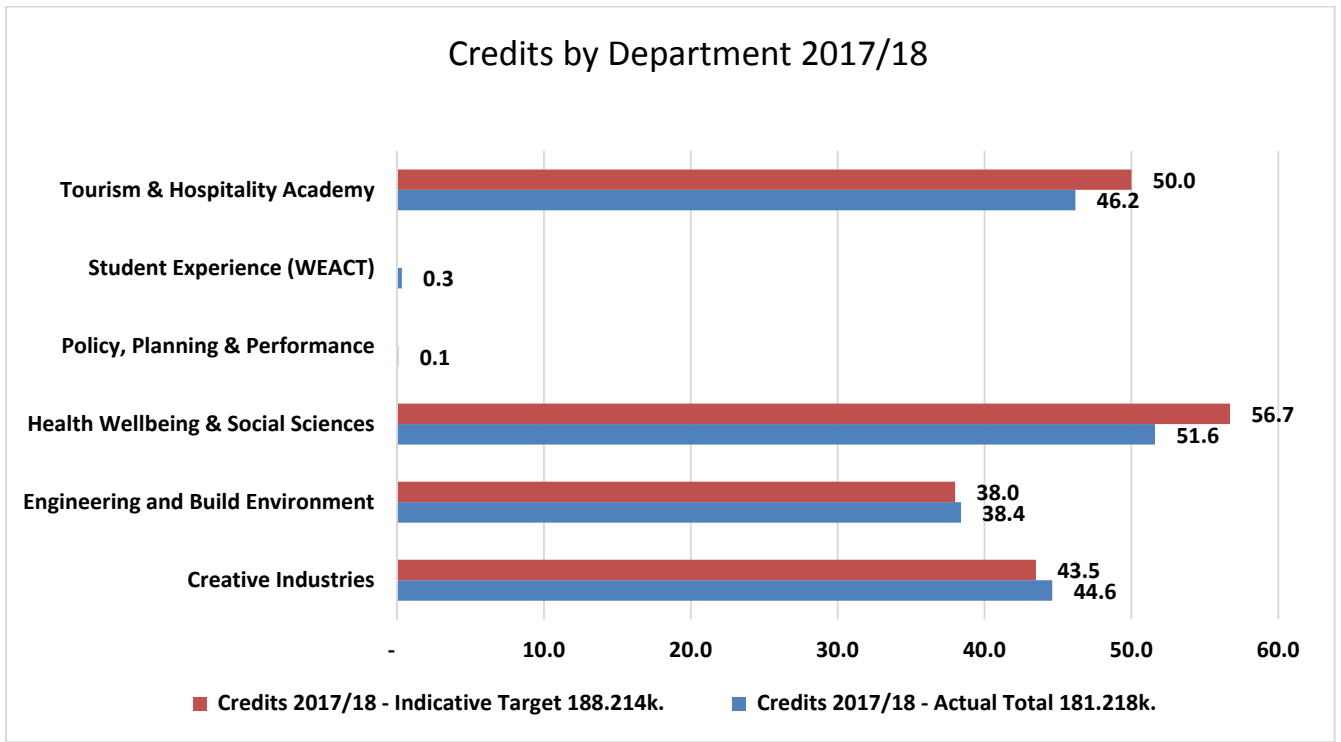
	Actual 2015-16	Actual 2016-17	Budget 2017-18	YTD Actuals Dec 17
As per SFC Measurement basis	£000	£000	£000	£000
Deficit (2016/17 after £2.9m adjustment)	(7,035)	(5,379)	(514)	(237)
Add:				
Depreciation net of deferred capital grant release	2,862	2,235	2,059	861
Non-cash pension adjustments (not included in deficit 2016/17 and 2017/18)	1,829	2,198	0	0
Deduct:				
Revenue funding allocated to loan repayments	1,518	1,598	1,452	605
Underlying operating result	(3,862)	(2,544)	92	19

The College's underlying operating position is a measure introduced by the SFC following recommendations by Audit Scotland. The current year figures excludes pension adjustments which will not be known until after the end of the financial year.

2. CREDIT AND STUDENT ACTIVITY

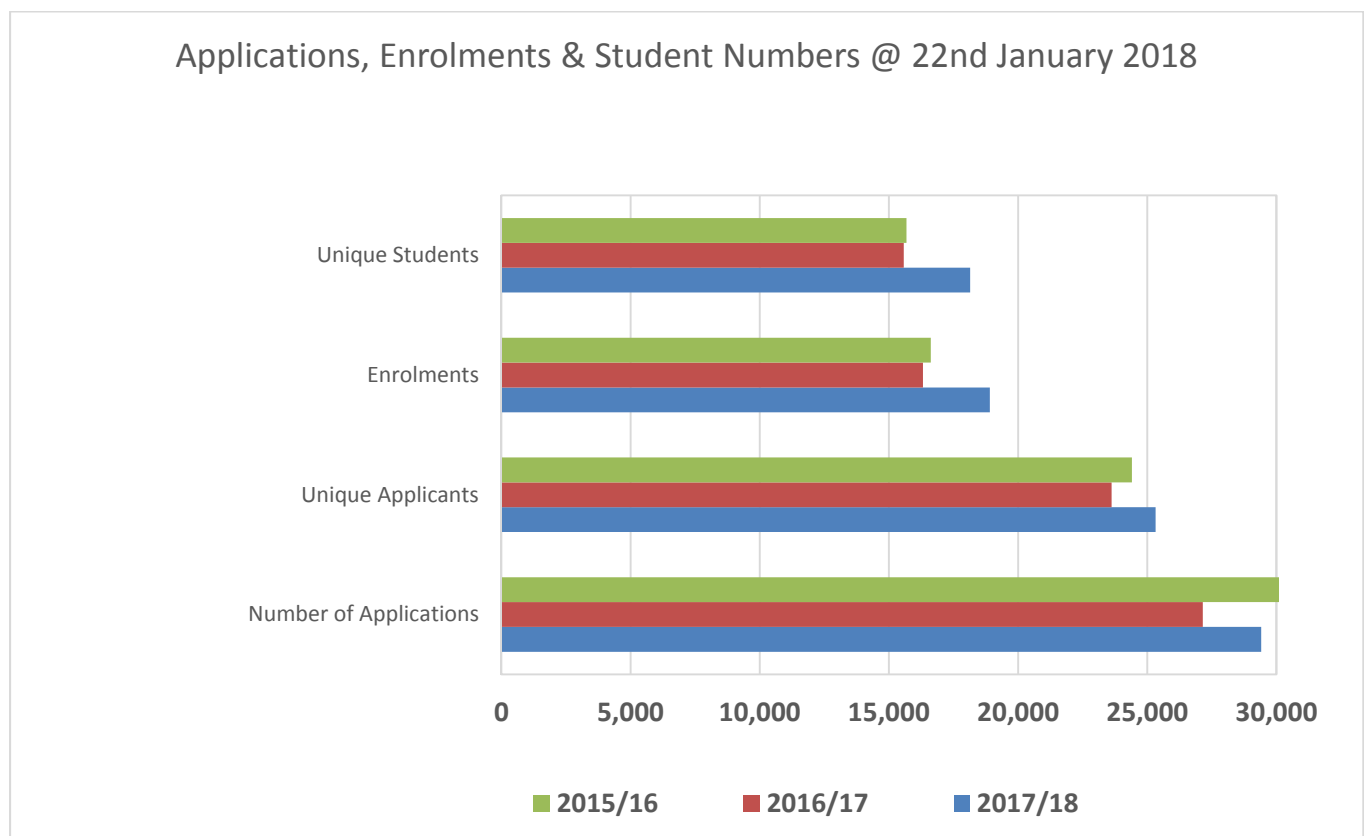
- 2.1 The agreed activity target for the 2017/18 academic year is 184,028 core credits, with an additional 2,000 credits available (relating to ESF activity) contingent upon 54,340 HE level credits being achieved in the year. An extra 1,714 credits are also available in 2017/18 in relation to additional childcare activity.

The "Credits by Department" table (below) shows a comparison of YTD performance, by department, against full year targets (target 188k credits).



The target above at circa 188k credits is higher than the College's funded target of 186k credits (including ESF credits) to provide headroom for withdrawals.

- 2.2 The following table shows a comparison of Applications, Enrolments and Unique Student numbers over the years 2015/16 to 2017/18 (to date).




3. PROGRESS WITH THE TRANSFORMATION PLAN AND ITS ALIGNMENT TO THE COLLEGE'S 2017/18 BUDGET

- 3.1 In April 2016, a 3 year Business Transformation Plan which outlined a sustainable business model for the future was implemented, and the 2017/18 budget which stands at £0.5m deficit has been set in line with the transformation plan. The budget incorporates recurring savings to date as shown in the table below. Latest forecasts show a break even position from 2018/19.

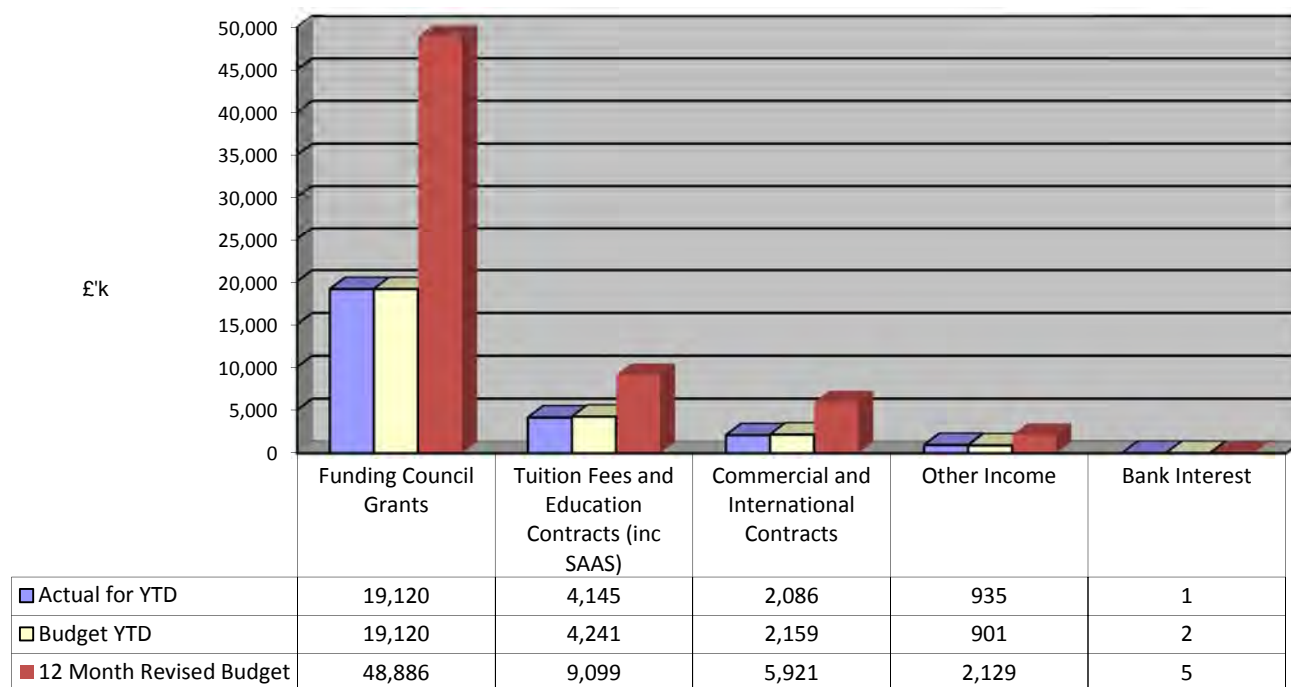
Savings for future starting budgets	For Academic Year 2015/16	For Academic Year 2016/17	For Academic Year 2017/18
	£'m	£'m	£'m
Voluntary Severance 1	1.03m		-
Voluntary Severance 2	-	0.76m	-
Voluntary Severance 3		2.46m	
Voluntary Severance 4			0.35m
Non-Pay costs		0.38m	0.45m
Transformation Plan	1.03m	3.60m	0.80m
Achieved to date:			
Voluntary Severance 1	1.07m		-
Voluntary Severance 2	-	0.77m	-
Voluntary Severance 3		1.71m	
Other Staff Cost Savings		0.53m	
Non-Pay costs		0.81m	0.15m
Total Achieved	1.07m	3.82m	-

- 3.2 The 'total achieved' figures are only included when cost reductions have been clearly identified and agreed. Work remains ongoing within curriculum and support areas towards identifying future cost savings in relation to curriculum design and producing new staff structures for both support and curriculum areas.

4. INCOME ANALYSIS

Income Expanded Account Detail for the 5 Months to 31st December 2017 (Ex Core SFC Grants)							
 For the future you want.	Original Annual Budget	Revised Annual Budget	YTD Budget	YTD Actuals	YTD Variance	Previous YTD	Year End Projection
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
4. Income Analysis							
<u>Tuition Fees & Education Contracts</u>							
FE - UK & EU	106	106	46	49	3	58	55
HE - UK & EU	369	369	362	414	52	407	420
PT Self Payers	766	826	562	617	55	601	826
Examination Fee Income	20	20	6	8	2	8	20
SAAS	4,221	4,221	1,723	1,613	(110)	1,700	4,071
Associate Degree Fees	990	990	404	352	(53)	411	858
Managing Agents	1,362	1,302	533	536	4	519	1,311
Edinburgh Council - Pre Emp Contract	1,265	1,265	606	557	(49)	522	995
	9,099	9,099	4,241	4,145	(97)	4,227	8,556
<u>Commercial & International</u>							
International	1,350	1,350	585	586	0	506	1,350
SDS	929	929	359	295	(64)	249	775
EH15 and The Apprentice Restaurants	53	53	27	42	15	38	53
Bliss SPA and Employability Salons	120	120	57	57		57	120
Gym	313	313	134	131	(3)	127	313
Nursery	1,150	1,150	342	321	(21)	383	1,100
Residences	541	541	192	192		226	541
Access Centre Provision	130	130	49	49		67	130
Bespoke Contracts for Employers	549	479	153	153	0	209	479
Scheduled Short Courses	786	856	261	261		331	856
	5,921	5,921	2,159	2,086	(72)	2,193	5,717
<u>Other Income</u>							
Catering	1,753	1,753	734	718	(15)	686	1,753
Other Income Generating Activities	377	377	168	217	49	216	397
	2,129	2,129	901	935	34	902	2,149
<u>Endowment & Investment</u>							
Bank Interest	5	5	2	1	(1)	3	5
	5	5	2	1	(1)	3	5
Exceptional Support Grants						67	
TOTAL INCOME (EX CORE SFC GRANTS)	17,154	17,154	7,304	7,167	(137)	7,392	16,427

Income Analysis - Year to date (Incorporating 12 Month Revised Budget)



- 4.1 The total income budget for the year stands at £66m (unchanged from last month). Total income for the year to date is £26.3m, which is £0.1m lower compared to the profiled budget of £26.4m.
- 4.2 Grant in Aid and ESF income is forecast in line with budget on the assumption that credit targets will be met. However, following a review of SAAS funded students associated with our additional childcare credit delivery (1,714 credits), the full year forecast for SAAS income has been reduced by £150k and now stands at £4.1m. Non-SAAS, HE fee activity has already exceeded its full year budget and its full year forecast has been increased by £51k, although this has been offset by a corresponding decline in forecast FE fees (which are slightly ahead of profiled budget at present but expected to reduce towards year-end).
- 4.3 Associate degree student numbers are down by a further 3 students (currently down by 28 students in total), across a number of courses compared to projections. As a consequence, the full year forecast for associate degree income has been reduced by a further £17k and now stands at £0.9m (a shortfall of £132k compared to the full year budget of £1.0m).

In addition, latest reviews of Nursery suggest a full year income shortfall for the year of £50k and, as a result, the full year forecast for Nursery revenues has been reduced by this figure and now stands at £1.1m (full year budget £1.15m). Mitigating Nursery expenditure savings of £20k have been identified (and reflected in the forecast), whilst further savings are being sought to bridge income gaps.

- 4.4 In line with last month forecast income from the IES (WEACT) pre-employability contract shows a shortfall for the year of £270k. The current full year adverse position for this contract has been partly mitigated by savings in associated partnership payments of £90k, which are also reflected

in the current forecast out-turn, leaving a current net forecast I&E shortfall for the year of £180k.

- 4.5 Total commercial and international income to date stands at £2.1m and is currently £72k behind its profiled budget of £2.2m) due to lower forecast net SDS and Nursery activity. The full year forecast for commercial and international income now stands at £5.7m, which is £204k lower than budget and an adverse movement of £50k compared to last month's projected shortfall.


Much work is still being undertaken by the Business and International Development teams, who continue to engage with a large number of employers, including through network events in partnership with various Chambers of Commerce, to prepare and submit fresh commercial bids to secure new business over the coming months.

- 4.6 The College can access up to £1.6m in the current academic year in relation to the Flexible Workforce Development Funding (FWDF) to deliver bespoke training programmes to apprenticeship levy payers in the Edinburgh region. The deadline for applications for such training has been extended to 28th February 2018, and delivery must commence before the end of June 2018. A number of companies in the region have already expressed interest and 23 applications (up from 21 applications last month) are currently in the pipeline (each with a current value of approximately £10k). A new marketing campaign is being developed (including a bespoke 'Linked In' campaign) to promote the FWDF (and to promote the College's other bespoke and scheduled short courses), whilst a new Business Development Adviser has been tasked with focusing on the FWDF until the end February deadline passes.

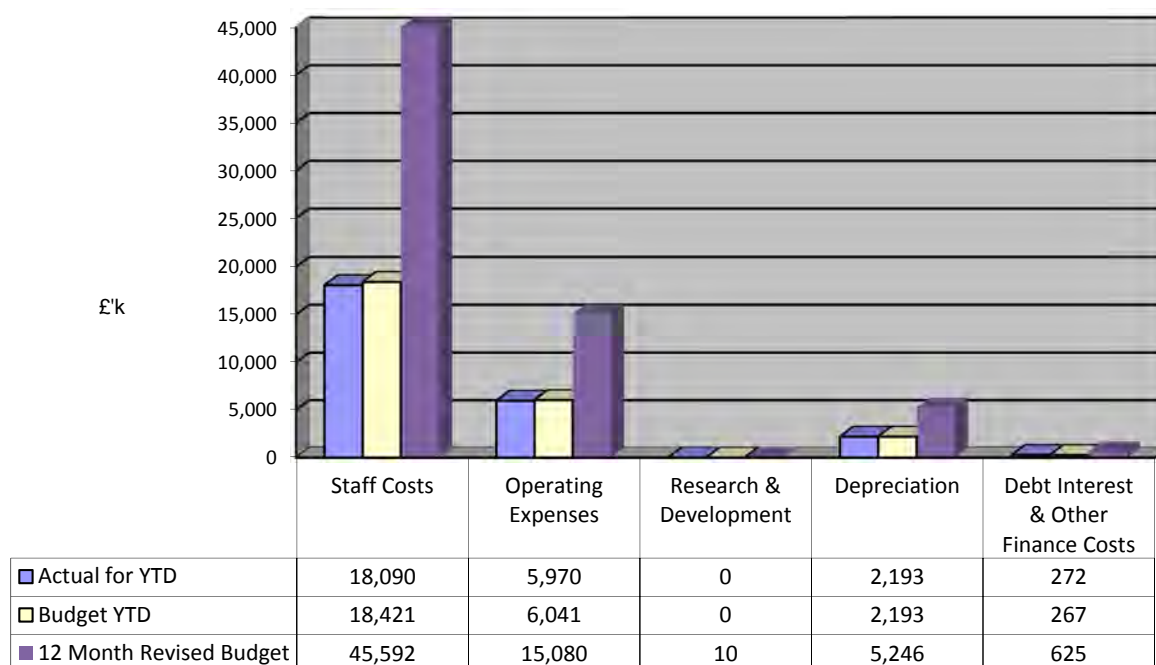
Although the FWDF represents an opportunity to draw down additional income, the timelines are challenging in achieving the full funding value. Also, significant extra resources are likely to be required to support this activity, including the use of external associates. Current forecasts indicate that only £0.3m will likely be achieved in the current year. This amount is not yet included in the 2017/18 budget pending concrete numbers and delivery plans.

- 4.7 During the month, our deferred income release was £266k (cumulative £1,332k), which is in line with expectations and is matched against associated depreciation charges.
- 4.8 The trading positions for both the catering and nursery operations are shown in paragraph 7.
- 4.9 Following the above changes to the associate degree and Nursery income forecasts, the full year forecast for total income now stands at £65.3m, £727k lower than full year budget, and an adverse net movement of £217k compared to last month's full year income projection.

5. EXPENDITURE ANALYSIS

 <p>Edinburgh College</p> <p>For the future you want</p>	Total Expenditure (Non-Staffing) Account Detail for the 5 Months to 31st December 2017						
	Original	Revised					
	Annual	Annual			YTD	Previous	Year End
	Budget	Budget	YTD Budget	YTD Actuals	Variance	YTD	Projection
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Other Operating Expenses							
Premises	4,760	4,765	1,956	1,937	19	2,052	4,740
Teaching Activity & Support	900	895	458	477	(18)	480	895
Childcare Costs	1,500	1,500	651	651		627	1,500
Transport Costs	59	60	22	22	0	48	60
IT Costs	942	942	382	376	6	433	927
Telecomms Costs	185	185	66	66		80	185
Equipment	59	59	21	22	(1)	34	59
Health & Safety	37	38	11	13	(2)	25	23
Travel & Subsistence	436	435	173	167	7	146	435
Admin Costs	181	191	60	69	(9)	86	191
Corporate, Consultancy, Professional	1,001	990	317	283	35	381	990
Staff Welfare	16	16	9	9		6	16
Catering	1,319	1,303	464	466	(1)	442	1,283
Training & Development	113	113	37	35	1	34	113
VAT	1,300	1,300	664	664		661	1,300
Marketing & PR	203	213	77	73	3	97	208
Partnership Costs	560	560	251	241	10	295	470
Overseas Agents Commission	118	118	25	25		70	118
Registration & Exam Fees	1,352	1,357	396	375	21	447	1,307
Bad Debts	40	40					40
	15,080	15,080	6,041	5,970	71	6,442	14,860
Depreciation for the year	5,246	5,246	2,193	2,193		2,247	5,246
Debt Interest & Other Finance Costs							
Interest On Bank Loans	595	595	248	248		260	595
Other Finance Charges	30	30	19	23	(5)	11	30
	625	625	267	272	(5)	271	625
Research & Development	10	10	0	0			10
Exceptional Support Costs						67	
TOTAL EXPENDITURE (NON-STAFFING)	20,961	20,961	8,501	8,435	66	9,026	20,741

Expenditure Analysis - Year to date (Incorporating 12 Month Budget)



- 5.1 The total expenditure budget for the year stands at £66.6m (unchanged from last month). Total expenditure for the year to date is £26.5m, which is £0.4m lower than the profiled budget of £26.9m.


Within other operating expenditure, we are currently showing a favourable variance of £71k on the profiled year to date budget, with underspends to date within professional fees of £35k, registration and exam fees of £21k and premises costs of £19k partly offset by small current overspends of £18k within teaching activities.

Latest reviews of IES (WEACT) education contract associated partnership costs suggest full year expenditure savings of £90k on budget due to lower forecast activity (unchanged from last month's projection).

- 5.2 In the year to date, depreciation charges of £2.2m have been released from our fixed assets to reflect their economic use.
- 5.3 The full year forecast for 'other' operating expenditure currently stands at £14.9m, £220k lower than full year budget, and an improvement of £60k from last month's projection following a budget review of the nursery, marketing, estates, and curriculum food costs for the remainder of the year.

The full year forecast for total expenditure now stands at £65.9m, £680k lower than full year budget and a decrease of £231k from last month's projection (reflecting the movements in other operating expenditure coupled with a further reduction in forecast staff costs of £171k, referred to in section 6 below). Most other expenditure areas are being managed within budget.

6. STAFF COST ANALYSIS



	<u>Original Annual Budget</u> £000s	<u>Revised Annual Budget</u> £000s	<u>YTD Budget</u> £000s	<u>YTD Actuals</u> £000s	<u>YTD Variance</u> £000s	<u>Previous YTD</u> £000s	<u>Year End Projection</u> £000s
Staff Costs							
Senior Management	1,617	1,617	678	654	24	822	1,597
Academic Departments	23,520	23,520	9,465	9,365	100	9,537	23,367
Academic Services	4,405	4,405	1,801	1,760	41	1,632	4,375
Admin & Central Services	11,923	11,953	4,764	4,613	151	5,203	11,743
Premises	1,164	1,164	487	483	4	482	1,156
Catering & Residences	1,150	1,150	479	470	9	388	1,140
Temporary, Agency & Staff Bank Costs	1,157	1,157	481	496	(15)	471	1,157
Other Staffing Expenditure	656	626	265	249	16	211	596
	45,592	45,592	18,421	18,090	331	18,746	45,131

- 6.1 Staff costs are currently £331k lower than the profiled budget, as a result of unfilled vacant posts, delayed recruitment and vacancy churn across many functions.
- 6.2 The current positive variance may not continue at this cumulative pace once vacant posts are filled. However, full year staffing costs are now projected to settle the year at £45.1m, £461k lower than budget and £171k lower than last month's projection. This forecast does not include 'cost of living' pay increases (per current NJNC negotiation) from 1 April 2017, or any associated funding that may partially offset this additional cost (if part of NJNC agreement).
- 6.3 Staff numbers have increased by net 22.1 FTE since July 2017, as vacancies are filled across a number of College departments.

7. TRADING DEPARTMENTS

	Catering				Nursery			
	YTD Dec 2017				YTD Dec 2017			
	Full Year Budget (£000)	YTD Revised Budget (£000)	Actuals (£000)	Full Year Forecast (£000)	Full Year Budget (£000)	YTD Revised Budget (£000)	Actuals (£000)	Full Year Forecast (£000)
Income	1,753	734	718	1,753	1,150	321	321	1,100
Staffing Expenditure	(1,103)	(461)	(455)	(1,103)	(1,021)	(392)	(360)	(1,021)
Non Staffing Expenditure	(730)	(314)	(314)	(730)	(148)	(13)	(13)	(128)
Net (Deficit) Contribution								
Towards Associated Costs	(81)	(42)	(50)	(81)	(19)	(84)	(52)	(49)

- 7.1 The above information provides an overview of the trading positions of the catering and nursery departments.
- 7.2 The Nursery has forecast full year income to be £50k below budget. However, lower associated costs of £20k are being targeted and are also included in the full year forecast. Following a recently

completed operational review of the Nursery, several initiatives are underway to improve income during the remainder of the year.

- 7.3 Performance to date within the Catering department remains broadly in line with budget, whilst full year forecasts are currently in line with full year budgets.

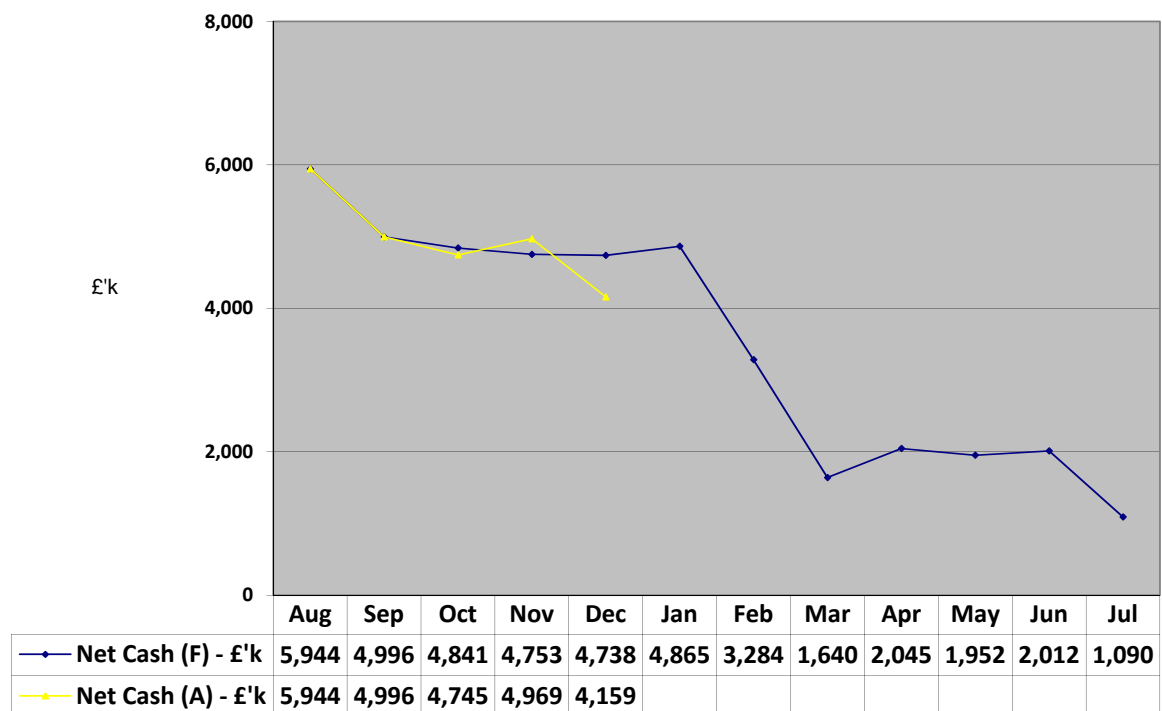
8. CASH-FLOW

- 8.1 The cash balance at the end of December is £4.2m which includes £1.3m of student support funds. The forecast balance for the year-end is £1.1m (an improvement of £0.2m from last month's projection) and includes the effects of out-flows in relation to the CEEP project totaling £2.2m (match funding was received in 2016/17), and the Flexible Workforce Development Fund (net in-flows and out-flows totaling £1.6m). The favourable cash forecast movement in the month primarily relates to lower forecast staffing and other operating expenditure (net £0.4m), partly offset by higher projected student support funds expenditure (net £0.2m).

Cash forecasts are regularly updated and reviewed, with close attention being paid to managing the critical months of March and July 2018, when calling upon funds from the SFC is restricted.

- 8.2 The chart below shows the forecast (blue) cash position through the year compared to the actual (yellow) cash position.

Cash Position - Forecast versus Actuals to December 2017



9. BALANCE SHEET

<u>Balance Sheet as at 31 December 2017</u>		<u>As at 31 Dec 17</u>	<u>As at 31 Jul 17</u>	YTD Mvmt
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Fixed Assets	Land and Buildings	137,905	139,276	(1,371)
	Fixtures, fittings and Equipment	<u>8,430</u>	<u>7,186</u>	<u>1,244</u>
		146,335	146,462	(127)
Current Assets	Stock	105	136	(31)
	Debtors	4,406	2,141	2,265
	Cash - Main	2,880	2,937	(57)
	Cash - Student Support	<u>1,279</u>	<u>1,862</u>	<u>(583)</u>
Total		8,671	7,076	1,595
Creditors		(71,392)	(69,092)	(2,300)
Bank Loans		(10,436)	(10,577)	141
Lennartz		(714)	(1,037)	323
Provisions		(26,742)	(26,873)	131
		<u>45,722</u>	<u>45,959</u>	<u>(237)</u>
Funded by:				
Reserves		45,722	45,959	(237)
		<u>45,722</u>	<u>45,959</u>	<u>(237)</u>

- 9.1 The movements in Fixed Assets and Cash are detailed in sections 1.8 and 1.9 above. The increase in debtors relates to the invoicing of fees and commercial contracts and the accrual of income (SAAS £4.1m will be paid in January, other tuition fees (including associate degrees and managing agents) mainly payable in January / February and ESF grants payable once our FE/HE credits achievement has been verified). The increase in creditors largely relates to Grant-in-Aid receipts which have not yet been recognised within the Income Statement.

10. SFC REPORTING

- 10.1 The College reports to the SFC on our financial performance each quarter during the year (monthly during the final quarter). The latest return for the 2017/18 financial year (which commenced on 1st April 2017) was completed in January 2018 (for the end December 2017 quarter).

Summary Resource Return (RDEL)

£'k	Forecast	Actual
	12 mths to 31 Mar 18	12 mths to 31 Mar 17
SFC Income	56,752	55,612
Other Income	15,983	16,106
Total Income	72,735	71,718
Expenditure	(71,506)	(71,265)
	1,229	453
Less Loan repayment	(1,539)	(1,267)
Net Under/(Over)spend	(310)	(814)

- 10.2 The latest resource return shows a projected over-spend of £0.3m against RDEL for the year to March 2018. This figure has moved from a projected underspend of £872k in the previous quarter, due to an increase in projected spend on student support funds of c£1.3m. The above figure also includes £625k of income for Voluntary Severance which will only be received if future applications are considered.
- 10.3 The CDEL (Capital Departmental Expenditure Limit) figure for the year is a breakeven position such that expenditure on fixed assets aligns with the amount of capital grant funding received from the SFC plus proceeds from disposals. The AME (Annually Managed Expenditure) figure refers to movements in provisions and the revaluation of pension deficits. A revaluation at July 2018 will be carried out, and will be included as an adjustment to the March 2018 resource return, in line with SFC instructions.
- 10.4 In December 2017 the SFC sent out a communication with a framework for the spend of the fixed cash budget for priorities (CBP) [previously named 'net depreciation'] and confirmed the Scottish government's agreement to lock the CBP at the 2015/16 level of net depreciation. The value for Edinburgh College of this figure is £2,547k (an impact of this decision is being undertaken). The table below outlines how this is forecast to be spend until 2021/22.

	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
Table of cash budget for priorities spend	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22
Revenue	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Pay award	874	637	874	874	874	874	874
Estates-related (revenue)	-	-	-	687	925	905	885
Operating deficit	470	-	196	-	-	-	-
Total impact on operating position	1,344	637	1,070	1,561	1,799	1,779	1,759
Capital							
Loan repayments	385	406	418	440	464	484	504
Payments against provisions pre 1 April 2014	1,133	1,192	1,059	546	284	284	284
Total Capital	1,518	1,598	1,477	986	748	768	788
Total cash budget for priorities spend	2,862	2,235	2,547	2,547	2,547	2,547	2,547

11. KEY PERFORMANCE DATA

Financial Performance Monitoring Template							
	2016/17 Annual Target	2016/17 Revised Annual Target		2017/18 Annual Target	2017/18 YTD Actual		2016/17 Annual Out-turn
Credits	184,028	184,028		184,028	181,218		184,978
Credits Additional Childcare	-	-		1,714	-		-
Credits ESF	2,000	2,000		2,000	-		2,000
	2016/17 Annual Budget	2017/18 Annual Budget	Revised Annual Budget	2017/18 YTD Budget	2017/18 YTD Actuals	YTD Variance	Previous YTD
	£k	£k	£k	£k	£k	£k	£k
Commercial & International Contracts	5,313	5,921	5,921	2,159	2,086	(72)	2,193
Refer sections 2 to 5							
Income	67,819	66,040	66,040	26,424	26,287	(137)	26,170
Expenditure	68,733	66,553	66,553	26,921	26,525	397	27,772
Operating Surplus / (Deficit) pre SSAP24	(914)	(514)	(514)	(497)	(237)	260	(1,603)
Refer sections 6 to 7							
Net Cash Inflow / (Outflow)	(452)	(1,245)	(1,245)	(640)	(640)	-	2,573
Bank Balance	1,539	3,554	3,554	4,159	4,159	-	4,564
Fixed Assets	145,409	142,335	142,335	146,335	146,335	-	148,222
Net Current assets / (liabilities)	(6,517)	(7,414)	(7,414)	(6,645)	(6,645)	-	(8,806)
Creditors and Provisions	(97,538)	(89,898)	(89,898)	(93,968)	(93,968)	-	(98,053)
Net Assets	41,354	45,023	45,023	45,722	45,722	-	41,363
Pay costs % of Income	% 67.2	69.0	69.0	69.7	68.8	(0.9)	71.6
Current Ratio	0.47	0.35	0.35	0.57	0.57	-	0.53
Cash Days in Hand	(37)	(44)	(44)	(42)	(42)	-	(53)
Borrowings as % of reserves	% 10.6	10.4	10.4	10.2	10.2	-	11.0

I&E Account for the 5 Months to 31st December 2017

	<u>Original Annual Budget £000s</u>	<u>Revised Annual Budget £000s</u>	<u>YTD Budget £000s</u>	<u>YTD Actuals £000s</u>	<u>YTD Variance £000s</u>	<u>Previous YTD £000s</u>	<u>Year End Projection £000s</u>
Funding Council Grants	44,899	44,899	17,332	17,332	0	17,164	44,899
Deferred Capital Grant Releases	3,187	3,187	1,332	1,332	0	1,280	3,187
Debt Support Grant	800	800	456	456	0	333	800
Tuition Fees and Education Contracts (inc SAAS)	9,099	9,099	4,241	4,145	(97)	4,227	8,556
Commercial and International Contracts	5,921	5,921	2,159	2,086	(72)	2,193	5,717
Other Income	2,134	2,134	903	936	32	905	2,154
Exceptional Support Grants	0	0	0	0	0	67	0
Total Income	66,040	66,040	26,424	26,287	(137)	26,170	65,313
Staff Costs	45,592	45,592	18,421	18,090	331	18,745	45,131
Other Operating Expenses	15,080	15,080	6,041	5,970	71	6,442	14,860
Depreciation	5,246	5,246	2,193	2,193	0	2,247	5,246
Debt Interest & Other Finance Costs	625	625	267	272	(5)	271	625
Research & Development	10	10	0	0	0	0	10
Exceptional Support Costs	0	0	0	0	0	67	0
Total Expenditure	66,553	66,553	26,921	26,525	397	27,772	65,873
Operating Surplus / (Deficit)	(514)	(514)	(497)	(237)	260	(1,603)	(560)
Statement of Historical Cost Surpluses and Deficits for the 5 Months to 31st December 2017							
Operating Surplus / (Deficit)	(514)	(514)	(497)	(237)	260	(1,603)	(560)
Difference between historical cost depreciation and actual revaluation charge for the period	623	623	260	260	0	260	623
Historical Cost Surplus / (Deficit)	109	109	(237)	23	260	(1,343)	63



I&E Account Detail for the 5 Months to 31st December 2017

	<u>Original Annual Budget £000s</u>	<u>Revised Annual Budget £000s</u>	<u>YTD Budget £000s</u>	<u>YTD Actuals £000s</u>	<u>YTD Variance £000s</u>	<u>Previous YTD £000s</u>	<u>Year End Projection £000s</u>
INCOME							
<u>Funding Council Grants</u>							
Recurrent Grant Inc Fee Waiver	41,536	41,536	15,918	15,918		15,612	41,536
Childcare Funds	1,500	1,500	651	651		627	1,500
Deferred Capital Grants	3,187	3,187	1,332	1,332		1,280	3,187
Debt Support Grants	800	800	456	456		333	800
Other SFC Grants	1,863	1,863	763	763		925	1,863
	48,886	48,886	19,120	19,120		18,778	48,886
<u>Tuition Fees & Education Contracts</u>							
FE - UK & EU	106	106	46	49	3	58	55
HE - UK & EU	369	369	362	414	52	407	420
PT Self Payers	766	826	562	617	55	601	826
Examination Fee Income	20	20	6	8	2	8	20
SAAS	4,221	4,221	1,723	1,613	(110)	1,700	4,071
Associate Degree Fees	990	990	404	352	(53)	411	858
Managing Agents	1,362	1,302	533	536	4	519	1,311
Edinburgh Council - Pre Emp Contract	1,265	1,265	606	557	(49)	522	995
	9,099	9,099	4,241	4,145	(97)	4,227	8,556
<u>Commercial & International</u>							
International	1,350	1,350	585	586	0	506	1,350
SDS	929	929	359	295	(64)	249	775
EH15 and The Apprentice Restaurants	53	53	27	42	15	38	53
Bliss SPA and Employability Salons	120	120	57	57		57	120
Gym	313	313	134	131	(3)	127	313
Nursery	1,150	1,150	342	321	(21)	383	1,100
Residences	541	541	192	192		226	541
Access Centre Provision	130	130	49	49		67	130
Bespoke Contracts for Employers	549	479	153	153	0	209	479
Scheduled Short Courses	786	856	261	261		331	856
	5,921	5,921	2,159	2,086	(72)	2,193	5,717
<u>Other Income</u>							
Catering	1,753	1,753	734	718	(15)	686	1,753
Other Income Generating Activities	377	377	168	217	49	216	397
	2,129	2,129	901	935	34	902	2,149
<u>Endowment & Investment</u>							
Bank Interest	5	5	2	1	(1)	3	5
	5	5	2	1	(1)	3	5
Exceptional Support Grants							
						67	
TOTAL INCOME	66,040	66,040	26,424	26,287	(137)	26,170	65,313
<u>EXPENDITURE</u>							
<u>Staff Costs</u>							
Senior Management	1,617	1,617	678	654	24	822	1,597
Academic Departments	23,520	23,520	9,465	9,365	100	9,537	23,367
Academic Services	4,405	4,405	1,801	1,760	41	1,632	4,375
Admin & Central Services	11,923	11,953	4,764	4,613	151	5,203	11,743
Premises	1,164	1,164	487	483	4	482	1,156
Catering & Residences	1,150	1,150	479	470	9	388	1,140
Temporary, Agency & Staff Bank Costs	1,157	1,157	481	496	(15)	471	1,157
Other Staffing Expenditure	656	626	265	249	16	211	596
	45,592	45,592	18,421	18,090	331	18,746	45,131
<u>Other Operating Expenses</u>							
Premises	4,760	4,765	1,956	1,937	19	2,052	4,740
Teaching Activity & Support	900	895	458	477	(18)	480	895
Childcare Costs	1,500	1,500	651	651		627	1,500
Transport Costs	59	60	22	22	0	48	60
IT Costs	942	942	382	376	6	433	927
Telecomms Costs	185	185	66	66		80	185
Equipment	59	59	21	22	(1)	34	59
Health & Safety	37	38	11	13	(2)	25	23
Travel & Subsistence	436	435	173	167	7	146	435
Admin Costs	181	191	60	69	(9)	86	191
Corporate, Consultancy, Professional	1,001	990	317	283	35	381	990
Staff Welfare	16	16	9	9		6	16
Catering	1,319	1,303	464	466	(1)	442	1,283
Training & Development	113	113	37	35	1	34	113
VAT	1,300	1,300	664	664		661	1,300
Marketing & PR	203	213	77	73	3	97	208
Partnership Costs	560	560	251	241	10	295	470
Overseas Agents Commission	118	118	25	25		70	118
Registration & Exam Fees	1,352	1,357	396	375	21	447	1,307
Bad Debts	40	40					40
	15,080	15,080	6,041	5,970	71	6,442	14,860
Depreciation for the year							
	5,246	5,246	2,193	2,193		2,247	5,246
<u>Debt Interest & Other Finance Costs</u>							
Interest On Bank Loans	595	595	248	248		260	595
Other Finance Charges	30	30	19	23	(5)	11	30
	625	625	267	272	(5)	271	625
Research & Development							
	10	10	0	0			10
Exceptional Support Costs							
						67	
TOTAL EXPENDITURE	66,553	66,553	26,921	26,525	397	27,772	65,873
Operating Surplus / (Deficit)	(514)	(514)	(497)	(237)	260	(1,603)	(560)



For the future you want

Balance Sheet

For the 5 Months to 31st December 2017

	<u>2017/2018</u> <u>YTD Actuals</u> <u>£000s</u>	<u>2016/17</u> <u>Year End</u> <u>£000s</u>	<u>2016/2017</u> <u>Previous YTD</u> <u>£000s</u>
Fixed Assets			
L&B	137,905	139,276	141,177
FFE	8,430	7,186	7,044
	146,335	146,462	148,221
Current Assets			
Stock	105	136	94
Debtors	4,406	2,141	5,310
Cash	4,159	4,799	4,564
	8,671	7,076	9,968
Creditors < 1yr			
Loans	(436)	(436)	(408)
Payments received in advance	(59)	(335)	(243)
Trade creditors	(664)	(1,126)	(821)
Taxes & social sec	(978)	(1,218)	(1,003)
Accruals, Def Inc & Other Creditors	(2,814)	(5,041)	(3,508)
Amounts owed to SFC	(7,176)	(2,542)	(9,725)
Deferred Capital Grants - Government	(3,189)	(3,193)	(3,065)
	(15,316)	(13,896)	(18,773)
Net current assets / (liabilities)	(6,645)	(6,820)	(8,806)
Total assets less current liabilities	139,690	139,642	139,416
Creditors > 1yr			
Bank loans	(10,000)	(10,141)	(10,440)
Lennartz VAT	(153)	(262)	(503)
Deferred Capital Grants - Government	(57,073)	(56,407)	(56,909)
	(67,225)	(66,810)	(67,852)
Provisions			
Early retirement	(4,723)	(4,854)	(4,916)
Other			9
	(4,723)	(4,854)	(4,907)
Net pension asset / (liability)	(22,019)	(22,019)	(25,294)
NET ASSETS	45,722	45,959	41,363
Reserves			
I&E account	40,483	40,460	38,778
Pension reserve	(22,019)	(22,019)	(25,294)
Revaluation reserve	27,258	27,518	27,879
RESERVES	45,722	45,959	41,363

Cumulative Cashflows (2017/18)

<div><div>Edinburgh College</div><div>For the future you want</div></div>	<u>Original Budget</u> <u>£000s</u> <u>Total</u>	<u>Revised Budget</u> <u>£000s</u> <u>Total</u>	<u>Aug 17</u> <u>£000s</u> <u>Actuals</u>	<u>Sep 17</u> <u>£000s</u> <u>Actuals</u>	<u>Oct 17</u> <u>£000s</u> <u>Actuals</u>	<u>Nov 17</u> <u>£000s</u> <u>Actuals</u>	<u>Dec 17</u> <u>£000s</u> <u>Actuals</u>	<u>Jan 18</u> <u>£000s</u> <u>Forecast</u>	<u>Feb 18</u> <u>£000s</u> <u>Forecast</u>	<u>Mar 18</u> <u>£000s</u> <u>Forecast</u>	<u>Apr 18</u> <u>£000s</u> <u>Forecast</u>	<u>May 18</u> <u>£000s</u> <u>Forecast</u>	<u>Jun 18</u> <u>£000s</u> <u>Forecast</u>	<u>Jul 18</u> <u>£000s</u> <u>Forecast</u>	<u>YTD</u> <u>Cumulative</u> <u>£000s</u> <u>Total</u>	<u>Annual</u> <u>Forecast</u> <u>£000s</u> <u>Total</u>	<u>Var From Budget - Fav</u> <u>/ (Adv)</u> <u>£000s</u> <u>Total</u>
SFC Grants - Core	41,536	41,536	4,527	3,503	5,269	3,824	3,807	0	2,962	2,243	4,053	4,521	4,121	2,521	20,930	41,352	(184)
SFC Grants - ESF	476	476	32	32	158	32	32	32	32	32	32	32	32	32	284	505	29
SFC Grants - Other	6,240	6,406	116	298	807	584	547	883	721	774	631	277	269	524	2,353	6,433	27
SFC Grants - VS Scheme		0	0	15	0	0	0	0	0	0	0	0	0	0	15	15	15
SAAS Funds	4,221	4,221	0	0	0	0	0	4,001	0	70	0	0	0	0	0	4,071	(150)
Tuition Fees / Education Contracts	4,878	4,493	325	258	78	505	443	434	269	410	282	398	560	517	1,609	4,476	(17)
Commercial / International	5,921	5,921	458	471	422	444	291	667	725	485	524	556	437	392	2,086	5,871	(50)
Other Income	2,135	2,154	145	157	231	234	168	164	179	165	186	161	163	202	935	2,154	(0)
Operational Income	65,407	65,207	5,603	4,733	6,965	5,623	5,288	6,180	4,887	4,179	5,707	5,944	5,581	4,187	28,212	64,877	(330)
Staff Costs	46,892	46,892	3,807	3,599	3,631	3,622	3,616	4,007	4,006	4,008	3,958	3,957	3,958	3,960	18,275	46,130	762
Purchase Ledger / Other Expenditure	9,754	9,754	524	1,472	953	802	776	552	536	514	771	1,465	718	618	4,527	9,704	50
Childcare Expenditure	1,500	1,666	0	34	169	233	215	145	189	221	120	164	164	12	651	1,666	0
Premises Costs	4,761	4,765	366	329	476	348	418	406	406	404	403	403	403	403	1,937	4,765	0
Pension Strain Costs	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Staff VS & Restructuring Costs	116	116	37	57	22	0	0	0	0	0	0	0	0	0	116	116	0
Operational Expenditure	63,023	63,193	4,734	5,491	5,251	5,005	5,025	5,111	5,138	5,148	5,253	5,990	5,244	4,994	25,506	62,381	812
Net Income Generated From Operations	2,384	2,014	869	(758)	1,714	618	263	1,069	(251)	(969)	454	(46)	337	(806)	2,706	2,496	482
Capital Expenditure	3,273	3,273	0	0	1,909	64	106	398	398	398	0	0	0	0	2,079	3,273	0
Pensioners (against enhanced provision)	288	288	23	25	24	36	24	24	24	24	24	24	24	24	132	300	(12)
Capital Loan Repayments	416	416	0	36	68	0	36	68	0	36	68	0	36	68	140	416	0
VAT Repaid - Lennartz	800	800	0	218	0	0	194	0	0	194	0	0	194	0	412	800	0
Non-Operational Expenditure	4,777	4,777	23	279	2,001	100	360	490	422	652	92	24	254	92	2,763	4,789	(12)
Net Income Generated From Op and Non-Op Activities	(2,393)	(2,763)	846	(1,037)	(287)	518	(97)	579	(673)	(1,621)	362	(70)	83	(898)	(57)	(2,293)	470
Student Funds Inflow	9,180	9,955	300	636	844	914	772	1,022	1,500	1,366	871	855	841	34	3,466	9,955	0
Student Funds Outflow	9,180	11,357	1	547	808	1,207	1,486	1,022	2,385	1,366	804	855	841	35	4,049	11,357	0
	0	(1,402)	299	89	36	(293)	(714)	0	(885)	0	67	0	0	(1)	(583)	(1,402)	0
Total Cash In	74,587	75,162	5,903	5,369	7,809	6,537	6,060	7,202	6,387	5,545	6,578	6,799	6,422	4,221	31,678	74,832	(330)
Total Cash Out	76,980	79,327	4,758	6,317	8,060	6,312	6,871	6,623	7,945	7,166	6,149	6,869	6,339	5,121	32,318	78,527	(800)
Net Inflow / (Outflow)	(2,393)	(4,165)	1,145	(948)	(251)	225	(811)	579	(1,558)	(1,621)	429	(70)	83	(899)	(640)	(3,695)	470
Opening bank balance	4,799	4,799	4,799	5,944	4,996	4,745	4,970	4,159	4,738	3,181	1,560	1,989	1,920	2,003	4,799	4,799	0
Closing bank balance	2,406	634	5,944	4,996	4,745	4,970	4,159	4,738	3,181	1,560	1,989	1,920	2,003	1,104	4,159	1,104	470
Ledger balances																	
Main accounts	4,799	4,799	3,783	2,746	2,459	2,977	2,880	3,459	2,787	1,166	1,528	1,459	1,542	644	2,880	644	(4,155)
Term Deposit accounts	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Student Funds accounts	0	0	2,161	2,250	2,286	1,993	1,279	1,279	394	394	461	461	461	460	1,279	460	460
Subsidiary accounts	4,799	4,799	5,944	4,996	4,745	4,970	4,159	4,738	3,181	1,560	1,989	1,920	2,003	1,104	4,159	1,104	(3,695)
Loan balance	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

FOR INFORMATION			
Meeting	Policy & Resources Committee 20.02.18		
Presented by	Lindsay Towns		
Author/Contact	Lindsay Towns	Department / Unit	Executive
Date Created	30.01.18	Telephone	-
Appendices Attached	None		
Disclosable under FOISA		Yes	

HORIZON SCANNING

1. PURPOSE

The Board is responsible for the financial sustainability of the College. Good practice to monitor all areas of performance and risk that can impact on the College's viability.

2. BACKGROUND

To provide the Policy & Resources Committee with an update on significant future issues facing the College.

3. DETAIL

3.1 Fixed Cash Budget for Priorities (CBP)

In December 2017 the SFC sent out a communication with a framework for the spend of the fixed cash budget for priorities (CBP) [previously named 'net depreciation'] and confirmed the Scottish government's agreement to lock the CBP at the 2015/16 level of net depreciation rather than use the actual figure of the year in question. The value for Edinburgh College of this figure is £2,547k. A review of the impact of this decision is being undertaken. One consideration will be the level that Income and Expenditure is forecast at in future years so that the Revenue priorities shown below can be included.

The table overleaf outlines how fixed cash budget for priorities is forecast to be spend until 2021/22.

	Actual	Actual	Forecast	Forecast	Forecast	Forecast	Forecast
	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21	2021/2022
Table of cash budget for priorities spend	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	874	637	874	874	874	874	874
Pay award	-	-	-	687	925	905	885
Estates-related (revenue)	470	-	196	-	-	-	-
Operating deficit	1,344	637	1,070	1,561	1,799	1,779	1,759
Total impact on operating position							
Capital							
Loan repayments	385	406	418	440	464	484	504
Payments against provisions pre 1 April 2014	1,133	1,192	1,059	546	284	284	284
Total Capital	1,518	1,598	1,477	986	748	768	788
Total cash budget for priorities spend	2,862	2,235	2,547	2,547	2,547	2,547	2,547

3.2 Scottish Government Comprehensive Spending Review Overview

The Scottish Government published its draft spending plans in December 2017. The budget will not become final until it has gone through the Scottish Parliament's legislative process, which is likely to be concluded by February 2018. The Draft Budget only covers one year, so there will be another spending review in 2018.

The key headlines in the 2018/19 Draft Budget in relation to the college sector are:

The Scottish Government has increased current levels of revenue funding for the college sector, with the Draft Budget for 2018/19 confirmed as £588.2m. This represents an additional £36.9m against the Draft Budget for 2016/17. However, £31.7m of this is for funding National Bargaining, with the remaining £5.2m set aside for the implementation of the Student Support Review recommendations. Therefore, the baseline revenue resource remains at £551.3m and this has not been adjusted for inflation. This equates to a real terms reduction in revenue funding.

The Scottish Government has increased current levels of capital funding for the college sector with the Draft Budget for 2018/19 confirmed as £76.7m. This represents an additional £29.3m against the draft budget for 2017/18. The bulk of this additional money is to fund the existing commitment of a new campus at a college with the remainder to be used on the high priorities identified by the recent estate conditions survey.

The precise effect on Edinburgh College will be notified by SFC later in the year.

Below is the high level breakdown of spending for the college sector in relation to the Scottish Funding Council:

	2017/18 £m	Draft Budget 2018/19 £m
College Operational Expenditure	741.3	778.2
College Operational Income	(190.0)	(190.0)
Net College Resource	551.3	588.2
College NPD Expenditure	29.1	29.3
College Capital Expenditure	70.4	78.7
College Capital Receipts	(23.0)	(2.0)
Net College Capital	47.4	76.7

3.3 Budget

The 2017/18 setting process will begin in late February when a timetable and instructions will be issued. The objective is to ensure the budget aligns with the third year of the Transformation Plan financials. The timetable will reflect arriving at a draft consolidated budget in late April with approval at the next Policy and Resources Committee meeting on 22nd May.

3.4 LGPS Funding Strategy and proposed increase in the employer contribution rate

Following the 2017 Lothian Pension Fund Actuarial Valuation, there is a proposed increase in the employer contribution rate for Edinburgh College of 0.3% for three years starting from 1 April 2018. In financial terms this equates to an additional cost of approximately £14k in 2018/19, and £40k in 2019/20 and 2020/21.

3.5 Audit Scotland Overview

Following on from their 2017 report, Audit Scotland are to perform some further analysis of the College sector. This work will:

- Assess how colleges performed over the past year.
- Review the financial position of the sector and assess how well colleges manage their finances.
- Assess what difference the regional bodies in the three multi-college regions have made.

Audit Scotland will draw information from colleges' annual accounts and audit reports as well as information held by the Scottish Funding Council and the Scottish Government. This will be supplemented by interviewing senior officials in the sector and consulting with other stakeholders, including staff and student unions. The report is due to be published in June 2018.

4. BENEFITS AND OPPORTUNITIES

It is good practice to monitor all areas of performance that can impact on the College's viability.

5. STRATEGIC IMPLICATIONS

Content may affect strategic objectives.

6. RISK

Content assists monitoring College's risk and financial performance.

7. FINANCIAL IMPLICATIONS

Inherent within content.

8. LEGAL IMPLICATIONS

Content refers to legal issues.

9. WORKFORCE IMPLICATIONS

Content refers to workforce issues.

10. REPUTATIONAL IMPLICATIONS

None.

11. EQUALITIES IMPLICATIONS

None.

CONCLUSIONS/RECOMMENDATIONS

Members are asked to DISCUSS and NOTE the paper.