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POLICY & RESOURCES COMMITTEE

AGENDA

A meeting of the Policy & Resources Committee will be held at 14:00 hours on Tuesday, 24 January 2017 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	Chair	B
5	BUSINESS TRANSFORMATION PLAN		
	5.1 Business Transformation Plan Report	R Whetton	C
	5.2 Curriculum Planning and Design Update	J Buglass	Presentation
	5.3 Recruitment & Retention Dashboard	J Pearson	D

Item 5 is presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.

6	DRAFT REGIONAL OUTCOME AGREEMENT 2017-2020	A Craig	E
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Item 6 is presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 27, Information Intended for Future Publication.

7	FINANCE REPORT		
	7.1 Finance Report	L Towns	F
	7.2 Management Accounts to Nov 2016 attached	L Towns	G
	7.3 Tuition Fees 2017/18 <i>for approval</i>	L Towns	H

Item 7.3 is presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 27, Information Intended for Future Publication.

8	PARTNERSHIP WORKING REPORT	A Bruton	I
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Item 8 is presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 30, Prejudice to the Effective Conduct of Public Affairs.

9	ORGANISATIONAL & STAFFING REPORT		
	9.1 Human Resources Report	M Hernandez	J
	9.2 Employment Policies & Procedures Update	M Hernandez	K

10	CAPITAL AND INFRASTRUCTURE REPORT	C McDougall	L
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11	GOVERNANCE REPORT		
	11.1 Development Planning Framework for approval	P Davis	M

Item 11.1 is presently exempt from publication under the Freedom of Information (Scotland) Act 2002, Section 27, Information Intended for Future Publication.

	11.2 Draft Gender Representation on Public Boards (Scotland) Bill Consultation for approval	P Davis	N
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12	ANY OTHER COMPETENT BUSINESS		
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13	DATE OF NEXT MEETING: 18 April 2017		
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FOR INFORMATION / DISCUSSION			
Meeting	Policy & Resources Committee 24.01.17		
Presented by	L Towns		
Author/Contact	L Towns	Department / Unit	Finance
Date Created	10.01.17	Telephone	01312978541
Appendices Attached	<i>Appendix 1: Management Accounts to November 2016 (with commentary)</i>		
Disclosable under FOISA	Yes		

MANAGEMENT ACCOUNTS TO NOVEMBER 2016

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 November 2016.

Lindsay Towns
Head of Finance



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FINANCIAL REPORT

4 MONTHS TO NOVEMBER 2016

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 2016/17 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 30 November 2016

1. EXECUTIVE SUMMARY

Activity

	2016/17 Annual Budget	Actuals achieved @15/12/16	Due to be received
GIA @ £218 per credit income	£40,162,092	£36,892,358	£3,269,734
Credit Target/achieved	184,028	169,231	14,797
ESF @ £238.15	£476,300	-	£476,300
ESF Credit target / achieved	2,000	-	2,000

- 1.1 The SFC have set Edinburgh College's activity target for Academic Year 2016/17 at 184,028 credits. In addition, if the HE credit total of 52,340 is achieved a further 2,000 credits through the ESF Developing Scotland's Workforce 2016/17 project will be received. The College is targeting levels above this planned activity (by 3,872 credits to 189,900 credits in total). The semester 2 provision has been enhanced so as to provide the activity that will achieve the additional credits.
- 1.2 The College set a £3.8m deficit budget for 2016/17 which is in line with the transformation plan budget agreed with the SFC. During the year the College will identify budget savings and/or income growth of £3.2m in advance of the start of the 2017/18 academic year to maintain its progress towards a financially sustainable future. The 2016/17 budget already incorporates recurring cost reductions of over £1.2m identified in the previous year. Work remains ongoing to identify further cost savings which will have a minimal impact on the student experience.

Income and Expenditure

	<u>Revised Annual Budget</u>	<u>YTD Budget</u>	<u>YTD Actuals</u>	<u>YTD Variance</u>	<u>Previous YTD</u>	<u>Full Year Forecast</u>
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Funding Council Grants	44,364	14,082	13,416	(666)	14,629	44,372
Tuition Fees and Commercial & Other Income	16,930	6,343	6,190	(154)	6,668	16,350
Deferred Income	3,065	1,025	1,025	0	1,088	3,065
Total Income	64,359	21,450	20,631	(820)	22,385	63,787
Staff Costs	45,552	15,121	14,957	164	14,718	44,931
Other Costs	17,134	5,182	5,111	71	5,979	16,873
Depreciation	5,487	1,815	1,815	0	1,987	5,487
Total Expenditure	68,173	22,118	21,883	235	22,684	67,291
Operating (Deficit)	(3,814)	(668)	(1,252)	(585)	(299)	(3,505)

- 1.4 The November operating position shows a deficit of £1.3m (previous month deficit: £0.9m) against a profiled budget deficit of £0.7m. The adverse variance of £0.6m is largely due to reflecting the effect of the current credit activity on SFC grant income. This is because Semester 1 credit activity is currently 5% lower than target. However, forecast grant income for the full year currently remains unchanged, with expectations that additional Semester 2 planned activity will bridge the current credit (and grant income) gap.

Positive variances remain within full-time tuition fee income and commercial income, whilst staff costs are £0.16m lower than year to date budget. However these favourable variances are partly off-set by adverse variances within Associate Degree income, SAAS income, self-payer tuition fees, the WEACTION pre-employability contract and international revenue (the latter shortfall is currently offset by cost savings identified within international travel and overseas agency commissions). Following reviews of projected income streams and forecast budgeted staff savings (mainly additional VS phase 2 in-year savings of £0.2m), the full year operating deficit forecast now stands at £3.5m (an improvement of £0.1m compared to last months deficit projection of £3.6m, and an improvement of £0.3m compared to the starting budget).

- 1.5 Associate Degree student numbers remain 38 below forecast within Engineering, Tourism and Hospitality; as a result, the full year income forecast remains unchanged from last month (a shortfall of £160k). Projections for HE SAAS income have been reduced by a further £100k compared to last month (total shortfall £220k), although this has been offset by an improved forecast (total £100k favourable for the year) within full time HE self-payer fees and examination fee income. The former as a result of some students changing from SAAS awards to self-funding.
- 1.6 Staff vacancy churn and delayed recruitment, together with lower than planned temporary and agency staff costs, and savings achieved through the use of our staff bank are reflected in the current favourable staff cost underspend of £164k. This favourable variance is lower than last month's favourable position (£314k under budget) following the inclusion of the final part of the recently agreed support staff pay settlement. The full year staff expenditure is now projected to settle the year at circa £621k lower than budget. This is based on forecast vacancy churn, vacant posts and VS phase 2 staff release dates.

1.7 **Staff (Full Time Equivalent)**

FTE	30/11/16	Other movement	VS reduction	31/07/16	30/11/15
Teaching	495.1	(0.5)	(8.0)	503.6	518.1
Support	598.5	(10.7)	(25.0)	634.2	645.5
	1,093.6	(11.2)	(33.0)	1,137.8	1,163.6

Staff numbers show an increase of 8.67 FTE from last month, and a decrease of 44.2 FTE from the start of the year. The monthly increase reflects recruitment for unfilled vacancies.

Part of the start of year decrease includes 37.6 FTE which represents a permanent reduction (33 FTE in relation to the phase 1 voluntary severance scheme, and 4.6 FTE from the SRUC transfer of staff). The balance of 6.6 FTE relates to current vacancies, some of which might not be filled. The status of all vacancies is being monitored by the Executive Team. Many vacant positions are filled on a temporary basis.

Cash Position

Opening Cash	Month-end cash	Forecast year-end cash	Comments
01/08/2016	30/11/2016	31/07/2017	Forecast cash includes the effect of £2.9m of advanced funding from the SFC, which is expected to be drawn down in March 2017. This sum was agreed to support the College's transformation plan.
			The opening cash balance of £2m includes an under-spend on Student Support funds of £1.9m, which is likely to be returned to the SFC in the current year.
			Cash forecasts are regularly updated and reviewed, with particular attention placed on managing the critical months of March and July 2017, when there are restrictions on calling upon funds from the SFC.
£'m.	£'m.	£'m.	
2.0	3.9	2.2	

Capital Expenditure

Opening Fixed Assets	Additions YTD	Depreciation	Closing Fixed Assets	Comments
01/08/2016	30/11/2016		30/11/2016	Additions to date are fully funded by Capital Grants and relate to ICT infrastructure, fire and security, building fabric, ventilation and curriculum works.
£'m.	£'m.	£'m	£'m.	
150.2	0.2	(1.8)	148.6	Additional Capital Funds of net £1.1m have been made available to the College, and will consequently increase forecast 'additions' once spending priorities have been finalised early in the new year.

2. CREDIT ACTIVITY

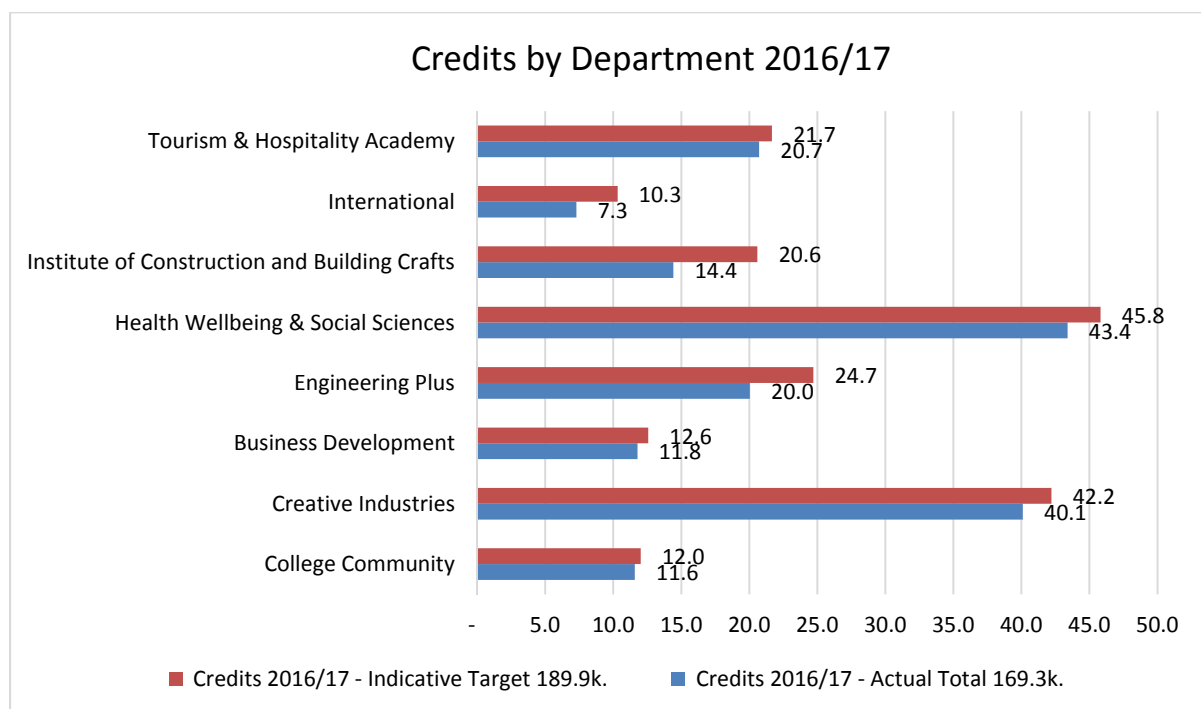
- 2.1 The agreed activity targets for the 2016/17 academic year is 184,028 core credits, with an additional 2,000 credits available (related to ESF) subject to 52,340 HE level credits being achieved in the year. This level has already been exceeded.

2.2 Latest enrolment figures currently stand at 169,231 credits which is 5% behind the Semester 1 target of 178,966 credits. In view of this, a buoyant semester 2 student intake is required to mitigate any potential total credits shortfall. The scheduled semester 2 course portfolio has been designed to attract more students to cover the gap. There is particular focus on:

- Construction (Roofing courses)
- Dental Nursing
- Pharmacy
- Childhood Practice
- STEM (Engineering and Computing)
- CbESOL – ECDL

2.3 Early Retention has also shown a positive improvement to date. In the 2015/16 academic year the early withdrawal rate was 5.2%, whilst the current 2016/17 figure is 4.4% which compares to a sector average in 2015/16 of 4.5%.

The “Credits by Department” table (below) shows a comparison of YTD performance, by department, against current full year targets. A review of student enrolment data remains in progress to ensure that that the data for claiming credits is accurate.



The indicative target above at circa 190k credits is higher than the College’s funded target of 186k credits (including ESF credits) to allow headroom for withdrawals.

3. PROGRESS WITH THE TRANSFORMATION PLAN AND ITS ALIGNMENT TO THE COLLEGE'S 2016/17 BUDGET

3.1 Following the under-achievement of its credit target in 2015/16, the College responded by publishing, in April 2016, a Business Transformation Plan which outlines a sustainable business model for the future. This contains four programmes (financial sustainability, curriculum relevance, workforce development and student recruitment, retention & productivity) that provide a sound framework to allow Edinburgh College to undertake the required improvements. The programmes and the subsumed projects were developed through a highly consultative process, are evidence based and provides clear rationale for the programmes implemented.

A number of projects have already taken place or are substantially underway, namely the curriculum review, the student recruitment rapid improvement event, improving data collection and analysis, the introduction of priority based budgeting, in addition to enhanced dialogue with SFC. All projects represent positive steps to address the reduced level of income.

3.2 The College's Budget for 2016/17 is set in line with the 3-year Business Transformation Plan, which requires working towards a surplus of £0.4m in 2018/19. The budget deficit for the 2016/17 year is £3.8m. The College requires written confirmation from the SFC for each stage of its plan to secure support funding.

Savings for future starting budgets	For Academic Year 2016/17	For Academic Year 2017/18	For Academic Year 2018/19
	£'m	£'m	£'m
Transformation Plan	1.16m	3.27m	1.13m
Achieved to date:			
Voluntary Severance 1	1.07m	0.05m	-
Voluntary Severance 2	-	0.77m	
Non-Pay costs	0.12m	-	-
Income Growth	-	-	-
Total Achieved	1.19m	0.82m	-

3.3 The 'total achieved' figures will only be included when cost reductions have been clearly identified and agreed. There is currently ongoing work within curriculum and support areas towards identifying future cost savings relating to curriculum design, and new staff structures for both support and curriculum areas.

3.4 Non-pay related supplies and services contracts are also being reviewed, with the upcoming ISS contract worth over £2m undergoing a detailed review for future cost savings.

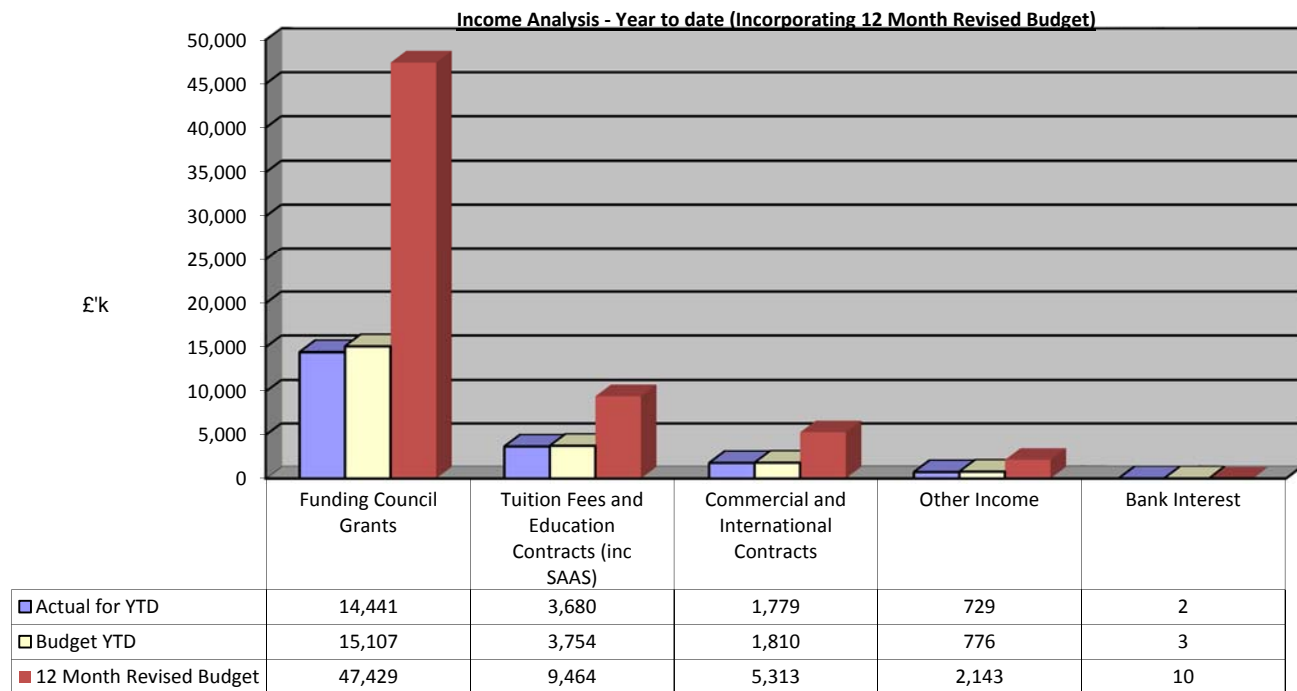
3.4 The College had a successful phase 1 of its voluntary severance scheme, showing an improvement of £0.03m against plan in 2016/17. Phase 2 closed at the end of November and is forecast to deliver savings of net £0.77m following release of recycled savings of £0.26 being used to increase academic capacity within the curriculum.

Phase 2 delivered £1.03m savings for a total VS cost of £628k; £0.42m of Phase 2 savings (net of Curriculum Leader restructuring costs) are forecast to occur in 2016/17. These are included in the current year forecast position.

Phase 3 is not due to open until March/April 2017; however, this phase will present the biggest challenge to the College as £2.4m of savings needs to be identified.

Income Expanded Account Detail for the 4 Months to 30th November 2016 (Ex SFC Grants)

4. Income Analysis	<u>Original</u>	<u>Revised</u>					<u>Previous</u>	<u>Year End</u>
	<u>Annual</u>	<u>Annual</u>	<u>YTD Budget</u>	<u>YTD Actuals</u>	<u>YTD</u>	<u>Variance</u>	<u>YTD</u>	<u>Projection</u>
	<u>Budget</u>	<u>Budget</u>						
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
<u>Tuition Fees & Education Contracts</u>								
FE - UK & EU	1,401	140	113	58	(55)	53	140	
HE - UK & EU		339	335	432	96	493	459	
PT Self Payers		922	713	697	(15)	622	882	
Examination Fee Income		0	0	7	7	6	20	
SAAS	4,238	4,238	1,325	1,270	(55)	1,269	4,018	
Associate Degree Fees	1,198	1,198	399	348	(52)	401	1,038	
Managing Agents	1,362	1,362	451	451	(0)	541	1,362	
Edinburgh Council - Pre Emp Contract	1,265	1,265	417	417		522	1,215	
	<u>9,464</u>	<u>9,464</u>	<u>3,754</u>	<u>3,680</u>	<u>(75)</u>	<u>3,906</u>	<u>9,134</u>	
<u>Commercial & International</u>								
International	1,350	1,350	486	436	(50)	601	1,200	
SDS	600	600	189	189	(0)	169	600	
EH15 and The Apprentice Restaurants	53	53	24	29	6	34	53	
Bliss SPA and Employability Salons	120	120	46	46	(0)	43	120	
Gym	338	337	101	101	0	103	337	
Nursery	1,050	1,050	305	305	0	329	1,050	
Residences	590	590	182	182	(0)	188	590	
Access Centre Provision	130	130	52	52	(0)	15	130	
Bespoke Contracts for Employers	1,052	657	162	173	12	244	707	
Scheduled Short Courses	30	425	263	265	2	281	425	
Other European Income						6		
	<u>5,313</u>	<u>5,313</u>	<u>1,810</u>	<u>1,779</u>	<u>(31)</u>	<u>2,012</u>	<u>5,213</u>	
<u>Other Income</u>								
Catering	1,879	1,879	619	563	(56)	659	1,729	
Other Income Generating Activities	230	265	157	166	9	86	265	
	<u>2,108</u>	<u>2,143</u>	<u>776</u>	<u>729</u>	<u>(47)</u>	<u>745</u>	<u>1,993</u>	
<u>Endowment & Investment</u>								
Bank Interest	10	10	3	2	(1)	4	10	
	10	10	3	2	(1)	4	10	
TOTAL INCOME (EX SFC GRANTS)	<u>16,895</u>	<u>16,930</u>	<u>6,344</u>	<u>6,190</u>	<u>(154)</u>	<u>6,668</u>	<u>16,350</u>	



- 4.1 The income budget for the year is £64.4m, an increase of £225k from last month as a result of adding capital allocation (revenue related) and other income. Year to date income is £20.6m, showing an adverse variance of £0.8m compared to the profiled budget of £21.5m.

Grant in Aid and ESF income is forecast on the assumption that the credit targets will be met. However semester 1 YTD actual income is showing £0.66m behind budget, and as outlined in paragraph 1.1 above, this variance is expected to reverse as a result of additional activity in semester 2.

As stated in paragraph 1.5, SAAS funded student numbers continue to be below forecast, therefore the full year income forecast has been reduced by an additional £100k (total £220k for the year) against budget to reflect this change. This has been partly offset by a net increase from last month of £50k (total £100k for the year) in forecast self-paying students (primarily for those students converting from SAAS), to reflect the expected additional semester 2 activity. An update on progress will be provided next month.

Following a review of outcomes to date in relation to the WEA CT pre-employability contract, the full year projection for this line is now £1.21m, £50k lower than budget. Contractual issues are currently under discussion which may change this position. However mitigating expenditure savings are currently being sought to bridge this current income gap if it remains the same.

Following a further review of SAAS activity it has transpired that a number of students who were expected to receive SAAS awards (as they had made an application) were not being supported by SAAS. They were then billed accordingly or withdrew from their course.

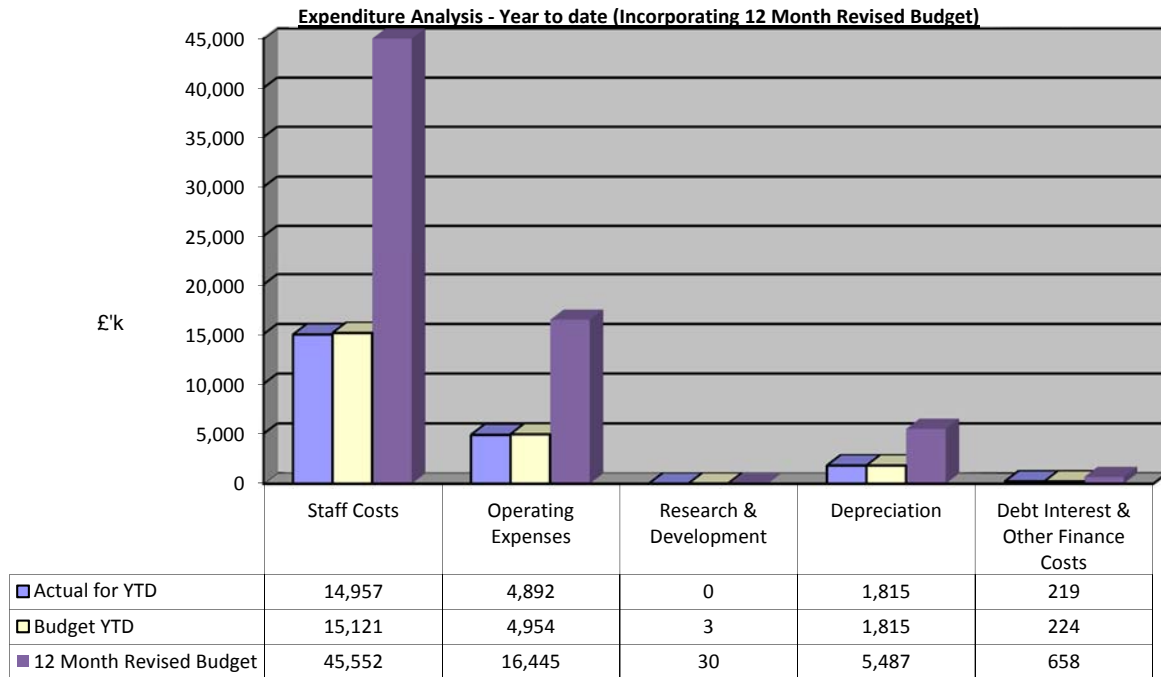
- 4.2 Associate Degree student numbers have not changed since last month and now that the

withdrawal date of the 1st December is past, we are in the process of invoicing Universities. In light of student numbers remaining static, the full year projection (a shortfall of £160k) remains unchanged from last month.

- 4.3 Managing Agent Income remains in line with budget with any negative contracts being offset by positive movements. Some additions have been made to individual SLAs, with extra units being added for particular apprentices, such as core skills. This approach should bolster our income streams and mitigate any future weakness in this area.
- 4.4 Total commercial and international income to date stands at £3.7m. The full year forecast for commercial income remains in line with last month (£50k higher than full year budget), which includes £22k of additional Facilities Hire income. Business School scheduled courses continue to do well, particularly CIPD Intermediate Diplomas and SVQ's in Social Services and Healthcare. December is traditionally a quiet month for the commencement of commercial courses and most bespoke programmes are likely to start in January. The commercial development team are currently considering options for at least three new summer schools for June/July 2017. Agreement is close for at least one of these contracts, which may generate an additional £60-£80k with low associated costs. The finance team continue to work with the commercial team and Heads of Faculties to ensure that income planned for bespoke contracts continues to be in line with reported projections.
- 4.5 Following a review of current international work contracted and planned, the forecast for full year international income has been reduced by £150k. However, this reduction has been offset by full year savings identified within international travel (£100k) and overseas agents commission (£50k). However, much work is being performed by the Business and International Development teams to secure new business over the coming months to improve the position.
- 4.6 Catering income to date stands at £0.6m, which is £56k lower than the profiled budget but remains offset by corresponding savings across catering expenditure areas. As a consequence, the full year projections for catering income and associated expenditure (reductions of £150k) remain in line with last month. The trading position is shown in paragraph 7.
- 4.7 During the month, our deferred income release was £251k (cumulative £1,025k), which is in line with forecast and is matched against associated depreciation charges.

5. EXPENDITURE ANALYSIS

Total Expenditure (Non-Staffing) Expanded Account Detail for the 4 Months to 30th November 2016							
	<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
<u>Other Operating Expenses</u>							
Premises	5,081	5,081	1,596	1,596	(0)	1,836	5,081
Teaching Activity & Support	912	910	402	403	(1)	418	910
Childcare Costs	1,500	1,500	415	415	0	415	1,540
Transport Costs	45	45	11	20	(9)	20	45
IT Costs	1,196	1,196	357	357	0	414	1,196
Telecomms Costs	201	201	69	69		61	201
Equipment	51	51	31	29	2	17	51
Health & Safety	89	89	21	21	(0)	25	89
Travel & Subsistence	523	523	152	122	30	260	423
Admin Costs	246	248	69	75	(6)	82	248
Corporate, Consultancy, Professional	1,146	1,334	299	300	(1)	350	1,334
Staff Welfare	16	16	5	5	(0)	4	16
Catering	1,337	1,339	385	336	49	425	1,189
Training & Development	113	113	30	30	(0)	39	113
VAT	1,480	1,480	527	527		649	1,480
Marketing & PR	215	214	92	91	0	122	214
Partnership Costs	560	560	228	248	(20)	217	560
Overseas Agents Commission	148	148	83	63	20	50	98
Registration & Exam Fees	1,351	1,351	182	184	(2)	345	1,351
Bad Debts	48	48	(0)		(0)	1	48
	16,256	16,445	4,954	4,892	62	5,751	16,185
Depreciation for the year	5,487	5,487	1,815	1,815		1,987	5,487
<u>Debt Interest & Other Finance Costs</u>							
Interest On Bank Loans	623	623	208	208		222	623
Other Finance Charges	35	35	17	11	5	(4)	35
	658	658	224	219	5	218	658
Research & Development	30	30	3		3	10	30
TOTAL EXPENDITURE (NON-STAFFING)	22,431	22,621	6,997	6,926	70	7,966	22,360



- 5.1 Within other operating expenditure, we are currently showing a favourable variance of £62k on the profiled year to date budget, reflecting underspends to date within catering costs of £49k (as a by-product of lower than budgeted catering income to date) together with travel expenditure & overseas agents commission (£50k in total – aligned to lower than budgeted international income to date). These favourable variances have been partly offset by small overspends within partnership costs (WEACT) of £20k, transport costs (vehicles hires) of £9k and administration costs of £6k. Most other expenditure areas currently remain in line with target. All of the above adverse variances will continue to be reviewed and actions taken to mitigate overspends accordingly.
- 5.2 In the year to date, depreciation charges of £1.8m have been released from our fixed assets to reflect their economic use.
- 5.3 The 2016/17 budget currently excludes a number of potential PBB savings, although savings relating to several options such as the centralization of print services will be reflected later in the year when the exact timing of these savings and the precise amounts are verified.

6. STAFF COST ANALYSIS

6.1 Costs of the first phase of the voluntary severance scheme (VS) were included within the 2015/16 academic year, but those affected by the scheme left the College between August and the end of October 2016. Funding of £650k was received in August, with corresponding costs of £647k to date. Unfunded costs of Senior Management VS (£341k) and strain costs of (£15k) were included within the 2015/16 accounts.

The full year savings associated with the first phase of the scheme (£1.07m) is slightly above the Business Transformation Plan figure (£1.03m). The budget does not include in-year savings relating to phase 2 of the VS scheme. The savings attributable to this, which start in January 2017, are £0.5m in the current year offset by £0.1m costs associated with restructuring curriculum leader posts, and £0.2m in relation to the support staff pay settlement. These factors are now all included in the full year forecast (The overall effect on forecast is £0.2m positive which has been adjusted in the current month).

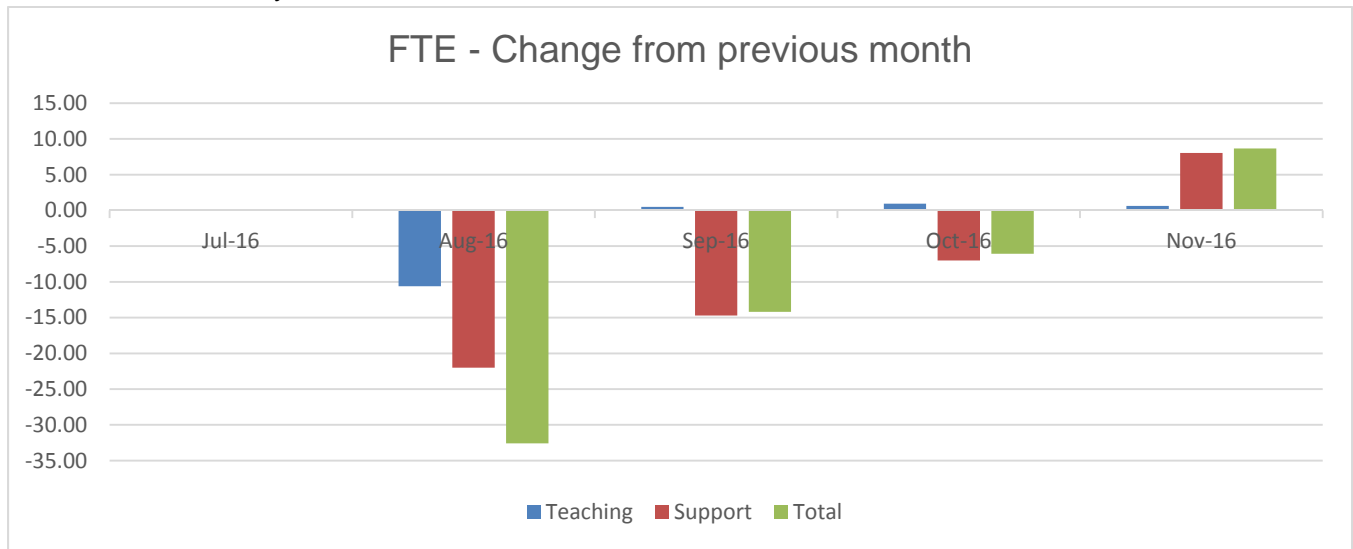
Staffing Expenditure Expanded Account Detail for the 4 Months to 30th November 2016							
	<u>Original Annual Budget</u>	<u>Revised Annual Budget</u>	<u>YTD Budget</u>	<u>YTD Actuals</u>	<u>YTD Variance</u>	<u>Previous YTD</u>	<u>Year End Projection</u>
	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>	<u>£000s</u>
Staff Costs							
Senior Management	1,793	1,808	636	654	(18)	658	1,783
Academic Departments	23,036	23,036	7,680	7,612	68	7,454	22,722
Academic Services	4,171	4,166	1,382	1,288	95	1,435	4,109
Admin & Central Services	12,638	12,662	4,218	4,192	25	3,969	12,489
Premises	1,120	1,120	374	386	(13)	397	1,105
Catering & Residences	957	957	311	303	8	286	944
Temporary & Agency Staff Costs	1,108	1,108	369	357	12	364	1,093
Other Staffing Expenditure	694	694	151	164	(13)	155	685
	45,517	45,552	15,121	14,957	164	14,718	44,931

6.2 Staff costs are currently £0.16m lower than the profiled budget. This positive variance is lower than last month as the effects of the support staff pay settlement (£0.2m) have now been included within actual costs to date. £81k of which relates to April to July in the previous year. There are also positive financial effects of lower than projected temporary and agency staff costs, vacancy churn, delayed recruitment and the benefits associated with the use of our staff bank.

6.3 The current positive variance is unlikely to continue at this cumulative pace after vacant posts are filled. The full year staff expenditure is now projected to settle the year at £0.6m lower than budget.

6.4 FTE staff numbers have increased by 8.67 between October and November, although there is still an overall decrease of 11.2 FTE (ex VS leavers) since the beginning of the academic year. The biggest increase during the month has been within the Learning Resources area, following the recruitment of 4.17 FTE in the College's library functions. The number of leavers has decreased this month, with 6 leavers in November compared to 12 leavers in October. However, this number will increase over the coming months following the next phase of the VS scheme.

6.5 Movements by month are shown below:



7. TRADING DEPARTMENTS

	Catering				Nursery			
	YTD Nov 2016				YTD Nov 2016			
	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	1,879	619	563	1,729	1,050	305	305	1,050
Staffing Expenditure	(1,114)	(363)	(352)	(1,114)	(1,026)	(336)	(341)	(1,026)
Non Staffing Expenditure	(791)	(244)	(199)	(641)	(184)	(60)	(60)	(184)
Net (Deficit) / Surplus								
Contribution Towards Associated Costs	(27)	11	12	(27)	(160)	(91)	(97)	(160)

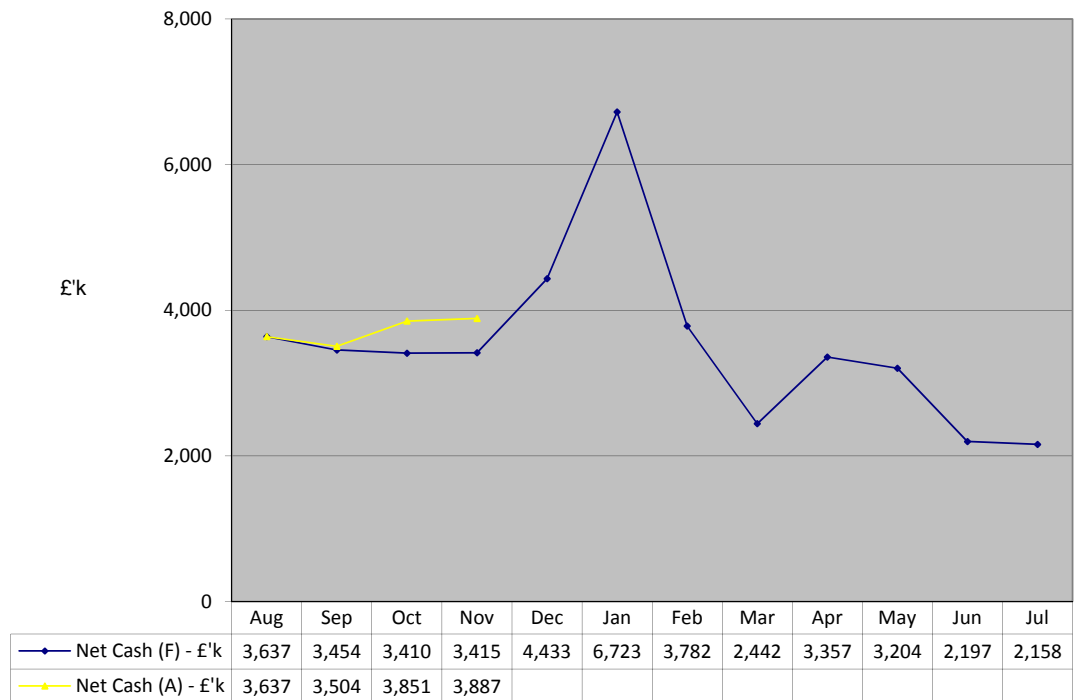
- 7.1 The above table provides an overview of the trading positions of the catering and nursery departments.
- 7.2 The Catering Department has forecast income to be £150k below budget. However an equivalent reduction in costs is being targeted and is included in the forecast. Year to date lower costs have offset lower income to leave a net year to date surplus in line with budget.
- 7.3 The nursery is forecasting a deficit and an operational review of this area remains ongoing. Early findings suggest that there is scope to implement a number of changes (including reconfiguration works) which will improve future financial performance. This review is expected to be completed in January 2017 and a further marketing drive is in place to recruit more children from January onwards. Income as well as staff and non staff costs are in line with year to date budget.

8. CASH-FLOW

- 8.1 The cash balance at the end of November is £3.9m which includes £2.1m of student support funds. The December cash forecast provided to the SFC shows a July 2017 balance of £2.7m. This forecast includes £2.9m of SFC advanced transformation plan support. The revised projection to July 2017 of £2.2m now incorporates the support staff pay award together with the adverse effects of potentially lower tuition fee income.
- 8.2 Advanced cash funding is required from the SFC to accelerate progress over the next 3 academic years towards a balanced budgetary position for the College. This includes repayable cash support of £2.9m in 2016/17, to enable recurring core operational expenditure outflows to be met in advance of securing savings through the release of staff through VS schemes. There will also be a reduction in supplies and services costs through the cancellation or re-tendering of out-sourced goods/services contracts, together with our on-going approach to securing additional cost reduction / efficiency savings.

Cash forecasts are regularly updated and reviewed with close attention being paid to managing the critical months of March and July 2017 when calling on funds from SFC is restricted.

Cash Position - Forecast versus Actuals to November 2016



9. BALANCE SHEET

<u>Balance Sheet as at 30 November 2016</u>		<u>As at 30</u> <u>Nov 16</u>	<u>As at 31</u> <u>Jul 16</u>	YTD Mvmt
		<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Fixed Assets	Land and Buildings	141,451	142,547	(1,096)
	Fixtures, fittings and Equipment	7,169	7,633	(464)
		<u>148,621</u>	<u>150,179</u>	<u>(1,558)</u>
Current Assets	Stock	102	122	(20)
	Debtors	5,248	2,645	2,603
	Cash - Main	1,748	1,287	461
	Cash - Student Support	2,139	704	1,435
Total		<u>9,237</u>	<u>4,758</u>	<u>4,479</u>
Creditors		(85,919)	(81,605)	(4,314)
Provisions		(30,225)	(30,368)	143
		<u>41,714</u>	<u>42,965</u>	<u>(1,251)</u>
Funded by:				
Reserves		41,714	42,965	(1,251)
		<u>41,714</u>	<u>42,965</u>	<u>(1,251)</u>

- 9.1 The movement in Fixed Assets and Cash is reviewed in the sections above. The increase in Debtors relates to the invoicing of fees and commercial contracts and the accrual of income (primarily approximately £3.9m SAAS payable in January, other tuition fees mainly payable in December / January, and ESF grants payable once our FE/HE credits target have been achieved). The increase in creditors largely relates to Grant-in-Aid receipts which have not yet been recognised within the Income statement.

10. SFC REPORTING

Summary Resource Return (RDEL)

	Forecast 12 mths to 31 Mar 17	Actual 12 mths to 31 Mar 16
SFC Income	58,509	54,092
Other Income	16,619	16,432
Total Income	75,128	70,524
Expenditure	<u>(74,113)</u>	<u>(70,899)</u>
	1,015	(375)
Less Loan Repayment	<u>(1,263)</u>	
Net Overspend	<u>(248)</u>	<u>(375)</u>

- 10.1 The College is required to report to the SFC on our financial performance each quarter during the year (monthly during the final quarter). These returns are submitted in a format prescribed by the SFC, and currently relate to the period from April 2016 to March 2017 (i.e. on a financial year basis as opposed to an academic year basis).
- 10.2 The main part of the return monitors spending against RDEL (Resource Departmental Expenditure Limit) and refers to all income and expenditure other than capital additions, depreciation and deferred grant releases and certain changes to provisions regarding pensions.
- 10.3 There has been no additional return since the last month end. The September quarterly return reported a projected over-spend for the year of £0.2m against RDEL. The above figures include all of the income we expect to receive from the SFC (i.e. including debt support grants and ESF funding). However, the September return also includes SFC cash support funding of £2.9m (as we were instructed to include this figure by the SFC). There is a likelihood that the SFC will reduce Student Support funds during the year, which will increase the RDEL deficit accordingly. This deficit is expected, given the starting academic year budget deficit of £3.8m.
- 10.4 This is based on the actual out-turn for the academic year to July 2016, less the amounts recognised to March 2016, plus a pro-rata of figures from the transformation plan financials for the forthcoming academic year. This compares to an actual outturn of £375k overspend in the year to March 2016. Part of the difference is a change in treatment, and the return now includes £1.3m in loan repayments which were previously excluded from the return.
- 10.5 The CDEL (Capital Departmental Expenditure Limit) projection for the year is a breakeven position – i.e. we are projecting that expenditure on fixed assets will align with the amount of capital grant funding received from the SFC. The AME (Annually Managed Expenditure) figure refers to movements in provisions and the revaluation of pension deficits. No budgets or projections have been provided at this stage due to the uncertainty of future movements. The actuarial valuation of the pension scheme at 31 July 2016 will be reported as an amendment to the return to 31 March 2016 in line with SFC requirements.

11. KEY PERFORMANCE DATA

Financial Performance Monitoring Template							
	2015/16 Annual Target	2015/16 Revised Annual Target		2016/17 Annual Target	2016/17 YTD Actual		2015/16 Annual Out-turn
Credits	195,452	186,258		184,028	169,321		180,144
Credits ESF	4,806	2,000		2,000	-		-
	2015/16 Annual Budget	2016/17 Annual Budget	Revised Annual Budget	2016/17 YTD Budget	2016/17 YTD Actuals	YTD Variance	Previous YTD
	£k	£k	£k	£k	£k	£k	£k
Commercial & International Contracts	5,377	5,313	5,313	1,810	1,779	(31)	2,012
Refer sections 2 to 5							
Income	67,216	64,134	64,359	21,450	20,631	(820)	22,385
Expenditure	67,840	67,948	68,173	22,118	21,883	235	22,684
Operating Surplus / (Deficit)	(624)	(3,814)	(3,814)	(668)	(1,252)	(585)	(299)
Refer sections 6 to 7							
Net Cash Inflow / (Outflow)	941	(452)	(452)	1,840	1,896	56	1,729
Bank Balance	4,052	1,539	1,539	3,831	3,887	56	4,873
Fixed Assets	150,716	145,409	145,409	148,621	148,621	-	154,098
Net Current assets / (liabilities)	631	(9,417)	(9,417)	(8,595)	(8,595)	-	(506)
Creditors and Provisions	(39,662)	(97,538)	(97,538)	(98,312)	(98,312)	-	(40,508)
Net Assets	111,685	38,454	38,454	41,714	41,714	-	113,084
Pay costs % of Income	% 67.2	71	71	70.4	72.5	2.1	65.7
Current Ratio	1.1	0.47	0.47	0.52	0.52	-	0.96
Cash Days in Hand	4	(37)	(37)	(52)	(52)	-	(3)
Borrowings as % of reserves	% 10.0	10.6	10.6	11	11	-	10

	<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	43,374	43,564	13,815	13,149	(666)	14,362	43,572
Deferred Capital Grant Releases	3,065	3,065	1,025	1,025	0	1,088	3,065
Debt Support Grant	800	800	267	267	0	267	800
Tuition Fees and Education Contracts (inc SAAS)	9,464	9,464	3,754	3,680	(75)	3,906	9,134
Commercial and International Contracts	5,313	5,313	1,810	1,779	(31)	2,012	5,213
Other Income	2,118	2,153	779	731	(48)	749	2,003
Total Income	64,134	64,359	21,450	20,631	(820)	22,385	63,787
Staff Costs	45,517	45,552	15,121	14,957	164	14,718	44,931
Other Operating Expenses	16,256	16,445	4,954	4,892	62	5,751	16,185
Depreciation	5,487	5,487	1,815	1,815	0	1,987	5,487
Debt Interest & Other Finance Costs	658	658	224	219	5	219	658
Research & Development	30	30	3	0	3	10	30
Total Expenditure	67,948	68,173	22,118	21,883	235	22,684	67,291
Operating Surplus / (Deficit)	(3,814)	(3,814)	(668)	(1,252)	(585)	(299)	(3,505)
Statement of Historical Cost Surpluses and Deficits for the 4 Months to 30th November 2016							
Operating Surplus / (Deficit)	(3,814)	(3,814)	(668)	(1,252)	(585)	(299)	(3,505)
Difference between historical cost depreciation and actual revaluation charge for the period	612	612	208	208	0	212	612
Historical Cost Surplus / (Deficit)	(3,202)	(3,202)	(460)	(1,044)	(585)	(87)	(2,893)

	<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							
Funding Council Grants							
Recurrent Grant Inc Fee Waiver	40,162	40,162	12,707	12,047	(660)	12,730	40,162
Childcare Funds	1,500	1,500	415	415	(0)	415	1,540
Deferred Capital Grants	3,065	3,065	1,025	1,025		1,088	3,065
Debt Support Grants	800	800	267	267		267	800
Other SFC Grants	1,712	1,901	693	687	(6)	1,217	1,869
	47,239	47,429	15,107	14,441	(666)	15,717	47,437
Tuition Fees & Education Contracts							
FE - UK & EU	1,401	140	113	58	(55)	53	140
HE - UK & EU		339	335	432	96	493	459
PT Self Payers		922	713	697	(15)	622	882
Examination Fee Income		0	0	7	7	6	20
SAAS	4,238	4,238	1,325	1,270	(55)	1,269	4,018
Associate Degree Fees	1,198	1,198	399	348	(52)	401	1,038
Managing Agents	1,362	1,362	451	451	(0)	541	1,362
Edinburgh Council - Pre Emp Contract	1,265	1,265	417	417		522	1,215
	9,464	9,464	3,754	3,680	(75)	3,906	9,134
Commercial & International							
International	1,350	1,350	486	436	(50)	601	1,200
SDS	600	600	189	189	(0)	169	600
EH15 and The Apprentice Restaurants	53	53	24	29	6	34	53
Bliss SPA and Employability Salons	120	120	46	46	(0)	43	120
Gym	338	337	101	101	0	103	337
Nursery	1,050	1,050	305	305	0	329	1,050
Residences	590	590	182	182	(0)	188	590
Access Centre Provision	130	130	52	52	(0)	15	130
Bespoke Contracts for Employers	1,052	657	162	173	12	244	707
Scheduled Short Courses	30	425	263	265	2	281	425
Other European Income						6	
	5,313	5,313	1,810	1,779	(31)	2,012	5,213
Other Income							
Catering	1,879	1,879	619	563	(56)	659	1,729
Other Income Generating Activities	230	265	157	166	9	86	265
	2,108	2,143	776	729	(47)	745	1,993
Endowment & Investment							
Bank Interest	10	10	3	2	(1)	4	10
	10	10	3	2	(1)	4	10
TOTAL INCOME	64,134	64,359	21,450	20,631	(820)	22,385	63,787
EXPENDITURE							
Staff Costs							
Senior Management	1,793	1,808	636	654	(18)	658	1,783
Academic Departments	23,036	23,036	7,680	7,612	68	7,454	22,722
Academic Services	4,171	4,166	1,382	1,288	95	1,435	4,109
Admin & Central Services	12,638	12,662	4,218	4,192	25	3,969	12,489
Premises	1,120	1,120	374	386	(13)	397	1,105
Catering & Residences	957	957	311	303	8	286	944
Temporary & Agency Staff Costs	1,108	1,108	369	357	12	364	1,093
Other Staffing Expenditure	694	694	151	164	(13)	155	685
	45,517	45,552	15,121	14,957	164	14,718	44,931
Other Operating Expenses							
Premises	5,081	5,081	1,596	1,596	(0)	1,836	5,081
Teaching Activity & Support	912	910	402	403	(1)	418	910
Childcare Costs	1,500	1,500	415	415	0	415	1,540
Transport Costs	45	45	11	20	(9)	20	45
IT Costs	1,196	1,196	357	357	0	414	1,196
Telecomms Costs	201	201	69	69		61	201
Equipment	51	51	31	29	2	17	51
Health & Safety	89	89	21	21	(0)	25	89
Travel & Subsistence	523	523	152	122	30	260	423
Admin Costs	246	248	69	75	(6)	82	248
Corporate, Consultancy, Professional	1,146	1,334	299	300	(1)	350	1,334
Staff Welfare	16	16	5	5	(0)	4	16
Catering	1,337	1,339	385	336	49	425	1,189
Training & Development	113	113	30	30	(0)	39	113
VAT	1,480	1,480	527	527		649	1,480
Marketing & PR	215	214	92	91	0	122	214
Partnership Costs	560	560	228	248	(20)	217	560
Overseas Agents Commission	148	148	83	63	20	50	98
Registration & Exam Fees	1,351	1,351	182	184	(2)	345	1,351
Bad Debts	48	48	(0)		(0)	1	48
	16,256	16,445	4,954	4,892	62	5,751	16,185
Depreciation for the year	5,487	5,487	1,815	1,815		1,987	5,487
Debt Interest & Other Finance Costs							
Interest On Bank Loans	623	623	208	208		222	623
Other Finance Charges	35	35	17	11	5	(4)	35
	658	658	224	219	5	218	658
Research & Development	30	30	3		3	10	30
TOTAL EXPENDITURE	67,948	68,173	22,118	21,883	235	22,684	67,291
Operating Surplus / (Deficit)	(3,814)	(3,814)	(668)	(1,252)	(585)	(299)	(3,505)

Balance Sheet
For the 4 Months to 30th November 2016

	<u>2016/2017</u> <u>YTD Actuals</u> <u>£000s</u>	<u>2015/16</u> <u>Year End</u> <u>£000s</u>	<u>2015/2016</u> <u>Previous YTD</u> <u>£000s</u>
Fixed Assets			
L&B	141,451	142,547	144,636
FFE	7,169	7,633	9,462
	148,621	150,179	154,098
Current Assets			
Stock	102	122	103
Debtors	5,248	2,645	6,353
Cash	3,887	1,991	4,873
	9,237	4,758	11,328
Creditors < 1yr			
Loans	(408)	(408)	(386)
Payments received in advance	(260)	(241)	(652)
Trade creditors	(1,154)	(1,198)	(1,115)
Taxes & social sec	(1,115)	(1,141)	(1,051)
Accruals, Def Inc & Other Creditors	(2,986)	(5,970)	(3,172)
Amounts owed to SFC	(8,843)	(75)	(5,457)
Deferred Capital Grants - Government	(3,065)	(3,065)	(3,065)
	(17,832)	(12,097)	(14,899)
Net current assets / (liabilities)	(8,595)	(7,339)	(3,571)
Total assets less current liabilities	140,025	142,840	150,527
Creditors > 1yr			
Bank loans	(10,475)	(10,575)	(10,888)
Lennartz VAT	(575)	(866)	(1,488)
Deferred Capital Grants - Government	(57,036)	(58,066)	(59,736)
	(68,087)	(69,507)	(72,111)
Provisions			
Early retirement	(4,940)	(5,037)	(4,877)
Other	9	(37)	(40)
	(4,931)	(5,074)	(4,916)
Net pension asset / (liability)	(25,294)	(25,294)	(23,216)
NET ASSETS	41,714	42,965	50,283
Reserves			
I&E account	39,077	40,118	44,947
Pension reserve	(25,294)	(25,294)	(23,216)
Revaluation reserve	27,931	28,141	28,551
RESERVES	41,714	42,965	50,283

