West College Scotland

FINANCE AND GENERAL PURPOSES COMMITTEE

TUESDAY 10 MARCH 2020 at 4.00 p.m. in
Abercorn 2, Paisley Campus

AGENDA

General Business

1.	Catering and Cleaning Review Update Roy Miller from Ideal Catering Ltd will present the findings from recent review of the College Catering and Cleaning provision.	Pres'n	RM
2.	Apologies		
3.	Declaration of Interests		
4.	Minutes of the meeting held on 19 November 2019 .1 Actions arising from the Minutes	Enclosed Enclosed	JW JW
5.	Matters arising from the Minutes (and not otherwise on the agenda) .1 No matters arising		
6.	Minutes of Joint Audit and Finance & General Purposes Committee Meeting held on 19 Nov 2019	Enclosed	JW

Main Items for Discussion and/or Approval

7.	Vice Principal Update Report	Paper 7	DA
8.	Student Support Funds Update	Pres'n	VM
9.	Management Accounts to 31 January 2020	Paper 9	AR
10.	IT Strategy Update	Paper 10	DA
11.	Scottish Government/College Cyber Resilience Framework	Paper 11	DA
12.	Procurement (PCIP) Audit Outcome	Paper 12	VM
13.	Internal Audit - Financial Systems Healthcheck	Paper 13	AR
14.	Strategic Risk Register Review	Paper 14	AR

Items for Information

15. The Financial Sustainability of Colleges and Universities in Scotland	Paper 15	AR
16. Schedule of Business 2019-20	Paper 16	AR
17. Any other business		

Next meeting: 2 June 2020, Abercorn 2, Paisley Campus

Shirley Gordon
Secretary to the Committee

FINANCE AND GENERAL PURPOSES COMMITTEE

MINUTES: 19 November 2019

Present: Jim Hannigan (in the Chair), Liz Connolly, John Leburn and Angela Wilson

Attending: David Alexander (Vice Principal Operations), Alan Ritchie (Director of Finance and Estates), Vivienne Mulholland (Head of Finance and Student Funding) and Drew McGowan (Interim Secretary to the Committee).

Apologies: Keith McKellar and David Black.

FPM289 DECLARATION OF INTERESTS

Jim Hannigan declared an interest as NMIS Programme Manager, Skills Development Scotland. Liz Connolly declared an interest as a Trustee of the West College Scotland Foundation. Angela Wilson declared an interest in relation to Agenda Item FPM292 (the Pentana system). David Alexander declared an interest as a Board member of the Scottish Funding Council and as Chair of the Scottish Funding Council Audit and Compliance Committee.

FPM290 MINUTES

The minutes of the meeting held on 3 September 2019 were approved.

FPM291 ACTIONS

The Committee noted a report on actions taken since the last meeting and agreed that FPM226.1 on the action tracker be amended to clarify that updates on the Business Transformation Plan should continue to be given. [Action: DM]

FPM292 VICE PRINCIPAL UPDATE REPORT

The Vice Principal provided an overview of the report before highlighting several matters, including:

.1 Student Support Funds. The Vice Principal advised the Committee that the SFC had issued a circular to the sector inviting colleges to relinquish unspent student support funds or to request an increase to their student support allocations for 2019-20 by 22 November 2019. Given that the West College Scotland student support funding allocation for 2019-20 was already a lower amount than in 2018-19 the SFC had been made aware from the outset that additional resource would be required. This position has been further exacerbated by the need to meet a significantly higher level of demand from care experienced students. Since the beginning of the 2018-19 academic year, colleges have been required to pay a non-means tested weekly bursary maintenance award of £202.50 – an income of £8,100 per academic year – to care-experienced FE students. Members were informed that the number of identified care-experienced students had trebled when comparing the corresponding periods in 2018-19 and 2019-20 and that the College would need in excess of £1million to fund this demand. The Vice Principal apprised members that there was a lack of clarity regarding the funding required to meet this level of demand from the Scottish Funding Council, and expressed concern about the risk involved with being required to deliver a government priority without commensurate funding currently having been made available to do so. The Head of Finance and Student Funding also informed the committee that SFC had suggested the care-experienced age cap may be removed from the 2020-21 academic year – a decision which would, again, increase demand for support if implemented. The Committee shared the concern expressed by attending officers and agreed that the Principal should raise the issue at the Principals Group to discuss with colleagues in other colleges. The Vice Principal said that he would keep the Committee updated with any developments. **[Action: LC; DA]**

.2 Engagement with the Scottish Funding Council: The Vice Principal confirmed that the College continued to have discussions with the SFC and that it had been previously agreed that they would review Price Group 5 level activity and movement in this in more detail. However, the Principal confirmed that the College was still awaiting confirmation from SFC on how this was to be taken forward despite requests for an update on the next steps . However, it is believed that internal discussions are ongoing within the SFC and the College are seeking an understanding of the outcome of these in order to progress the business transformation plan as required.

.3 Job Evaluation: The Committee received an update on the sector's national job evaluation project relating to support staff. The Vice Principal advised members that progress was not as advanced as planned and the project had been subject to initial delay, and thus the overall project timescales may now require to be reviewed – however communication on this was awaited. The Vice Principal confirmed that 16 job analysts had been appointed to support the national job evaluation process.

.4 Information Technology: In the absence of the Director of Information Technology, the Vice Principal informed members that the roll-out of Skype was almost complete, with 30 employees left to sign up, and the College was hopeful of securing the Cyber Essential Plus Accreditation in the coming weeks. The Committee also heard of the College's work with West Dunbartonshire Council to introduce the Pentana system during the 2019-20 academic year – work that will require culture change, as well as system change – and it was agreed that the Vice Principal would continue to keep members apprised of progress. **[Action: DA]**

.5 Retirement: The Director of Information Technology, David Black, will be retiring on 18 December 2019. The Committee recognised his service at the College and asked that their best wishes be passed on to him.

FPM293 FINANCIAL STATEMENTS TO 31 JULY 2019

The Director of Finance and Estates tabled and spoke to the Financial Statements for the year to 31 July 2019. He confirmed that these accounts have been externally audited by Mazars and highlighted the minor movement in the adjusted operating position. A discussion on the Performance Report ensued and it was agreed that additional context should be provided on page 12 for the adjusted operating surplus. The Committee approved the Financial Statements for presentation to the Joint Audit/Finance and General Purposes Committee. **[Action: AR]**

FPM294 MANAGEMENT ACCOUNTS TO 31 OCTOBER 2019

The Director of Finance and Estates presented the Management Accounts for the first quarter. He highlighted to members that the assumptions made at the time the budget was agreed may change and also drew their attention to the risk faced by the College in delivering the budgeted break even position. There was a discussion on student funding, which built upon the discussion on this matter under the previous agenda item, and the delay in the Scottish Government's budget due to the impending UK general election. The Committee welcomed the news that the College was on track to achieve the credit activity target for the year, noting that it represents 80% of annual revenue, and approved the Management Accounts.

FPM295 CATERING AND CLEANING SERVICES REVIEW

[redacted] **[Action: DA]**

FPM296 PROCUREMENT – ANNUAL REPORT AND STRATEGY UPDATE

The Head of Finance and Student Funding tabled an update on the Procurement Strategy for the Committee's consideration and the Procurement Annual Report for the Committee to approve its publication. The Committee welcomed the update, commended the Procurement team for their work and approved the report for publication. **[Action: VM]**

FPM297 FINANCIAL REGULATIONS – ANNUAL REVIEW

The Head of Finance and Student Services tabled the Annual Review of Financial Regulations for the consideration of the Committee. It was noted that no changes had been made to any of the thresholds contained within the previous version. The majority of the changes concerned increased clarity, as per the recommendation from Audit Scotland. The Committee welcomed the report and formally approved it for presentation to the Board.

FPM298 STRATEGIC RISK REGISTER REVIEW

The Committee considered the strategic risk register and noted that the Board would be developing a risk appetite statement at the next Board meeting. There was a discussion on the potential inclusion of the student support funding issue, as discussed earlier in the meeting (FPM292); however, whilst it may merit inclusion in the future, it was agreed not to include it at the moment and instead keep it under review.

FPM299 SCHEDULE OF BUSINESS 2019-20

The Committee noted its schedule of business for 2019-20. The Vice Principal proposed that more time could be spent at the next meeting to consider student support funding in greater detail and the Committee agreed. **[Action: DA]**

FPM300 NEXT MEETING

Tuesday 10 March 2020 at 2.00 p.m. at the Paisley Campus.

RESERVED BUSINESS

The following items are deemed to be restricted under the Freedom of Information Act as being commercially sensitive.

[redacted] [redacted]

[redacted]

[redacted] [redacted]

[redacted]

Finance & General Purposes Committee: Meeting of 19 November 2019

Actions from the Minutes

Date of Meeting	Min Ref	Matter for Action	Responsible Person	Action Taken	Timescale (where applicable)
19 Nov 2019	FPM291	**Business Transformation Plan** FPM226.1 on the action tracker to be amended to clarify that updates on the Business Transformation Plan should continue to be given.	D McGowan	Amendment made	Complete
	FPM292 FPM292; FPM299	**Student Support Funding** The Principal to raise issue of care-experienced student funding at the Principals Group. The Vice Principal to keep the Committee updated on the matter.	L Connolly D Alexander		March meeting March meeting
	FPM292	**Operational Planning** Vice Principal to keep the Committee apprised of progress in relation to Pentana	D Alexander		Future meeting
	FPM293	**Financial Statements 31-7-19** Director for Finance and Estates to present Financial Statements to the Joint Audit-Finance Committee	A Ritchie	Presented to the Joint Committee	Complete
	FPM295	**Catering and Cleaning Reviews** The Vice Principal to provide an update at a future meeting. Ideal Catering Consultants to attend the next meeting of the Committee to discuss review.	D Alexander D Alexander		Future meeting March meeting

Date of Meeting	Min Ref	Matter for Action	Responsible Person	Action Taken	Timescale (where applicable)
	FPM302	**Contract Approval** Contract award presented directly to the Board at the December meeting for approval	J Hannigan	Presented to December Board meeting	Complete
		Actions from previous minutes			
3 Sep 2019	FPM276.2 271 252	**Finance System** Review of the project and report on lessons learned to be brought to November meeting	A Ritchie		Complete
	FPM279 261	**2019-20 Budget and Financial Strategy** Committee supported approach being taken by Management and Model 2 to be submitted to SFC for consideration. Outcomes of discussions with SFC to be reported to Board at its meeting on 7 October 2019	L Connolly D Alexander A Ritchie	Discussions with SFC were held and outcomes reported to the Board at its meeting on 7 October 2019. Discussions with SFC are continuing and further updates will be provided as appropriate	On-going
	FPM287	**Catering and Cleaning Services** .1 Catering Services – a Consultant to be brought in to advise the College on best way forward; a survey of staff and students be conducted in order to identify their preferences; the outcomes of this survey to be brought to the November meeting. .2 Cleaning Services – the Consultant brought in to review Catering Services should also assist in review of Cleaning services.	D Alexander A Ritchie	.1 Outcome of staff and student survey to be brought to next meeting in November	Complete

Date of Meeting	Min Ref	Matter for Action	Responsible Person	Action Taken	Timescale (where applicable)
27 May 2019	FPM257.2 226.1	**Business Transformation Plan** Committee to be kept informed of progress with discussion with SFC	L Connolly	Update provided as part of discussion on 2019-20 Budget and Financial Strategy (FPM279)	Ongoing
	FPM257.3 204	**Corporate Plan and Regional Outcome Agreement (ROA)** Information showing how annual objectives in ROA tied in with Strategic Plan to be provided	L Connolly		Future meeting
	FPM258.4	**Information Technology: SFC Strategic Funding** College working with SFC on project on how possible future investment in ICT across the sector might be identified in a consistent way and prioritised. Committee to be kept informed of progress	D Alexander	SFC now working with College Development Network to establish a Digital Strategy for the College sector (FPM276.1)	Complete
	FPM263	**Draft Scottish Public Sector Cyber Resilience Framework** Committee to be kept informed of progress with Scottish Government's final version of the framework for implementation	D Alexander		Future meeting
	FPM245 227	**College Cyber Action Plan** Annual accreditation to be sought through Cyber Essentials Plus scheme	D Alexander		Future meeting

JOINT MEETING OF AUDIT COMMITTEE AND FINANCE AND GENERAL PURPOSES COMMITTEE

MINUTES: 19 November 2019

Present: John McMillan (in the Chair)
Audit: Andrew Hetherington, Graeme Bold and Wai Wong.
FGP: Jim Hannigan, John Leburn, Angela Wilson and Liz Connolly.

Attending: David Alexander (Vice Principal Operations), Alan Ritchie (Director of Finance and Estates), Vivienne Mulholland (Head of Finance and Student Funding), Drew McGowan (Interim Secretary to the Committee).

Attending by invitation:
Lucy Nutley, Susie Graham, Joanne Buchanan (Mazars) and Audrey Cowan (Wylie & Bisset).

Apologies: None.

AFM14 CLOSED SESSION WITH EXTERNAL AUDITORS

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

AFM15 WELCOME

The Chair welcomed members, attending officers and auditors to the joint meeting of the Audit Committee and the Finance and General Purposes Committee.

AFM16 DECLARATION OF INTERESTS

John McMillan and David Alexander declared an interest as Trustees of the West College Scotland Foundation. David Alexander declared an interest as a Council member of the Scottish Funding Council (SFC) and Chair of the SFC Audit and Compliance Committee.

AFM17 MINUTES

The minutes of the joint meeting of the Audit Committee and the Finance and General Purposes Committee held on 20 November 2018 were signed (having been previously approved by each of the Committees).

AFM18 ACTIONS FROM THE MINUTES

The Committee noted that all actions arising from the previous minutes had been completed.

AFM19 REMIT OF FINANCE AND GENERAL PURPOSES COMMITTEE

The Interim Secretary of the Committee tabled a paper requesting approval to change the remit of the Finance and General Purposes Committee to clarify its responsibilities concerning advice on accounting policies contained within the financial statements.

Existing wording:

"To ensure adherence to statutory requirements related to the College's financial affairs and compliance with the Financial Memorandum, Scottish Public Finance Manual (SPFM), and related guidance."

Proposed wording:

"To ensure adherence to statutory requirements related to the College's financial affairs and compliance with the Financial Memorandum, Scottish Public Finance Manual (SPFM), and related guidance (including Accounting Policies in the Financial Statements."

The Committee approved the change. **[Action: DM]**

AFM20 SFC CREDIT ACTIVITY 2018-19: AUDIT REPORT AND CERTIFICATE

The Director of Finance and Estates tabled the SFC Credit Activity report and Audrey Cowan of Wylie & Bisset provided a summary of the audit report and process. The Committee thanked the auditor for a thorough audit and report. It was noted that the Senior Management Team had accepted six low-level recommendations, which is greater than the sector average, and that these relate to tightening of already existing procedures. The Committee welcomed the auditor's overall conclusion and their proposed unqualified audit opinion, noting that it had been submitted to the Scottish Funding Council as required. Members of the Committee approved the SFC Credit Activity Report and Certificate for 2018-19.

AFM21 STUDENT SUPPORT FUNDS 2018-19 – AUDIT REPORTS AND CERTIFICATES

Members received a report, tabled by the Director of Finance and Estates, from Audrey Cowan of Wylie & Bisset on the audit of the SFC Student Support Funds, SAAS Discretionary Fund and Educational Maintenance Allowance. It was noted that as a result of the audit work no recommendations had been made but that the auditors had made three observations in relation to the work they carried out. The Committee noted the College responses to the observations made by the auditor and that the certificates had been submitted to the relevant bodies in line with reporting requirements. The Committee welcomed the auditor's overall conclusion and their proposed unqualified audit opinions for all three of the aforementioned funds and approved both the Students Funds 2018-19 Report and the Educational Maintenance Allowance 2018-19 Report.

AFM22 INTERNAL AUDITORS ANNUAL REPORT 2018-19

The Director of Finance and Estates tabled the Internal Auditor Annual Report 2018-19, prepared by Scott-Moncrieff. It was noted that the Audit Committee had considered and approved the report at their meeting in September. The Committee agreed that the Internal Audit Annual Report be approved and tabled at the next meeting of the Board of Management for their information.

[Action: AR; DM]

AFM23 AUDIT COMMITTEE ANNUAL REPORT 2018-19

The Chair tabled the Audit Committee Annual Report for 2018-19, a mandatory account of how the Committee discharged its duties throughout the year, for the Committee's consideration. Lucy Nutley highlighted that it says "The external audit annual report had an unqualified opinion regarding the financial statements for the year to 31 July 2019" on page 12 of the document; however, it should read "…proposed an unqualified opinion…" as it has not been presented to the Board yet. The Director of Finance and Estates will make the necessary amendment to the report. The Committee agreed that the annual report be approved and tabled at the next meeting of the Board for their information. **[Action: AR; JM; DM]**

AFM24 EXTERNAL AUDIT REPORT AND LETTER OF REPRESENTATION 2018-19

Mazars' External Audit Report of the financial statements for the year ended 31 July 2019 and their letter of representation 2018-19 were tabled for the Committee's consideration. Lucy Nutley provided an update to members on the content of the report including the approach the audit team had taken to address the risks identified at the planning stages of the audit. She also highlighted that the financial sustainability of the College was linked with future capital investment and that without future investment there is a risk to future student numbers and therefore income. She thanked the attending officers and their team for the quality of the information provided and the constructive working relationship they enjoyed throughout the audit process. The Committee recognised and welcomed that the auditors were proposing an unqualified opinion concerning the financial statements, the regularity of income and expenditure, remuneration and staff report, performance report and governance statement. It was also noted that one housekeeping recommendation was made as a result of the audit and the College had already actioned this. The Committee agreed that the report be approved and tabled at the next meeting of the Board for their information and recommends to the Board that the Letter of Representation be approved, and the Chair and the Principal be authorised to sign on their behalf. **[Action: AR; DM]**

AFM25 PERFORMANCE AND ACCOUNTABILITY REPORT/FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2019

The Committee considered the Performance and Accountability Report and the Financial Statements for the year ended 31 July 2019 and the Vice Principal provided a summary for members. The covering report included a summary of the financial variances and reasons why these variances had occurred. It was noted that the College had achieved a breakeven position, that the Finance and General Purposes Committee had considered the report at their previous meeting and that the Scottish Funding Council had approved the College presentation of the adjusted operating position. The Committee agreed to recommend to the Board that the Financial Statements for the year ended 31 July 2019 be approved and that the Chair and the Principal be authorised to sign these on their behalf. **[Action: DA; DM]**

AFM26 THANKS

The Chair thanked members of the Committee, attending officers and auditors for their attendance and informed them that the next item of business was for the consideration of the Audit Committee members only. The Finance and General Purposes Committee members and auditors left the meeting.

AUDIT COMMITTEE MEMBERS ONLY

AFM27 ANNUAL REVIEW OF EXTERNAL AUDITORS

[redacted] **[Action: DM; LC; DA; AR; Committee]**

TITLE: **VICE PRINCIPAL UPDATE REPORT**

Background: This paper provides the Finance and General Purposes Committee with updates in relation to:

- Funds arising from net depreciation
- SFC funding announcements
- Ongoing West College Scotland engagement with the SFC
- National bargaining
- Information technology
- Business continuity
- West College Senior Management – Estates and Infrastructure

Action: The Finance and General Purposes Committee is invited to consider and note the report for information.

Lead: David Alexander, Vice Principal Operations

Status: Open

1.0 Funds Arising from Net Depreciation

1.1 The Finance and General Purposes Committee and Board of Management have previously been made aware of the arrangement put in place between Colleges Scotland, the Scottish Government and the Scottish Funding Council (SFC) to allow the cash balance arising from net depreciation to be expended by the college sector within certain parameters.

1.2 The 2019-20 West College Scotland (WCS) budget approved by the Finance and General Purposes Committee on 27 May 2019 and subsequently by the Board of Management on 17 June 2018, detailed that £1,639,000 of cash arising from net depreciation is available to be utilised during the current financial year. It has been agreed with the SFC that this amount will be applied towards meeting the following College priorities during 2019-20:

- repayment of bank loans (£509,000);
- funding of core College ICT expenditure (£486,000); and
- to meet the cost prior year staff pay increases (£644,000).

2.0 SFC Funding Announcements

2.1 The SFC issued the following circulars to colleges during the recent period in relation to 2019-20 in year funding allocations which are of note:

STSS – College Additional Funding (SFC/AN/11/2019 – Issue Date 8 July 2019)

The Deputy First Minister wrote to SFC on 7 June 2019 to confirm that funding allocations from the UK Government for the period 1 September 2019 to 31 March 2020 had now been confirmed, with the Scottish Government agreeing to provide additional funding of £7.8 million for the college sector to meet increased costs arising in relation to the employer contribution rate for the STSS pension fund. This Circular confirmed the additional costs would be met in full for the period 1 September 2019 to 31 March 2020. However, this funding allocation is for Fiscal Year 2019-20 only, with future allocations being considered as part of the Spending Review for Financial Year 2020-21 and beyond. As discussed at recent Finance and General Purposes and Board meetings, this position will therefore be kept under review in relation to the funding provided and the associated impact upon the College budgeted position. To date it remains the case that the college sector has received no conformation this funding will be provided from April 2020 onwards.

Student Support funds (SFC/AN/01/2020 – Issue Date 31 January 2020)
This Circular confirmed the in-year redistribution of student support funding to colleges for 2019-20, detailing recovery of any unspent funds from 2018-19 and allocations of additional funding for 2019-20. Given that the College student support funding allocation for 2019-20 was already a lower amount than in 2019-20 the SFC had been made aware from the outset that additional resource would be required. This position has been further exacerbated by the need to meet a significantly higher level of demand from care experienced students. The College therefore made a submission to the SFC seeking a significant in-year increase in the level of funding available to support student needs – and this was met in full by the SFC, with £1,409,000 being allocated. However, it should be noted that no commitment has been made to this level of funding continuing beyond 2019-20 in order to meet student support need – the College will therefore remain in dialogue with the SFC regarding this matter and will await to see how the outcome of the 2020-21 Scottish Government budget process may inform this further.

2.2 **Draft 2020-21 Scottish Government Budget**
The Scottish Government published its Draft Budget 2020-21. The budget will not be finalised until it has gone through the Scottish Parliament's legislative process, with Stage One of the Bill scheduled for week beginning Monday, 24 February and stages Two and Three for week beginning Monday, 2 March 2020. The Draft Budget only covers one year, so there will be another spending review for 2021-22 onwards.

The key headlines in the 2020-21 Draft Budget in relation to the college sector are:

- The Scottish Government has increased current levels of revenue funding for the college sector by 5.52% in cash terms (approximately 3.6% in real terms), with the Draft Budget for 2020-21 confirmed as £640m. This represents an additional £33.5m against the Draft Budget for 2019-20.

- The Scottish Government has reduced current levels of capital funding for the college sector with the Draft Budget for 2020-21 confirmed as £35.7m. This represents a reduction of £11.9m against the draft budget for 2019-20. However, it is important to note that last year's figure included £22m of capital funding for the Forth Valley College campus build in Falkirk. In 2020-21, up to £3m has been allocated for the Dunfermline Community Learning Campus. This leaves £32.7m for capital, which compares to an equivalent figure of £25.6m for 2019-20, therefore representing an increase of £7.1m available for backlog maintenance and lifecycle costs.

Other key points to note in the Draft Budget for the college sector include:

- Maintaining at least 116,000 full-time equivalent college places.
- Maximising the contribution of colleges to support sustainable and inclusive economic growth.
- Colleges to play a leading role in improving Scotland's skills base by aligning investment and activities with public sector partners and ensuring that provision in colleges supports employability and productivity in line with government priorities.
- Securing continuous improvement in learner outcomes by progressing the ambitions of Developing the Young Workforce, Learner Journey, Widening Access and Student Support programmes, all of which contribute to improving outcomes particularly for those who may need additional support, such as ESOL (English for Speakers of Other Languages) learners, those from care-experienced backgrounds, and disabled students.
- Continue the commitment to internationalisation by building on relationships, sharing the skills and expertise of our colleges.
- Improve the student experience by working with the sector to tackle gender-based violence through Equally Safe and improve students' mental health and wellbeing, including through the provision of additional counsellors across the sector.
- Deliver key commitments in the STEM Education and Training Strategy to ensure education provision meets the changing needs of employers and learners across Scotland.
- Work with colleges to develop initiatives that will work towards reducing child poverty rates and champion diversity at all levels.
- Continue to provide free period products to students in colleges.
- European Structural Fund funding continues to support learning and skills through funding for colleges and apprenticeships, including graduate and foundation apprenticeships.

However, until the SFC issue the detailed 2020-21 grant allocation letter, for which a publication date has not yet been confirmed, the College is unable to substantiate what funding might be received for the next financial year. At this time the College therefore continues to plan on the prudent basis that the levels of funding remain in line with those agreed by the Board of Management in approving the 2019-20 budget and 5-year financial plan.

3.0 Ongoing West College Scotland Engagement with the SFC

3.1 Following the SFC final 2018-19 funding announcement on 18 May 2018 the SFC Interim Director of Access, Skills and Outcome Agreements wrote to the Principal of West College Scotland on 30 May 2018 to confirm that SFC remains committed to working in partnership with the College to support its financial planning and future sustainability.

3.2 The Board of Management meeting which took place on 8 October 2018 resolved that the College business transformation plan, '*Future Proofing our College'*, be approved and forwarded to the SFC to aid discussions with them in relation to financial sustainability. It was also agreed that the Board would focus on different areas covered within the plan at each meeting and that the Finance and General Purposes Committee would have oversight of the Plan.

3.3 The College engages with the SFC regarding financial sustainability on a continuous basis, in order to agree actions required to achieve an underlying financial breakeven position on an ongoing basis. The Finance and General Purposes meeting of 3 September 2019 and the Board of Management meeting of 7 October 2019 also considered the College business operating model and approved the actions being taken to deliver a sustainable financial operating position over the next five-year period. The Board meeting of 7 October 2019 approved the approach to be taken in discussions with the SFC and asked to be kept informed of progress. However, it should be noted that to date the SFC has only committed to a change in the College business model 'in principle' from 2020-21 and this remains to be formally agreed and confirmed. The College is therefore having to undertake business planning for 2020-21 and beyond based on this 'in principle' position. A further update will be provided at this meeting on the current position.

4.0 National Bargaining

4.1 On 18 March 2016 the Colleges Scotland Board approved the creation of an Employers' Association. This Association has representation from all colleges as employers and has full authority in relation to national bargaining but remains within the Colleges Scotland structure. The Employers Association nominated ten representatives to take forward national bargaining discussions with teaching and support trade unions through a National Joint Negotiating Committee (NJNC). The Vice Principal Operations and Director of Finance and Estates are two of those nominated representatives for 2019-20.

4.2 Existing pay agreements with teaching and support staff trade unions remain in place until 1 September 2020. Trade unions are therefore expected to provide colleges with awareness of their pay claim by spring 2020.

4.3 For support staff, the process of national job evaluation has commenced, with all colleges being required to complete role profile documentation by 11 November 2019, however some work in this area does remain to be completed across the sector. Further detail of this project remains to be agreed with trade unions nationally and advised to the sector. Further updates will be provided to the Finance and General Purposes Committee as this project progresses.

4.4 The next Colleges Scotland Employers Association annual Residential event is scheduled to take place on 13 and 14 May 2020.

5.0 Information Technology

5.1 *Skype for Business Implementation*

As previously discussed at the Finance and General Purposes Committee a key project identified for progression through the IT Strategy is the roll out and implementation of *Skype for Business* – a unified communications platform that enables instant messaging, audio and video conferencing, online meetings, and real time presence. Following a procurement exercise run under an APUC Framework agreement West College Scotland appointed a supplier, Exactive, to support the implementation of this project. A full roll out of the system has now taken place and the project is functionally completed.

On 30 July 2019 Microsoft announced Skype for Business would go end of life on 31 July 2021 and that the Office365 '*Teams'* application will be the replacement communications and collaborations software. West College Scotland currently has access to *Teams* via our existing subscriptions and now plans introduce this into our existing environment going forward. *Teams* and Skype for Business both contain similar features including instant messaging, audio calling, video conferencing and desktop sharing and a project plan will be put in place to deliver this, with the new forming College Digital Strategy group having a key role in raising awareness and championing usage and benefits.

5.2 *Cyber Essential Plus Accreditation*

The Cyber Essentials scheme identifies fundamental technical security controls that an organisation needs to have in place to help defend against Internet-borne threats. It is an approved accreditation under the UK Government Cyber Essentials scheme.

The College achieved Cyber Essentials Plus accreditation during 2018 in line with Scottish Government requirements – and the annual reaccreditation review was carried out over 2-4 December 2019. The College has now achieved re-accreditation for 2019-20.

A revised testing regime is expected to be introduced for the 2020-2021 process, with more information on this expected sometime into 2020. The Finance and General Purposes Committee will be kept updated of requirements at future meetings.

5.3 *Scottish Government Public Sector Cyber Resilience Framework*

The Scottish Government issued information during January 2020 on the new Public Sector Cyber Resilience Framework. More detailed information on this is provided under *Agenda Item 11* and the Finance and General Purposes Committee will be kept updated on developments at future meetings.

5.4 *Pentana System*

Pentana is a management software solution that enables organisations to assign actions and monitor the delivery of plans using a centrally accessible Cloud based system in real time – with the intention being to enhance management information, caproate awareness and performance. The College is seeking to implement this system during 2019-20 and is continues to review the planning framework which will be required to support this in collaboration with West Dunbartonshire Council's Performance and Strategy Manager given the local authority's experience in the use of Pentana.

It is now anticipated that the College will have internal resource in place to support the rollout of the system during March 2020, with initial training and development for key administrators and users then taking place over the course of April and May.

5.5 *SFC Strategic Funding – Investment in College ICT – College Development Network*

As advised previously to the Board of Management and the Finance and General Purposes Committee, the level of SFC operational funding available to the College for 2019-20 and beyond is not sufficient to maintain and develop the basis of a reliable, resilient and responsive ICT infrastructure that the College requires in order to meet 21st century teaching, learning and operational needs. During 2018-19 the College therefore sought to secure funding from the SFC in order to address this, with it being estimated that at least £2.5m of investment would be required. However as advised at the 3 September 2019 Finance and General Purposes Committee, the SFC has now agreed to work with the College Development Network (CDN) to establish a

Digital Strategy for the College sector rather than seek to progress this matter directly with the College, as had previously been considered.

The College is represented on the CDN group by Angela Pignatelli, Assistant Principal, Creativity and Skills and an initial series of roadshows have been undertaken in late 2019 within colleges to gather views on digital priorities for the next ten years.

6.0 Business Continuity Planning

The College has been engaging with Inverclyde Council in relation to reciprocal arrangements which may support business continuity planning. The Council's Civil Contingencies Officer offered a place to West College Scotland at an event on 28 February which will consider the lessons learned from two serious school fires experienced by Fife Council over the past few years, at Cairneyhill Primary School in 2017 (during the school day) and more recently at Woodmill High School in 2019 (out of hours). These incidents exercised every aspect of Incident Response / Communications Strategy and Business Continuity Management within Fife Council, followed by a significant recovery process and will enable the College to gain an understanding of Fife Council's experience and learning from these incidents. The College will be represented at this event by the Director of Finance and Estates and an update will be provided at the meeting.

7.0 West College Scotland Senior Management – Estates and Infrastructure

The College Director of IT retired in December 2019 and following this a review of Senior Management responsibilities in relation to estates and wider infrastructure has been undertaken. A new post of Director of Infrastructure has been put in place, and this will encompass responsibility for the Estates and IT Departments going forward - this post has been advertised with interviews scheduled for 9 March 2020. There will therefore be a transition of estates responsibilities from the Director of Finance and Estates to the Director of Infrastructure in the coming months. The existing responsibilities of the Director of Finance and Estates will change to take on a wider responsibility for operational planning, data analysis and business process improvement going forward. The Chairs of the Estates Committee and the Finance and General Purposes Committee have been kept fully appraised of these changes and an update will be provided at the meeting.

8.0 Recommendation

8.1 The Finance and General Purposes Committee is asked to consider and note the report.

TITLE:	**MANAGEMENT ACCOUNTS TO 31 OCTOBER 2019**
Background:	This paper presents to the Committee the Management Accounts for the three-month period to 31 January 2020
Action:	The Finance and General Purposes Committee is requested to approve the Management Accounts as at 31 January 2020.
Lead:	Alan Ritchie, Director of Finance and Estates
Status:	Open

1. Introduction

1.1 The Management Accounts presented are for the six-month period to 31 January 2020 and contain the following information:

- An Executive Summary, which provides an overview of those factors with a potential to impact the accounts or which require to be drawn to the attention of the Finance and General Purposes Committee. This summary also highlights the:
    - College Business Transformation Plan efficiencies to be achieved and the year to date position;
    - Adjusted operating position of the College which is a key indicator of financial sustainability; and
    - Key risks which may have an impact on the financial position of the College.

- The Statement of Comprehensive Income and Expenditure provides a summary of the financial position and provides a comparison of the approved 2019-20 budget with the full year forecast position to 31 July 2020. This statement also includes the audited 2018-19 figures for comparison.

- An analysis of key variances provides detail of the movement between the budgeted and forecast position for 2019-20.

- The Balance Sheet reflects the assets and liabilities of the College.

- The student funding analysis provides a summary of the budgeted and forecast income and expenditure to 31 July 2020 resulting from the processing of student bursary, childcare and discretionary expenditure. The only element which is recorded within the College Statement of Comprehensive Income and Expenditure is childcare income and expenditure as the College is deemed to act as an agent for these funds. All other funds are accounted for through the College balance sheet.

- The cashflow analysis shows the actual cash position and forecasts the cash flows to 31 July 2020.

- The aged debt analysis shows a summary of the age of the sales ledger along with a split between corporate and student debt. The emphasis continues to be the reduction in the level of debt in excess of 3 months.

- The financial graphs and performance indicators provide background information about income and expenditure and highlight the main indicators of financial sustainability.

2. Recommendation

2.1 The Finance and General Purposes Committee is requested to approve the Management Accounts to 31 January 2020.

Financial Information Pack
2019-20

For the period to 31 January 2020

Financial Information Pack 2019/20

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EXECUTIVE SUMMARY

1) Budget 2019-20

The Board of Management approved the 2019-20 College budget on 17 June 2019, which planned for an adjusted operating surplus of £25,000 after accounting for savings of £1.386m. The savings for 2019-20 have been reflected within the management accounts with a summary of the budget and forecast level of savings noted below.

2) Business Transformation Plan

The College Financial Forecast Return (FFR), which was submitted to the SFC in September 2019, recognised the requirement to make significant savings over the coming 5 year period. A College Business Transformation Plan has been updated to reflect these savings and has been submitted to the SFC. The table below shows the actual level of savings delivered in 2018-19 along with the forecasted savings for 2019-20.

	2018-19	2019-20		2020-21	2021-22
	Actual £'000	YTD Actual £'000	Forecast £'000	Plan £'000	Plan £'000
Growth in income	100	0	0		
Funding to meet nursery costs	125	0	0		
Staff voluntary severance	565	683	685		
Staff cost efficiencies	275	154	300		
Reduction in estate expenditure	50	0	0		
Non-staff cost efficiencies	100	210	401		
Savings required/yet to be identified				1,377	1,367
Total	**1,215**	**1,047**	**1,386**	**1,377**	**1,367**

Discussions remain on-going with the SFC as to the level of savings / efficiencies required be to achieved by the College for 2020-21 and beyond. It is anticipated that staffing efficiencies will be a key element of any savings required going forward and SFC has advised that any voluntary severance arising will require to be funded by the College from its own resource. The College anticipates achieving the level of staff savings indicated in 2019-20 through the staff who have previously agreed to leave the College. Further updates will continue to be provided to the Finance and General Purposes Committee and to the Board of Management.

The College continues to undertake a review of financial projections in an uncertain environment. It should be noted there are potentially further movements in the projected savings over the 5 year period depending on the outcome of discussions with the SFC regarding business transformation plans; the outcome of the Scottish Government budget for 2020-21; future SFC funding settlements; the operation of the UK Government's Shared Prosperity Fund, which is to replace European funding; and ongoing College review of staff costs/structures within this challenging context. The major risks which may impact the current financial projections are noted within section 6 of the Executive Summary.

The above table is based on SFC FFR assumptions as at June 2019 as reviewed by the Finance and General Purposes Committee and Board of Management. The College will continue to assess the basis of the assumptions used and revert back to the Finance and General Purposes Committee should it become clear that the basis of the budget requires to be amended.

EXECUTIVE SUMMARY (Continued)

3) Adjusted Operating Position

The key identifier of College financial sustainability is the ability of the College to generate an adjusted operating surplus. The table below shows the current year position compared to prior years:

	2019-20 Forecast £'000	2019-20 Budget £'000	2018-19 Actual £'000	2017-18 Actual £'000
Financial accounts deficit as per SCI&E	(2,984)	(2,996)	(5,960)	(3,070)
Non-cash pension adjustments	0	0	2,834	1,973
Financial accounts deficit excluding pensions	(2,984)	(2,996)	(3,126)	(1,097)
Depreciation net of release of deferred capital grant	3,494	3,531	3,518	2,980
Loss on disposal of assets	25	0	129	153
Exceptional income - release prior yr. provisions	0	0	0	(1,529)
Revenue funding allocated to loan repayments	(510)	(510)	(495)	(488)
Adjusted operating surplus for the year	**25**	**25**	**26**	**19**

Page 5 sets out the variances against the agreed 2019-20 budget with the overall position being unchanged - an adjusted operating surplus of £25,000 continues to be forecast in line with budget for 2019-20.

The College has an approved voluntary severance scheme in place and is currently considering applications as they are identified and arise. The treatment of the College funded voluntary severance payments is under discussion with the SFC. The initial position taken by the SFC is that the payments may not be part of the adjustment to the adjusted College operating position calculation. If this was to be applied then the College would report a deficit position. However the College contends that the payments are an exceptional items which relate to restructuring of the business and therefore should be adjusted for in arriving at the year end position. The Committee will be kept updated on any further developments.

4) Student Credit Target

	2019-20		2018-19	2017-18
	Forecast	Budget	Actual	Actual
Core activity target	157,855	157,855	158,160	160,394
ESF Developing Scotland's Workforce	6,264	6,264	6,368	7,086
Total	**164,119**	**164,119**	**164,528**	**167,480**

5) Balance Sheet

The College continues to review its Balance Sheet position primarily in relation to the cash position. The bank loan covenants continue to be reviewed in order to ensure that the College is operating within the agreed loan parameters.

As noted in the 2018-19 external audit report there is a requirement for the College to review how it calculates the depreciation charge levied in the accounts each year. This review may lead to a movement in the amount of depreciation charged each year from 2019-20. It should be noted that this is an accounting adjustment and does not affect the adjusted operating position of the College. The matter will be discussed with the College auditors during the 2019-20 planning meeting scheduled for March 2020.

EXECUTIVE SUMMARY (Continued)

6) Key Risks Relating to 2019-20 Accounts

1 Achievement of 2019-20 Credit Target

The College continues to face a challenging operating environment, however it anticipates achieving the 2019-20 Credit target set by the SFC. It should be noted that 1,000 Credits equates to approximately £250,000 of SFC funding.

2 European Social Funding

In February 2020 the College received a letter from the SFC indicating that it was looking to recover £100,000 of funding received by the College in relation to the 2015-16 ESF project. This is a sectoral issue with 6 other Colleges receiving similar letters. The SFC contend that the College is not able to provide the reqired documentation to fully support the amount claimed. The College has responded requesting for more time to review and respond to the specific queries made by the SFC. In adopting a prudent approach, the College has therefore currently adjusted for the loss of income in 2019-20 at this time.

The College is of the view that the issue at the centre of the matter is the lack of clarity from the SFC as to what evidence is required to support the ESF funding payments - and this clarity has been sought from SFC not just for 2015-16 claims but also for all years since. The matter will be discussed with the SFC and the College auditors and the Committee will be kept informed of the outcome of those discussions.

3 Failure to deliver Business Transformation Plan savings

The delivery of the savings identified in the Business Transformation Plan represent a key financial pressure faced by the College. As can be seen in section (2), progress is being made in achieving the 2019-20 savings. Clarity is required as to how future savings beyond 2019-20 will be delivered, and the actions arising from the revised Business Transformation Plan require to be formally and finally agreed with the SFC.

4 Student Support Funding

The College highlighted to the SFC that the level of student support funding allocated for 2019-20 was insufficient when the announcement was made in May 2019. The increase in anticipated expenditure for 2019-20 was as a result of a 6% uplift in bursary maintenance payments allied with an increase in the number of care experienced students who are entitled to £8,000 per annum - with West College Scotland having been provided with no additional funding to cover this in 2019-20.

As reported at the November 2019 Committee meeting the College intended submitting an application to the SFC for at least £1m of additional student support funding. A £1.4m claim was made to the SFC based upon the anticipated number of care experienced students and level of students requesting support. In February 2020 the SFC announced that it would be fully funding all requests made and therefore the College will receive an additional £1.4m of student support funding for 2019-20.

This additional allocation relieves the financial pressure for 2019-20 but the additional funding requires to be replicated in 2020-21 along with recognising the potential impact of the removal of the 26 year old age cap on those students who are eligible for the care experienced grant.

EXECUTIVE SUMMARY (Continued)

5 Failure to secure funding for future estates / IT investment

The budget has allowed for an element of maintenance expenditure. However should there be a major failure, this could have a significant impact upon the currently reported position.

6 National Bargaining

Job Evaluation

Colleges Scotland has provided the sector with the anticipated costs of Job Evaluation (JE) at a summary college level. The Accounts Direction issued in July 2019 for use in compiling the 2018-19 Statutory Report and Accounts, required colleges to post these artificial figures to the accounts as accrued income and a corresponding accrued salary cost. This project remains ongoing at a national level and there is currently no clarity of what the outcome of the JE exercise will be, or how it may affect the 2019-20 accounts.

National Pay

A pay deal has been reached with support staff including the 5 month period from April to August 2020 which therefore aligns both the support and teaching staff pay award date to 1 September each year. The costs have been reflected in the budget and forecast.

7 Estate Strategy

The College continues to implement the Estate Strategy however without material investment the delivery of the strategic objectives will prove challenging. For 2019-20 the financial accounts will bot be materially impacted by the implementation of this Strategy. The Board has approved the relocation of the New Street campus activities to the Renfrew Road campus which will see a saving in lease and operating costs from late 2020 .

STATEMENT OF COMPREHENSIVE INCOME AND EXPENDITURE 2019-20
Year to 31 January 2020

	Year to date			Full Year Budget V Forecast				Draft 2018/19
	Budget	Actual	Variance (Adv)/Fav	Budget	Forecast	Variance (Adv)/Fav		Actuals
SFC Income	23,421	23,429	8	47,077	47,301	224		48,293
SFC Support Job Evaluation	0	0	0	0	0	0		0
SDS Income	210	230	20	1,000	1,100	100		1,092
Fees	3,675	3,650	(25)	5,775	5,695	(80)		5,716
Other Income Excl Interest	1,118	1,136	18	2,496	2,440	(56)		2,457
Interest Received	0	0	0	0	0	0		1
Total Income	**28,424**	**28,445**	**21**	**56,348**	**56,536**	**188**	**1**	**57,559**
Salary Costs	(21,594)	(21,625)	(31)	(42,753)	(42,874)	(122)		(40,963)
Planned Savings	985	985	0	985	985	0		0
Restructuring Fund	0	(0)	0	0	0	0		(1,014)
Net Depreciation/Resource Spend	0	0	0	644	644	0		644
Unfunded Pensions	(326)	(322)	4	(612)	(597)	15		(595)
Total Salaries	(20,935)	(20,962)	(28)	(41,736)	(41,842)	(107)	**2**	(41,928)
Property Costs	(1,734)	(1,684)	50	(4,694)	(4,635)	59	**3**	(5,060)
Supplies & Services	(3,090)	(3,229)	(139)	(4,411)	(4,717)	(305)	4	(4,937)
Other Operating Costs	(1,822)	(1,822)	0	(3,680)	(3,515)	165	**5**	(3,780)
Finance Charges	(74)	(74)	(0)	(162)	(162)	0		(186)
Total Expenditure Excl Salaries	(6,720)	(6,809)	(90)	(12,947)	(13,029)	(81)		(13,963)
Total Expenditure	(27,655)	(27,771)	(117)	(54,683)	(54,871)	(188)		(55,891)
Surplus before accounting adjustments	**769**	**673**	**(96)**	**1,665**	**1,665**	**(0)**		**1,667**
Release of SFC DCG	577	577	0	1,153	1,153	0		1,247
Release of Non SFC DCG	92	92	0	184	184	0		184
Depreciation	(2,431)	(2,431)	0	(4,868)	(4,831)	37		(4,949)
Net Depreciation	(1,763)	(1,762)	1	(3,531)	(3,494)	37		(3,518)
Loss on disposal of Fixed Asset	0	(25)	(25)	0	(25)	(25)		(129)
Deficit after accounting adjustments	**(994)**	**(1,114)**	**(120)**	**(1,866)**	**(1,854)**	**12**		**(1,980)**
Cash budget for priorities	0	0	0	(1,130)	(1,130)	0		(1,144)
Financial accounts deficit	**(994)**	**(1,114)**	**(120)**	**(2,996)**	**(2,984)**	**12**		**(3,122)**
Revaluation reserve	1,323	1,506	184	2,646	2,814	168		2,663
Historical (Deficit)/Surplus	**330**	**392**	**64**	**(350)**	**(171)**	**179**		**(459)**

WEST COLLEGE SCOTLAND

DETAILED VARIANCE ANALYSIS		Variance
		(Adv)/Fav
		£'000
	Board of Management approved deficit for 2019-20	**(2,996)**
1	**Income**	
	SFC announced additional mental health funding which has been matched to a corresponding increase in support staff salaries.	**122**
	Anticipated SFC funding towards increase in employer teachers pension contributions.	**400**
	Recognition of notified SFC clawback of ESF 2015/16 project costs.	**(100)**
	Provision for potential SFC ESF clawback of funding already received by the College.	**(211)**
	Improved income forecasted for Foundation Apprenticeships and Commercial activity.	**300**
	Change in FE/HE split for 2019-20 has resulted in more FE and less HE students at the College with the resultant decrease in HE fees.	**(280)**
	Other small movements in income including catering and nursery services.	**(43)**
	Total Income Movement	**188**
2	**Salaries**	
	Increased support staff costs - employment of counsellors from SFC Mental Health Funding.	**(122)**
	Decrease in amount payable to unfunded pension fund due to death of pensioner.	**15**
	Total Salaries Movement	**(107)**
3	**Property Costs**	
	Recognition of savings in utility costs anticipated for 2019-20	**59**
		59
4	**Supplies and services**	
	Anticipated increase in cost of delivery of additional foundation apprentice / commercial courses.	**(200)**
	Increased level of flexible learning from 17,000 to 19,000 credits has resulted in an increase in cost of delivery.	**(70)**
	Other small net increases in the cost of supplies and services.	**(35)**
		(305)
5	**Other operating expenditure**	
	Receipt of additional SFC in year student support funding (£1.4m) has allowed the release of the provision based on current forecasted student support funding expenditure.	**200**
	Other small increases in the cost of other operating expenditure.	**(35)**
		165
	Total Expenditure Movement	**(188)**
	Net Operating Movements	**0**
	Forecast deficit before accounting adjustments	**(2,996)**
	Depreciation adjustment in respect of disposal of asset	**37**
	Loss on disposal of Drumry Road property. College retains sale proceeds for investment in estate.	**(25)**
	Financial Accounts Deficit (after accounting adjustments)	**(2,984)**

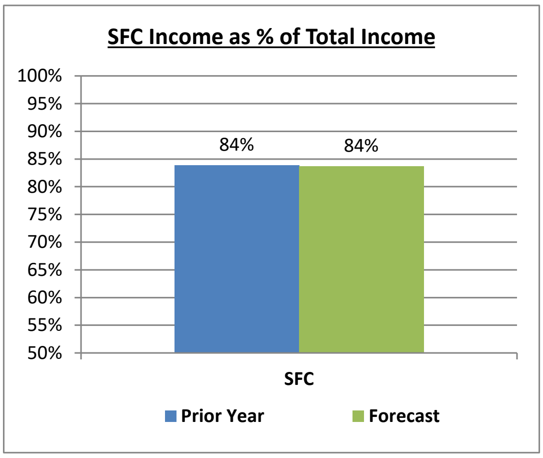
COLLEGE BALANCE SHEET AS AT 31 January 2020 £'000

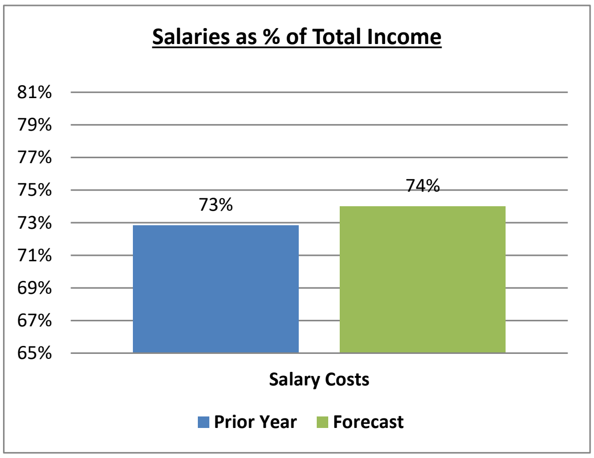
	As at 31 July 19	As at 31 January 2020	Movement
Fixed Assets			
Tangible Fixed Assets	101,937	99,345	(2,592)
Current Assets			
Stock	13	13	0
Trade Debtors	215	319	104
Other Debtors	10	833	823
Prepayments	347	20	(327)
Other Accrued Income	854	397	(457)
Scot. Funding Council Debtor	407	3,341	2,934
Scot. Funding Council Debtor - Support job evaluation	857	857	0
Cash at Bank and in Hand	5,677	3,452	(2,225)
	8,380	9,232	852
Creditors: Amounts Falling Due Within One Year			
Bank Loans/Other Loans	(413)	(413)	0
Finance lease	(96)	(96)	0
Trade Creditors	(113)	(687)	(574)
Other Creditors	(162)	(40)	122
Other Creditors: Support job evaluation	(857)	(857)	0
Accruals & Deferred Income	(4,053)	(2,949)	1,104
Tax & Social Security	0	(768)	(768)
Scot. Funding Council - Creditor	(1,228)	(1,404)	(176)
Deferred Capital Grant SFC	(1,153)	(1,153)	0
Deferred Capital Grant Non SFC	(184)	(184)	0
	(8,259)	(8,551)	(292)
Net Current (Liabilities)/Assets	121	681	560
Total Assets less Current Liabilities	**102,058**	**100,026**	**(2,032)**
After One Year			
Bank Loan	(1,693)	(1,498)	195
Finance lease	(128)	(72)	56
Deferred Capital Grant SFC	(23,149)	(22,572)	577
Deferred Capital Grant Non SFC	(4,623)	(4,531)	92
	(29,593)	(28,673)	919
Net Assets Excluding Pension Liability	**72,465**	**71,353**	**(1,113)**
Net Pension Liability	(22,701)	(22,701)	0
Net Assets Including Pension Liability	**49,764**	**48,652**	**(1,113)**
Restricted Reserves			
Pension Reserve	(22,701)	(22,701)	0
Unrestricted Reserves			
I&E Reserve	14,763	15,156	393
Revaluation Reserve	57,704	56,198	(1,506)
	72,465	71,353	(1,113)
	49,764	**48,652**	**(1,113)**

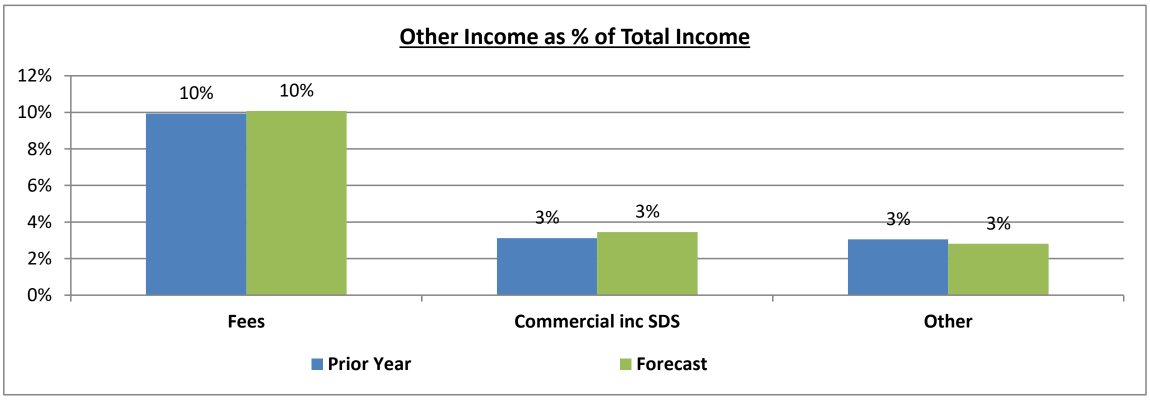
STUDENT SUPPORT FUNDS BUDGET AND FORECAST
As at 31 January 2020

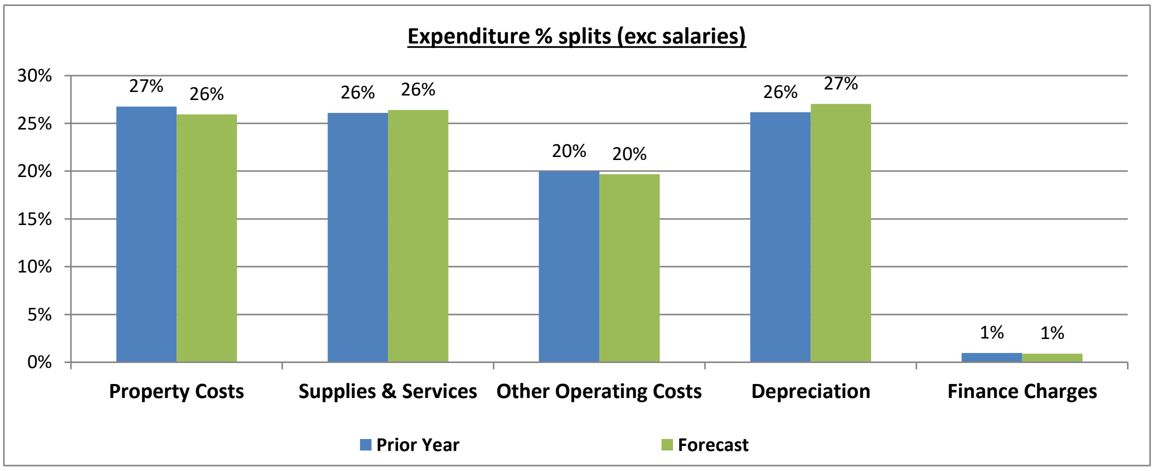
	Bursary		FEDF		Childcare		Total		HE Funds	
	Budget £'000	F'Cast £'000	Budget £'000	F'Cast £'000	Budget £'000	F'Cast £'000	Budget £'000	F'Cast £'000	Budget £'000	F'Cast £'000
Income Analysis										
Allocation	9,311	9,220	611	650	1,984	2,036	11,906	11,906	276	276
In-Year Redistribution	-	1,409					-	1,409		
College Contribution	200	-	-	-	-	-	200	-	-	-
Total Income	**9,511**	**10,629**	**611**	**650**	**1,984**	**2,036**	**12,106**	**13,315**	**276**	**276**
Expenditure Analysis										
Taxis	50	80	-	-	-	-	50	80	-	-
Disability Needs	-	-	6	10	-	-	6	10	15	10
SEN	250	250	-	-	-	-	250	250	-	-
Disclosure	-	-	65	40	-	-	65	40	5	-
Childcare Nurseries - Internal	-	-	-	-	388	300	388	300	-	-
HE Childcare - External	-	-	-	-	391	451	391	451	-	-
FE Childcare - External	-	-	-	-	1,205	1,205	1,205	1,205	-	-
Student Maintenance & Travel	8,750	9,469	540	600	-	80	9,290	10,149	256	266
Cost of Course	461	830	-	-	-	-	461	830	-	-
Total Expenditure	**9,511**	**10,629**	**611**	**650**	**1,984**	**2,036**	**12,106**	**13,315**	**276**	**276**

Financial Graphs and Performance Indicators









	As at 31 July 2019	Forecast 31 July 2020	As at Current Date
Days Cash	32	30	28
Debtor Days	27	30	30
Creditor Days	19	20	18
Staffing costs as % of income	73%	73%	74%

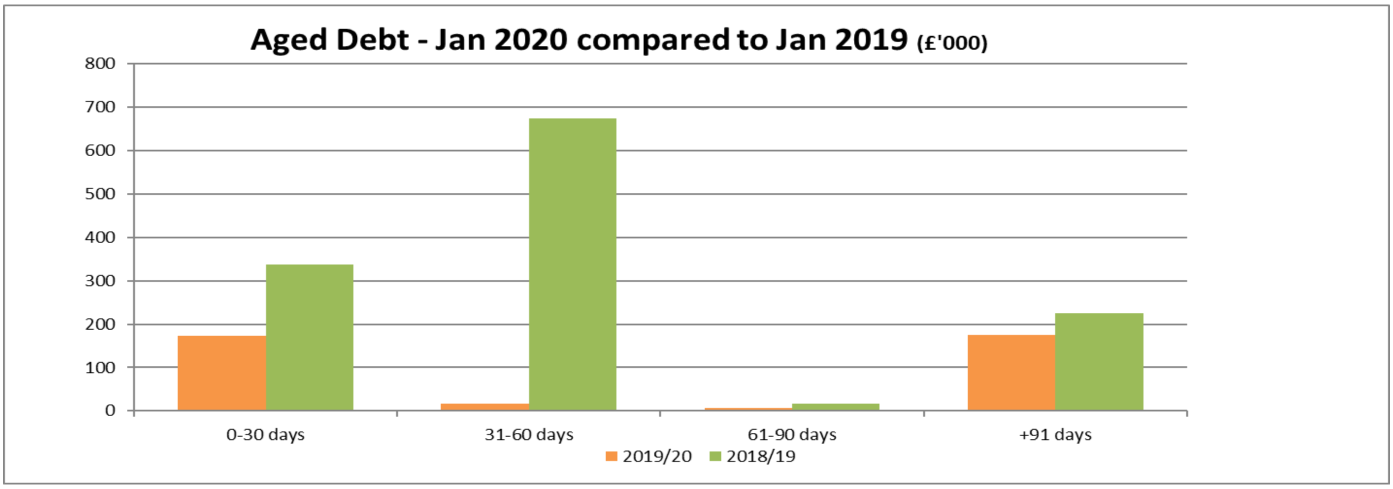
CASH FLOW FORECAST FOR THE YEAR ENDED 31 JULY 2020
Actuals to 31 January 2020

	Actual Qtr 1 £'000	Actual Qtr 2 £'000	Forecast Qtr 3 £'000	Forecast Qtr 4 £'000	TOTAL £'000
	5,666	**7,618**	**4,029**	**5,419**	**5,666**
Income					
SFC Grants	10,500	7,000	10,206	11,386	39,092
FDWF	184	122	183	183	672
SFC College Maintenance	-	1,000	1,531	-	2,531
SFC Student Funding Grants	3,280	2,700	3,794	2,132	11,906
National Bargaining Harmonisation	65	-	70	-	135
STSS	190	285	186	-	661
WCS VS	(9)	9	-	-	-
ESF Income 1819	407	-	-	-	407
ESF Income 1920	306	306	306	306	1,224
Santitary Products	-	-	92	-	92
Funding for Counsellors	-	66	56	-	122
Other Operating Income inc EMA	1,557	4,161	3,054	1,781	10,553
Total Income	16,480	15,649	19,478	15,788	67,395
Expenditure					
Staff Costs	8,831	10,215	10,677	11,986	41,709
Student Support Costs	2,277	4,150	4,485	2,471	13,383
Estate Maintenance	494	576	1,303	791	3,164
Other Operating Costs inc EMA	2,313	4,078	1,495	2,607	10,493
Restructuring costs	487	91	-	-	578
Loan/Lease Repayments	126	128	128	128	510
Total Expenditure	14,528	19,238	18,088	17,983	69,837
Net (Outflow)/Inflow	1,952	(3,589)	1,390	(2,195)	(2,442)
Closing Bank Balance	**7,618**	**4,029**	**5,419**	**3,224**	**3,224**

Reconciliation to College cash balance:

Bank balance at 31 Jan 20	4,029
Student Funding Bank Balances	(589)
Petty Cash Floats Balances	12
College Cash Balance	**3,452**

AGED DEBT ANALYSIS £'000
As at 31 January 2020



The College continues to actively pursue outstanding fee debt in line with the Fees Policy. Of the £371k total debt £128k relates to student debt of which £45k is subject to an agreed payment plan. The remainder of the debt is company debt primarily relating to commercial courses run by the College.

	As at January 2020				
Period	**2019/20**	**2018/19**	**Movement**	**2019/20**	**Comments**
0-30 days	173	338	**165**	19%	£855k of the combined 0-30 and 31-60 days debt in 2018/19 related to HE fees. Due to improved collaborative working with SAAS, fee information was received earlier and this allowed the College to clear the debt early in 2020.
31-60 days	17	675	**658**	74%	
61-90 days	7	17	**10**	1%	
+91 days	174	225	**51**	6%	Within the £174k there is £50k of commercial debt which was received in Feb 2020.
Total	**371**	**1,255**	**884**		

Bad Debt Provision	52	60
Net Trade Debtor Balance	**319**	**1,195**

TITLE: **IT STRATEGY UPDATE**

Background: The West College Scotland IT Strategy was recommended for approval at the Finance and General Purposes Committee meeting of 8 March 2016 and subsequently approved by the Board of Management on 21 March 2016. In approving the IT Strategy, it was agreed that an annual update on progress would be provided to the Finance and General Purposes Committee.

This report provides a further update on the progress of the IT Strategy following the fourth year of implementation.

Action: The Finance and General Purposes Committee are requested to review and consider progress made in the first four years of implementing the College IT Strategy.

Lead: David Alexander - Vice Principal Operations

Status: Open

1.0 Background

1.1. The West College Scotland IT Strategy was approved by the Board of Management on 21 March 2016. The IT Strategy sets objectives across 6 areas, with these intended to be achieved through delivery of 27 associated outcomes/indicators of success.

1.2. In approving the College IT Strategy, it was agreed that the Finance and General Purposes Committee would receive an annual update on implementation. This IT Strategy update follows the format of earlier years and encompasses:

- Section 2 - a summary of activity and progress to date against each of the IT strategic objectives and associated outcomes/indicators of success;

- Section 3 – a summary of key areas and considerations that will arise during the fifth and final year of the current IT Strategy implementation, drawing on recent changes in the IT landscape and upcoming events; and

- Section 5 - a more detailed review, including a BRAG assessment, of the "*How do we get there?"* indicators of success that were agreed for monitoring progress against each objective within the IT Strategy.

In considering the progress made to date it should be noted that:

- The fundamental role of the IT Strategy is to provide the support and infrastructure that is necessary in order to deliver the College's wider digital needs and ambitions. The wider College Digital Strategy was published during this fourth year of the IT Strategy under a key priority of the College Corporate Plan. Implementation of the Digital Strategy is one of the ongoing projects detailed within the *Future Proofing our College* business transformation plan that the College has submitted to the Scottish Funding Council (SFC). An action plan is now being developed for the implementation of the College Digital Strategy and as this comes into place the IT Strategy will be reviewed and updated as necessary in order to support the requirements arising from this.

- The IT Strategy as approved by the Board of Management on 21 March 2016 is entering its fifth and final year. The overall Strategy will therefore be reviewed and updated in 2021.

- The College remains in ongoing dialogue with the SFC about strategic funding to support implementation and delivery of digital ambitions.

2.0 IT Strategic Objectives - Update

2.1 The College IT directorate has 38.21 staff FTE, handles 10,100 service desk calls a year and supports over 5,000 devices.

IT directorate budgets for the four years of the Strategy are as follows:

	16-17 £'000	17-18 £'000	18-19 £'000	19-20 £'000	
IT Revenue	1,485	1,215	1,136	1,131	Includes software licencing, supplier support, print services and telephony costs
IT Maintenance	500	500	500	486	General project funding
Skype for Business	0	90	0	0	One-off project allocation
TOTAL	**1,985**	**1,805**	**1,636**	**1,617**	

The annual College budget currently available to deliver against these outcomes therefore totals £1,617,000. However, it can be seen from a review of the four-year period that College ability to invest in the ICT infrastructure is becoming increasingly challenging year-on-year given the level of resource available is decreasing.

In order to support implementation and delivery of the Skype for Business project that spans years 3 and 4 of the IT Strategy an additional £90,000 budget allocation was provided during 2017-18 - and for 2018-19 and 2019-20 spending on the project was funded from IT maintenances. This project is now complete.

2.2 As can be seen from Section 5 of this report the College believes progress has been made in relation to all 6 strategic objectives during the fourth year of IT Strategy implementation. Of the 27 associated outcomes/indicators of success it is assessed that:

- 6 of these are now complete (2019: 5)
- 18 have progressed to the point anticipated (2019: 19) during Year 4 of the Strategy
- Some progress has been achieved with 2 outcomes (2019: 2), with further work required
- 1 outcome has not been progressed (2019: 1) and will now not be proceeding

2.3 Objective 1 - Infrastructure (Hardware and Software)

The College considers further progress has been made in relation to this objective. Still set against the tri-part challenge of estate, finance and managing legacy infrastructures, the College has prioritised the annual IT Maintenance expenditure of approximately £500,000 in each of the first four years of the Strategy to sustain resource and support the delivery of teaching and learning. During year four, service availability has been maintained; all staff are operating on Windows 10 and are enabled for Skype for Business; progress has been made as anticipated in seeking to provide Windows 10 in all student areas; a new information portal for students, *MyDay,* has been deployed; and the College contract with Capita for the provision of the student management information system was renewed following approval by the Board of Management.

However, while progress has been made, it should again be recognised that the level of investment required to maintain, sustain and develop the IT infrastructure in a way which meets the College's digital need and ambitions is currently not considered to be enough. There remain areas where sustained investment is required – such as the replacement of campus wireless infrastructures and other network equipment, and more regular renewal of desktop equipment. As previously advised to the Board of Management and Finance and General Purposes Committee this has been the subject of discussion with the SFC. During 2018/19 the College advised SFC that an immediate investment of at least £2.5m and minimum annual recurring funding of £800,000 was required. However as advised at recent Finance and General Purposes Committee meetings, the SFC has decided to work with the College Development Network (CDN) to establish a Digital Strategy for the College sector rather than seek to progress this matter directly with West College Scotland, as had previously been considered. The College is represented on the CDN Digital Strategy group by Angela Pignatelli, Assistant Principal, Creativity and Skills with initial outcomes expected prior to summer 2020.

2.4 Objective 2 - Projects and Enhancements

The College considers further progress has been made against this objective. The College Operational Planning process is used to identify prioritised resource requests. IT maintenance spend has been targeted towards teaching and learning needs (including the provision of a cyber security lab at the Greenock Finnart Street Campus), whilst Skype for Business, Windows 10, and cyber accreditation activities have been progressed.

The IT Director had a lead role during last year in working with colleagues across the College to deliver the College Digital Strategy, which was approved by the Board of Management. An oversight group has now been formed within the College to develop the Digital Strategy and an associated action plan – and this group will also monitor the implementation of the Strategy.

In line with all other College strategies reporting arrangements require to be put in place to monitor implementation and outcomes. Given the significant link to teaching and learning and the need for curriculum to lead set the lead in what is required, it has been agreed that the Learning, Teaching and Quality Committee will have oversight of the College Digital Strategy, with the Assistant Principal Creative Industries and Essential Skills leading this. The College IT Strategy will be reviewed and developed to ensure that it supports and integrates with the requirements of the Digital Strategy as it develops and moves to implementation.

2.5 Objective 3 - Structure and Service Delivery

The College considers progress has been made in this area:

- The IT Directorate operating structure, finalised in July 2017, is now established. There will be further developments to the structure at senior management level during 2020, which are outlined later in this report.

- Service Desk operations, including call handling arrangements, operate using software that has been live since October 2017 and thus the approach is operationally embedded.

Together these arrangements have been successful in focusing resource and allocating workload. Reports providing updates on service delivery are provided to the College Senior Management Team on a regular basis, with this becoming more prominent during 2019. Further refinement of service desk information will be progressed during Year 5 as required to support the Digital Strategy action plan and understanding of any trends arising.

The College's Continuing Professional Development Review [CPDR] activities continue to support and enable further development of the digital and service skills within the IT teams. During year four of the strategy, six staff from the IT Directorate successfully completed the College's Leadership Development Programme.

2.6 <u>Objective 4 - Planning and Risk</u>

The College considers progress has been made in delivering this objective. For 2018-19 (and for 2019-20 to date) revenue and maintenance spending has been delivered within budget while meeting priority needs. It is envisaged the 2019-20 process will lead to a similar outcome.

The IT continuity plan remains in place and, along with the established intranet communication model, supports IT incident response.

During Year 4 of the Strategy the IT team:

- Continued to develop and deliver the IT Department operational plan, which provides the basis for delivery of the IT Strategy on an annual basis;
- Further developed the College's business continuity plans;
- Supported the implementation of the College's GDPR operating framework; and
- In response to the Scottish Government Cyber Action Plan, continued to review the College's Cyber Incident Response Plan as developed in previous years; and
- Led the process by which the College achieved re-certification of Cyber Essentials Plus.

Operational risk is captured by the College operational planning process and is recognised within IT policy and procedure documents and in our approaches to cyber resilience and cyber security.

Strategic risk is assessed by the College Senior Management Team and considered at all Board of Management and Board of Management Committee meetings. Currently the key IT risks and their associated rating within the College Strategic Risk register are as follows:

Risk Reference	Risk	Risk Rating (post mitigation)
WCS 2	Failure to secure adequate estates maintenance/capital funding for future investment or refurbishment of IT ad physical infrastructure.	16
WCS 6	Failure to maintain or acquire and use IT systems and infrastructure to support the digital ambitions of the College.	12
WCS 7	Inadequate business continuity / cyber resilience planning leading to material interruptions to service delivery.	9

While a range of mitigations are in place for these risks, the need for significant investment in the College ICT infrastructure remains an area where support to address this is required from the SFC.

2.7 Objective 5 - Policy and Process

The College considers effective progress had been made against this objective, with the *IT Password Policy* and *IT Acceptable Use Policy* having been reviewed, updated and approved by the College Senior Management team during the year. Steering and working groups continue to inform awareness and embed best practice as and when required.

Beyond the documentation prepared to respond to internal audit action points, ongoing refinements in IT policy and procedure in the remaining period of the Strategy will continue to support the goal of steering user understanding and behaviour around IT resource and security.

2.8 Objective 6 - Collaboration and Partnership

The College considers further progress has been made against this objective. The IT Management Team has continued to be involved in the Scottish College's Information Leads group [SCIL], the Joint Information Systems Committee (JISC) 'Tech2Tech' stakeholder forum, and Cyber forums. The College IT team will continue to seek involvement in and leadership of other groups where this enables the opportunity to inform and benefit from best practice and gain an understanding of the wider operating environment.

A core element of the Scottish Government approach to strengthening cyber resilience is through information sharing and collaboration. From this the College benefits from access to shared information and best practice resource on cyber toolsets, threat awareness and incident response.

3.0 IT Strategy Year 5 – Key Outcomes and Considerations

3.1 For Year 5 implementation of the IT Strategy the following are key outcomes across the six objectives:

- Retirement of legacy telephony infrastructure and equipment.
- Concluding the deployment of Windows 10 and Office 2016 to remaining classroom areas.
- Identify and retire surplus IT equipment.
- Renew laptop equipment used by college's teaching staff.

- Commencing implementation of a cross-College wireless infrastructure solution, subject to available budget, to address coverage and capacity challenges where these exist.
- Cyber Essentials re-accreditation, for a third year, to support the Scottish Government's strategy on Cyber Resilience.
- Establish and progress activities in response to the evolving requirements of the Scottish Government's Public Sector Cyber Resilience Framework.
- Engage with SFC on modelling IT infrastructure funding need within the sector, with a view to investment at WCS.
- Engaging with the Quality directorate and Student Association to better refine and understand feedback on use, availability and functionality of IT resource; and
- Ensuring teaching and learning IT needs are prioritised within available resource parameters.
- Provide support for, and contribute to, College wide projects, including:
  - Implementation of a College Customer Relationship Management System
  - Supporting estates projects, including the movement of approximately 400 staff and students from the Centre for Performing Arts in Paisley to the Renfrew Road Campus.
  - Developing and implementing the College *iTrent* payroll system new '*Electric Theme'* user interface, through collaborative work with HR colleagues
  - Developing bespoke solutions in response to identified process enhancement requirements across the College.
- Migrate functionality from Skype for Business to Teams. Research, test, plan, promote and deliver functionality of Microsoft Teams as a toolset for staff collaborative working.
- Support implementation of the performance, audit, and risk management tool – Pentana.
- Respond to advised College direction and emerging requirements around *using data* – by research, test, and adoption of solutions, such as *PowerBI.*
- Development of the workforce development need(s) associated with delivery of the College Digital Strategy.
- Support development and delivery of the College Digital Strategy.
- Development of the College's IT Strategy for 2021 onwards, aligning with the evolving College Digital Strategy

4.0 Conclusion

4.1 As outlined above, College ability to invest in the ICT infrastructure is becoming increasingly challenging given the level of resource available. The level of IT funding is the subject of ongoing dialogue with the SFC and a focus for the college sector - should this lead to any further resource becoming available then this will be used to support delivery of IT Strategy outcomes. Given the challenging financial environment in which the College is operating there remains a constant need for the College to maximise any investment in the IT infrastructure at all times.

4.2 The Finance and General Purposes Committee are requested to:

- Review and consider progress made during Year 4 of the IT Strategy implementation; and

- Review and consider the key outcomes outlined as a priority for Year 5 of the Strategy.

Section 5 - Review of IT Strategic Objectives

Date of Review – February 2020

Analysis	
B	Actions are complete. Outcome achieved.
G	Progress achieved and anticipated with year 4 of the Strategy
A	Some progress achieved during year 4 of the Strategy with further work required
R	Progress anticipated or required however not achieved to date
L	Actions no longer being progressed

<u>IT Strategic Objective 1 - Infrastructure (Hardware and Software)</u>

The College will develop, maintain and support an integrated IT infrastructure providing users with available, robust and secure access and services, establishing effective and efficient IT administration support practice.

Indicators of Success	Progress at February 2020	Status
• The IT infrastructure will support the resources required by the College to undertake its delivery portfolio within teaching and learning.	All staff are now operating with a Windows 10 device, and plans are in place to renew the remainder of classroom equipment unable to support Windows 10. A new cross-College wireless infrastructure solution has been researched and tested. A potential procurement route has been identified. While the College is of the view that the level of progress achieved is sufficient with the resource available, the challenge is that the resource available is not sufficient to support the College's digital ambitions and with this the required levels of investment. This indicator continues to be assigned 'amber' status on this basis. The Principal continues to lead strategic dialogue with the SFC which is aimed at securing the level of resource required to support College's digital need and ambitions.	**A**
• The College will have taken full advantage of the software and associated resources available to us under our major enterprise license agreements.	Microsoft Campus and Adobe Creative Cloud enterprise agreements were both re-procured over summer 2018. This provides the College with continuity in enterprise teaching and learning software into 2021, beyond the end of this strategy period.	**G**

Indicators of Success	Progress at February 2020	Status
• Our JANET connection, providing College Internet access, will be upgraded and aligned to post merger requirement and operations.	2017 Complete - The Janet (Joint Academic Network) circuits have been upgraded and replacement Firewalls procured and installed.	B
• Thin client solutions will be more in evidence across the classroom desktop estate.	Technical and Financial considerations are making the goal of extending the existing thin client estate more challenging. Migration to thin client technology requires significant up-front investment. The College's limited funding has seen improvements to campus wireless infrastructures progressed as a priority. Given this, and the fact that the need for specialised hardware and software is now emerging at greater levels across the College curriculum, the expansion of thin client solutions is under review.	L
• Feedback from students and the wider learning community will reflect an improvement in the software and hardware available to support teaching and learning.	Individual campus and student feedback reflecting generalised frustrations around student access and use of IT resource – this continues to be challenging given the lack of resource available to the College to convert this into strategic or operational change. Seeking more detailed feedback by way of Quality led focus group(s) will be the next option to localise information for remedial action, training or organisational communication.	A
• Print service will exist as a single solution delivered by a competitively procured supplier.	2017 Complete - RICOH were appointed via a competitive procurement process and replacement equipment and software has been installed and configured to design.	B

Indicators of Success	Progress at February 2020	Status
• A successful deployment of Skype for Business will have enhanced cross-campus collaboration and communications.	The redesign and upgrade of the technical infrastructure was reported as complete in last year's update. All staff are now enabled for Skype for Business.	B
• User wireless access and server cloud resource will be key established elements within a hybrid IT infrastructure.	Office 365 is fully operational for student and staff email. OneDrive is available to all staff and students for personal and shared storage. The three campus wireless solutions are now constrained by vendor limitations, and work has commenced on identifying a new cross-college solution	G
• By providing teaching and support resources online, the College will reduce the need to be the provider of the endpoint equipment in all situations.	*Myday* cloud software launched and now being used by students – providing centralised access to all the information that students need in one intuitive place	G
• IT will be a core element of estates redevelopment activities.	IT continue to contribute on Estates led development projects for existing campuses. Collaboration is based on established protocols for inter-team working on internal change projects. Larger Estate developments are awaiting next stage approvals.	G

IT Strategic Objective 2 - Projects and Enhancements

The College will deliver the approved and prioritised IT infrastructure sustainability and enhancement programs.

Indicators of success	Progress at February 2020	Status
• The College will recognise and deliver prioritised technology change to specification and within approved budget.	2018-19 maintenance spend concluded within budget. 2019-20 spending plans are developing on track. Planning for both years was adjusted to respond to the need to accelerate the deployment of Windows 10 in support of the College's digital ambitions and to better support the delivery of Cyber essentials accreditation.	G
• Stakeholder understanding and engagement will streamline delivery of the resource request and business improvement processes.	For 2019-20, the Operational Planning process informed IT maintenance funding allocation. Spend is prioritised around curriculum delivery and continues to reflect curricular / departmental priority and budget availability.	G
• An effective and involved College Technology Committee will be informing and publicising IT delivery across teaching and learning and support activities.	2018 Complete - Following a Senior Management review of committee and group operation within the College, the recommendation to disband the Technology Committee was implemented late in year two of the Strategy. The College will not put in place a dedicated group to take forward the new Digital Strategy.	B
• IT change will be enabled and supported from a recognised project delivery methodology that is embedded through staff engagement with the Corporate Professional Development Review process.	The CPDR meeting cycle for IT staff continues. Agreed development activities arising from this process are being progressed with OD&HR.	G

<u>IT Strategic Objective 3 - Structure and Service Delivery</u>

The College will maintain and develop a flexible operating IT structure that delivers a high quality and responsive service.

Indicators of success	Progress at February 2020	Status
• IT services will deliver performance against a collection of agreed indicators of success that are set and reviewed during the annual Operations Management cycle and deemed appropriate to the College environment.	Three key Service Indicators are included within the 2019-20 IT Operational Plan. Records show volume and turnaround are within target. Further refinement of service desk information will be progressed during Year 5 as required to support the Digital Strategy action plan and understanding of any trends arising.	**G**
• IT staff will introduce a recognised service delivery methodology and will design cross-campus operations to deliver improvements to the user base.	The CPDR meeting cycle for IT staff continues. Prioritised development is agreed with OD and HR. IT management staff have completed the College's Leadership Development Programme.	**G**
• Available service desk and infrastructure monitoring software will provide effective operational support.	2018 Complete - New Service Desk software *[FreeStyle Support Portal]* was released to users on 31 October 2017. The solution provides: • A self-service web portal - enabling users to log and track job requests; • Revised and improved back-end workflow management – enabling effective job distribution; and	**B**

Indicators of success	Progress at February 2020	Status
	• The production of reliable management information via SQL database reporting. Introduction of the software was supported by a programme of intranet communications and changes to the telephone and email handling arrangements available to users. Infrastructure monitoring *[Microsoft System Centre]* is in place and providing information and tools to support operations.	

IT Strategic Objective 4 - Planning and Risk

The College will establish and maintain asset information, develop the planning processes and maintain audit activities to deliver a sustainability model for the required IT estate.

Indicators of success	Progress at February 2020	Status
• Annual IT spending will be delivered within budget, achieving outcomes as required.	2018-19 revenue and maintenance spending were to budget. 2019-20 revenue spends to date are on track. Maintenance planning is ongoing.	G
• IT asset information will be complete and maintained and will be informing sustainability reviews and selections.	2018 Complete - The IT asset management software is operational. The physical audit and uploading of core IT asset data is complete. Update processes are defined. This will now be maintained on an ongoing operational basis.	B
• Contingency plans will be subject to annual review and maintained to reflect the changing College environment and IT infrastructure.	The IT contingency plan was reviewed in summer 2018. IT management are fully involved in Business Contingency planning and execution. Development of a College Cyber Incident Response Plan formed part of the response to the Scottish Government cyber resilience plan.	G
• Flexible and adaptive IT resource request planning will deliver prioritised change and support the College's response to a fluctuating budget environment.	The 2018-19, IT Maintenance spending was focused on providing hardware to support the roll-out of Windows 10 and Office 2016 across support and teaching areas. For 2019-20 allocations have been set aside to service infrastructure requirements and curriculum resource requests identified via the Operational Planning and curriculum review processes, and prioritised in agreement with curriculum Associate Principal's/Directors.	G

Indicators of success	Progress at February 2020	Status
• Operational risk assessment and options appraisal techniques will be embedded and positively impacting operational effectiveness.	The strategic risk register includes three specific IT risks. These remain under review in progressing Scottish Government requirements in relation to Cyber action planning and in meeting College infrastructure needs. The College has been successful in re-accreditation of Cyber Essentials Plus for a second year Operational risk is captured and managed during the annual planning process and is now recorded in IT procedural documents. IT management is involved in the work to develop an assurance framework to support risk management.	G

IT Strategic Objective 5 - Policy and Process

The College will maintain IT documentation and guidance resources to ensure user understanding and behaviours secure the data assets and information held by the College and protect the College from loss or litigation

Indicators of success	Progress at February 2020	Status
• IT operations and stakeholder behaviours will be governed by a set of policy and guideline documentation that is agreed, understood and is maintained through consultation and review.	The following policies have been renewed over the last 12 months: • IT Password Policy • IT Acceptable Use Policy	G
• Operational processes and behaviours will be fully established and embedded and determined by culture, policy and stakeholder feedback.	Audit recommendations have shaped IT support operations. Survey feedback, including direct engagement with the Student Association, continues to inform IT operations. The College's Behaviours Framework has helped shape operational development.	G
• Non-personal and non-commercially sensitive organisational data will be more readily available.	The GDPR steering and working groups, with IT participation, are now well established and co-ordinating College response(s) to the legislation.	G

<u>IT Strategic Objective 6 - Collaboration and Partnership</u>

The College will develop and maintain sector contacts and promote the College profile to ensure WCS is positioned to lead on, or make best use of, identified collaboration and partnership opportunities

Indicators of success	Progress at February 2020	Status
• The College will be an established and recognised IT contributor within the sector and with other connected public sector organisations.	College IT management remains fully involved with the following forums: • Scottish College's Information Leads (SCIL) – a community of practice for senior IT staff in the sector • Jisc 'Tech2Tech' Stakeholder forum – a group of senior IT staff in the sector • Public Sector Leaders Cyber Forum – group addressing '*Managing Cyber Risk as Business Risk'* • Universities and Colleges Collaboration Strategy Group (UCCSG) – the strategy group for Universities and Colleges Shared Services Catalyst, • Scottish Government Digital Engagement Forum (DEF) – a 'Digital' best-practice sharing group.	G
• IT infrastructure operations will be enhanced by solutions delivered from identified and beneficial sharing or collaboration opportunities.	Collaboration with New College Lanarkshire supported the selection and implementation of the new *Myday* Student Portal software, which has now been fully deployed. Collaboration across the college sector in information and resource sharing is supporting delivery against the Cyber Resilience agenda set by Scottish Government.	G

TITLE: **SCOTTISH GOVERNMENT/COLLEGE CYBER RESILIENCE FRAMEWORK**

Background: The Finance and General Purposes meeting has been provided with regular updates on the College's response to the Scottish Government's Public Sector Action Plan on Cyber Resilience since March 2018. This has included a paper submitted to the meeting in May 2019 on the draft Scottish Public Sector Cyber Resilience Framework.

On 20 January 2020 the Deputy First Minister wrote to all Scottish Public Sector organisations advising of the release of the Scottish Public Sector Cyber Resilience Framework and Supply Chain Cyber Security Guidance

This report provides information on the Cyber Resilience Framework, Supply Chain Cyber Security Guidance, and the College's planning for response to these publications

Action: The Finance and General Purposes Committee is asked to note:

- The implications for the College as outlined within the Cyber Resilience Framework and Supply Chain Cyber Security Guidance; and
- The College's planned response to the publications.

Lead: David Alexander - Vice Principal Operations

Status: Open

1.0 Introduction and Background

1.1 On 8 November 2017 the Scottish Government issued the Public Sector Action Plan on Cyber Resilience [PSAP]. The plan placed several key actions on the College, including the achievement of Cyber Essential Plus accreditation during 2018.

1.2 The College combined the PSAP key actions with recommendations received following an Internal Audit on IT Security into an internal Cyber Action Plan and progress on this Plan was reported to the Finance and General Purposes Committee at each meeting during 2018.

1.3 Key Action 1 within the PSAP was for the Scottish Government to work with the National Cyber Resilience Leaders' Board, the National Cyber Security Centre, the Scottish Public Sector Cyber Catalysts and other key partners to develop a Cyber Resilience Framework for Scottish public bodies. The aim of the framework, with associated guidelines and requirements, was to help promote a common, effective, risk-based approach to cyber resilience across Scottish public bodies. The initial aim was to have this ready by the end of June 2018.

1.4 The College was not tasked with responding to this key action and the document did not materialise during 2018 as originally outlined.

2.0 Draft Cyber Resilience Framework

2.1 On 21 March 2019 the Deputy First Minister wrote to all Scottish Public Sector organisations seeking their views on a draft Scottish Public Sector Cyber Resilience Framework and self-assessment tool.

2.2 Feedback was sought on the draft framework in the format of a formal questionnaire and the College submitted a response to meet the deadline of 12 April 2019.

2.3 A paper was submitted to the Finance and General Purposes meeting in May 2019 regarding the draft Scottish Public Sector Cyber Resilience Framework.

3.0 Cyber Resilience Framework and Supply Chain Cyber Security Guidance

3.1 On 20 January 2020 the Deputy First Minister wrote to all Scottish Public Sector organisations advising of the release of the Scottish Public Sector Cyber Resilience Framework and Supply Chain Cyber Security Guidance. The correspondence is enclosed with this report. The published papers issued with this 20 January 2020 correspondence consist of the following:

a)	Framework Document	284 Pages
	Consisting of	
	• Introduction and how to use framework	23 Pages
	• The Framework	70 Pages
	• Standards Mapping Matrix	90 Pages
	• Individual Standards and Guidance	101 Pages
b)	Self-Assessment Tool	Spreadsheet
c)	Self-Assessment Tool User Guide	8 Pages
d)	Sector Supplier Cyber Security Guidance Note	30 Pages

3.2 The approach is one whereby Scottish Government are seeking to draw upon nine existing Information and/or Cyber Security standards and frameworks and to map these into a single framework that will provide commonality in approach and standard for Cyber Resilience across the Scottish public sector.

3.3 The nine security standards and frameworks that the Scottish Government are basing their Framework on are:

- Cyber Essentials (CE)
- National Cyber Security Centre “10 Steps” to Cyber Security
- General Data Protection Regulation (GDPR)
- Public Sector Network – IT Health Check (PSN-ITHC)
- Payment Card Industry Data Security Standard (PCI-DSS)
- Scottish Government Public Sector Action Plan (PSAP)
- HM Government Security Policy Framework (HMG-SPF)
- Network and Information Systems Regulations – Cyber Assurance Framework version 2 (NIS-CAF)
- International Organization for Standardization ISO27001:2013

3.4 The key aims of the Framework are set out as being to:

- Provide a common, effective way for Scottish public sector organisations to assess their cyber resilience arrangements, identify area of strength and weakness, gain reasonable confidence that they are adhering to minimum cyber resilience requirements, and take decisions on how/whether to achieve higher levels of cyber resilience on a risk-based and proportionate basis.

- Align with key wider cyber-related requirements under the General Data Protection Regulation (GDPR), the Security of Network and Information Systems (NIS) Directive and other standards.

- As far as possible, minimise any additional burdens on Scottish public sector organisations, including by making clear how the Framework relates to existing standards or requirements, and taking account of these when providing guidance on compliance.

- Provide a clear basis for internal and external audit and inspection activity, promoting greater consistency in the areas and issues covered by audit and inspection bodies when assessing Scottish public sector organisations.

- Help to provide clarity and assurance to individual organisations, Ministers, the Scottish Parliament and the public that appropriate levels of cyber resilience are in place across the Scottish public sector and its individual subsectors.

3.5 The Framework itself consists of a series of requirements across different domains, security categories and sub-categories of control, against which an organisation is required to self-assess. Scoring is assigned against responses entered into the self-assessment tool as per guidance provided

3.6 The self-assessment tool is intended to help public sector organisations identify key areas of strength and areas for improvement in their current cyber resilience arrangements, communicate these to senior decision-makers, and take action to address them accordingly. The tool has been designed to produce a “dashboard” that can be shared with senior decision-makers, audit bodies, etc. to assist decision-making around cyber resilience issues.

3.7 The self-assessment tool assesses progression along stages of Initial Baseline, Target and Advanced and includes functionality to start self-assessment from a position that recognises accreditation already held such as Cyber Essentials Plus.

3.8 The Supply Chain Cyber Security Guidance document deals specifically with the topic of supply chain cyber security, and forms part of the Scottish Public Sector Cyber Resilience Framework.

4.0 Timeline, Initial Response, and Next Steps

4.1 The Scottish Government's proposed approach to implementation and reporting arrangements for the Framework are

a) **January 2020 to end June 2020**: a "soft launch" period, allowing public sector organisations to familiarise themselves with the Framework

b) **July 2020 to 2021**: full implementation, under which public sector organisations will be requested to report regularly (annually) on progress against the Framework.

4.2 Requirements of the Framework will be included in the Scottish Public Finance Manual (this is expected to be from April 2020).

4.3 The full version of the self-assessment tool will be launched during the *full implementation* phase, in order to help alleviate reporting burdens and support effective implementation. It is intended that future iterations of the tool will incorporate greater automation and burden-reduction measures.

4.4 The College has brought together a group of key staff to build a plan of response to the Framework and has performed an initial review of the published documents.

4.5 The College proposes to continue by identifying further staff as *leads* for the specific domains and security categories detailed in the Framework, and from there progress to an initial implementation of self-assessment.

4.6 A further update will be provided on progress at the next meeting of the Committee.

5.0 Conclusion

5.1 The Finance and General Purposes Committee is asked to note:

- The implications for the College within the Scottish Government Public Sector Cyber Resilience Framework; and

- The College’s response to the published documents and planned approach to implementation of the Framework.

Deputy First Minister and Cabinet Secretary for Education and Skills
John Swinney MSP

Scottish Government
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[Chief Executive / Principals / Commissioners of public sector organisations]

20 January 2020

Dear *Chief Executive / Principal /Commissioner*,

Cyber Resilience – Public Sector Action Plan – Cyber Resilience Framework & Supply Chain Cyber Security Guidance

Following my earlier correspondence in relation the Public Sector Action Plan on cyber resilience, I am writing to inform you that the Scottish Public Sector Cyber Resilience Framework and Supply Chain Cyber Security Guidance have now been published. These can be accessed, along with detailed guidance on their use and their support tools, on the Scottish Government website (References [1] and [2] in the footnotes).

I trust you will find the Framework, its accompanying self-assessment tool and Supply Chain Cyber Security Guidance useful when considering your cyber resilience arrangements in the context of your business risks.

The Framework
To help Scotland's public sector continue its journey towards levels of cyber resilience that are proportionate to the threat faced, and in response to feedback about the difficulties public sector organisations face in understanding and interpreting the plethora of cyber security standards currently in use, the Public Sector Action Plan committed us to developing a Scottish Public Sector Cyber Resilience Framework.

The key aims of the Framework are to provide a common, consistent reference point for the Scottish public sector to inform decision-making about cyber resilience. It is also expected to provide an effective, commonly accepted basis for external and internal audit and inspection activities.

[1] https://www.gov.scot/publications/cyber-resilience-framework
[2] https://www.gov.scot/publications/cyber-resilience-supply-chain-guidance/

For organisations that are currently required to work to individual standards, such as Cyber Essentials, Public Services Network(PSN), ISO 27001 or the Security of Network and Information Systems (NIS) Regulations, the Framework has been designed to provide a way of understanding levels of compliance with these standards in addition to a range of other key standards that your organisation, or partner organisations in the public, private or third sectors, may be required or requested to report against. Adopting the Framework is therefore expected to help promote greater alignment and trust between Scottish public sector organisations and, in some circumstances, private and third sector partners, over time – a vitally important goal given the increasing need to collaborate and share data across all sectors to deliver quality services to Scotland's economy and society.

The self-assessment tool
To support effective implementation of the Framework, the Scottish Government has worked with a supplier to produce a concept cyber resilience self-assessment tool. This basic tool is intended to support the production of information for key audiences within public sector organisations, helping them to identify broad areas of strength and weakness and levels of compliance against the Framework and individual standards.

It is our intention to develop this into a more sophisticated, database-driven tool in due course, with improved functionality and the ability to produce reports for different internal and external audiences, including senior level executives and external auditors/regulators. This work, which will include burden reduction as a key focus, will be taken forward for launch during the next financial year.

Implementation
The Scottish Government's proposed approach to implementation and reporting arrangements for the Framework is as follows:

- **January 2020 to end June 2020**: a "soft launch" period, allowing public sector organisations to familiarise themselves with the Framework and adjust processes and funding arrangements to support appropriate implementation.

- **July 2020 to 2021**: full implementation, under which public sector organisations will be requested to report regularly (annually) on progress against the Framework. Its requirements will be included in the Scottish Public Finance Manual. Audit bodies will be encouraged and supported to align their activities with the Framework where they feel this is appropriate. The full version of the self-assessment tool will be launched in order to help alleviate reporting burdens and support effective implementation during this phase.

Resources and available support
I recognise that implementation of the Framework may involve resource burdens for public sector organisations. The Scottish Government believes it is important that all organisations view the costs of appropriate cyber resilience as a fundamental part of the overall cost of digital public services. Building consideration of cyber resilience into wider digital budgets is one potential way to support this cultural change.

More broadly, the Framework makes clear that it is intended for implementation on a **risk-based and proportionate basis**. Unless required by regulation or external bodies, it is for individual public sector organisations to judge whether to prioritise resources to implement specific aspects of the Framework in order to address risks, or to live with those risks. The

Framework and assessment tool encourage organisations to note the reasons for such decisions for audit purposes.

A number of free resources have been made available from the Scottish Government to support implementation of key aspects of the framework. These include the self-assessment tool, the already-distributed funding for Cyber Essentials pre-assessments as part of the Public Sector Action Plan, publication of a free Training Guide, development of free Cyber Incident Response Plans and playbooks, and development of the Scottish Cyber Assessment Service to support decision-making around supplier cyber security. The Framework also includes links to relevant free NCSC guidance and tools.

I have asked my officials to monitor and assess any challenges the public sector faces in implementing the Framework during its first year, and to consider the potential for further targeted support to address shared challenges moving forward.

Supplier Cyber Security Guidance Note and Scottish Cyber Assessment Service Tool

A key requirement in the Framework is for public sector organisations to manage the cyber resilience of their suppliers on a risk-based and proportionate basis. This commitment is vitally important for the protection of public services. There is an increasing trend for cyber criminals and hostile states to target "weak links" in supply chains in order to attack primary target organisations. Suppliers' services can also be disrupted by "commodity" attacks that indiscriminately attack vulnerable networks via the Internet.

Legislative requirements, including the General Data Protection Regulation (GDPR), require all public sector organisations to ensure appropriate technical protections are in place when suppliers process personal data on our behalf. The Security of Network and Information Systems (NIS) Directive also specifically requires Operators of Essential Services in our devolved health and water sectors to have appropriate supply chain cyber security requirements in place.

To assist with this, in response to feedback from the Scottish public sector, the Scottish Government has worked with Procurement Centres of Excellence and other key partners to develop:

- A **Guidance Note on Supplier Cyber Security**. This recommends that public sector organisations adopt the National Cyber Security Centre's supply chain guidance as the basis for their approach to supplier cyber resilience. The guidance note is available on the Scottish Government website[3]. An accompanying Scottish Procurement Policy Notice[4] will be published shortly.

- A decision-making support tool called the **Scottish Cyber Assessment Service (SCAS) Tool**[5]. This is available for optional use as an "open beta"[6], and will be updated and improved after 6 months following feedback. It supports public sector organisations to

[3] https://www.gov.scot/publications/cyber-resilience-supply-chain-guidance/
[4] https://www.gov.scot/collections/scottish-procurement-policy-notes-sppns/
[5] https://cyberassessment.gov.scot/
[6] This means it is available for general use in a "live environment", to allow for the gathering of feedback to improve performance.

assess cyber risks in contracts in a consistent way, and to place cyber resilience requirements on suppliers on a risk-based and proportionate basis; and

- A suite of supporting guidance and presentations available on the Scottish Government Cyber Resilience webpages[7]. These cover how to use SCAS in procurement processes, a Supplier Communications Toolkit and presentations for procurement officials and suppliers. Further support material and activities will be made available through the Supplier Development Programme in due course.

Key Recommended Actions for Your Organisation

As you know, it is vitally important that cyber resilience is viewed as a business risk for your organisation and managed appropriately by your senior team. As a matter of good practice, this should include regular Board/senior-level consideration of supplier cyber risks and assurance activities around their mitigation.

I would be grateful if you would ensure that your organisation's senior Board/executive representative with responsibility for cyber resilience is made aware of the above support resources. These should also be brought to the attention of other key parts of your organisation, particularly those with procurement and cyber security expertise who may be responsible for implementing them.

All public sector organisations are asked to update their procurement processes to align with the Guidance Note (if necessary) as soon as possible, and in any case in readiness for the start of the next financial year.

Scottish Government standard terms and conditions have been updated to strengthen cyber resilience requirements, and to cater for optional use of the SCAS tool. Example wording for Contract Notices and ITTs when using SCAS is included in the SCAS guidance.

The NCSC Principles make clear the importance of communicating with suppliers and working in partnership to strengthen cyber resilience. To assist your organisation with this, and to help promote the support available from the Scottish Government and Supplier Development Programme, a Supplier Communications Toolkit has been produced Your procurement and communications teams (where available) are encouraged to make use of this.

[7] https://www.gov.scot/publications/cyber-resilience-supply-chain-guidance/

Feedback
My officials stand ready to offer support and advice on implementation of both the framework, the Supply Chain Cyber Security Guidance and their associated tools.
We would welcome feedback in due course, to help improve both over time. Please send all questions and feedback to the Cyber Resilience Unit at cyberresilience@gov.scot.

Finally, I would like to offer you my sincere thanks for prioritising this work. I look forward to our organisations continuing to work constructively together to ensure that Scotland's public sector is leading by example in our drive to become a cyber resilient nation.

Yours sincerely

JOHN SWINNEY

St Andrew's House, Regent Road, Edinburgh EH1 3DG
www.gov.scot

TITLE:	**Procurement (PCIP) Audit Outcome**
Background:	The purpose of this report is to present the outcome of the Procurement and Commercial Improvement Programme (PCIP) audit which took place in October 2019.
Action:	The Committee is requested to consider and note the outcome of the 2019 College PCIP review.
Lead:	Vivienne Mulholland, Head of Finance and Student Support Funding
Status:	Open

1. Introduction

1.1 In 2014 the Procurement and Commercial Improvement Programme (PCIP) replaced the previous Procurement Capability Assessment (PCA). The PCIP focuses on the policies and procedures driving procurement performance and the results these deliver to the organisation. The PCIP review is undertaken by the procurement centre of expertise for universities and colleges – Advanced Procurement for Universities and Colleges (APUC). The review requires the provision of evidence, based around a series of set questions / associated evaluation methods.

1.2 Some key points to note about PCIP audit are:

- APUC are required to assess the College every two years;
- The College was last assessed in December 2016 and has been assessed on the same basis in 2019;
- The PCIP contains an updated question set and scoring and performance bandings from those previously adopted by the PCA; and
- The assessment methodology requires information to be submitted and assessed in advance of the assessment day.

1.3 The College Procurement Strategy includes as one of its objectives undertaking the PCIP assessment and adopting improvements arising from the review. The College views the PCIP outcomes as a means of identifying areas of development that can then be progressed as part of our continuous procurement improvement journey.

1.4 Having provided APUC with the required documentation prior to their visit the College undertook the PCIP assessment on 3 October 2019. The next PCIP assessment is therefore not expected until the latter half of 2021.

2. PCIP Assessment

2.1 The PCIP assessment was carried out by two members of APUC staff and involved all members of the College Procurement Team as well as the Head of Finance and Student Funding and the Vice Principal Operations.

2.2 The PCIP process assesses organisations by measuring and reporting on their levels of procurement delivery through the provision of evidence, based around a series of set questions and other evaluation methods which cover four areas:

- Leadership and Governance
- Development and Tender
- Contracts
- Key Purchasing Processes

2.3 The set of questions and the areas covered did not change from the previous exercise undertaken by the College in 2016. However, the approach taken by APUC for 2019 was intended to lighten the resource and time burden for the College by taking the form of a risk-based review with greater focus on assessing areas where improvement could be made in moving forward from the 2016 PCIP review.

2.4 In 2016 the College was assessed at 45%, which is a Purple rating. The 2016 PCIP report indicated if the College actioned the recommendations made as a result of that 2016 assessment a score of 67% (Silver) may be achievable.

2.5 A copy of the 2019 PCIP assessment is attached at Appendix A. The assessment resulted in an overall outcome rating of 76%, which is performance band Gold as per the APUC table below:

Performance Band	**% Rating**
Purple	41<>50%
Bronze	51<>60%
Silver	61<>75%
Gold	>75%

2.6 The 2019 PCIP outcome summary statement provided by APUC in relation to the College states:

'The PCIP score achieved by the College is a very good one, moving into the Gold performance band. Sound procurement processes are becoming well embedded and understood. These are demonstrably linked to outcomes and benefits that support optimal use of College resources in meeting corporate strategic objectives, as well as broader collaborative opportunities that arise through the wider public sector procurement programme.

A key factor in the success of the College procurement operation and its sustained improvements journey, is the ongoing support of College senior management. This has been an essential element in the facilitation of high-quality performance.'

2.7 This is a significant increase in the 2016 rating during which APUC had commented that '*Over time it is expected that the College will move towards Silver banding*'. There is no published sectoral table of PCIP rating reviews, however through discussion with APUC staff the College understands that the Gold banding achieved puts West College Scotland near the top of the 2019 PCIP outcomes across all institutions in Scotland.

2.8 The 2019 PCIP outcome supports and validates the continuous improvement work and actions detailed within the College Procurement Strategy and Operational Plans, and as reported to the Finance and General Purposes Committee

2.9 The 2019 PCIP review also identified some areas for continued improvement, and these are detailed in the report attached at Appendix A. The main areas where the College understands progress can be made - leading to an increased outcome rating when the next PCIP review is undertaken include:

- Continuing to consolidate the amount of spend under contract (2019 review noted that procurement has the majority of spend under contract);

- Further refinement of procurement planning across the College and aligning this with operational requirements; and

- Improved engagement in supplier contract management by contract owners.

3. Conclusion

3.1 The College is developing an action plan based upon the outcome of the 2019 PCIP review which incorporate these areas for improvement, and which will be incorporated into the refresh of the Procurement Strategy which is due to take place later towards the conclusion of the 2020 calendar year.

3.2 The Finance and General Purposes Committee is requested to consider and note the outcome of the 2019 College PCIP review.

PCIP Assessment Summary

Institution	Date of Assessment	APUC Assessors	In Attendance
West College Scotland	**03/10/2019**	**Steve Connor** **Douglas Bell**	see below

In Attendance

Name	Position
David Alexander	Vice Principal
Vivienne Mulholland	Head of Finance
David Benstead	Procurement Manager
Joanne McQuillan	Procurement Assistant
Pat McCann	Procurement Assistant

PCIP Assessment Type:	**Lite**	**Performance Band**
Overall Score (%)	**76%**	**Gold**

Performance Band:

Performance Band	% Score
Non-Conformance	<25%
Blue	26<>40%
Purple	41<>50%
Bronze	51<>60%
Silver	61<>75%
Gold	>75%

Summary Statement

The PCIP Lite score achieved by the College is a very good one, moving into the Gold performance band. Sound procurement processes are becoming well embedded and understood. These are demonstrably linked to outcomes and benefits that support optimal use of College resources in meeting corporate strategic objectives, as well as broader collaborative opportunities that arise through the wider public sector procurement programme.

A key factor in the success of the College procurement operation and its sustained improvements journey, is the ongoing support of College senior management. This has been an essential element in the facilitation of high quality performance.

West College Scotland

The table below show the score acheived on the Assessment Day along with a projected score that would be feasible to achieve at the nex t asssessment.

The Report tab provides a summary of the assessment with further commentary on the areas that could be improved to reach the projected scores.

Scores

			Assessment Day Score		Projected Score for future	
Assessment Area	**# of Questions**	**Maximum Score**	**Score**	**% Score**	**Score - Projected**	**% Score - Projected**
Leadership & Governance	6	18	14.5	81%	15.5	86%
Development & Tender	4	12	9	75%	11	92%
Contract	3	9	5.5	61%	8	89%
KEY PURCHASING PROCESSES	1	3	3	100%	3	100%
Grand Total	14	42	32	76%	37.5	89%

TITLE:	**INTERNAL AUDIT REPORT – FINANCIAL SYSTEMS HEALTH CHECK**
Background:	As part of the internal audit programme for 2019-20 Scott Moncrieff conducted an assurance review of College financial systems controls covering expenditure and creditors. This report presents the findings from the audit review.
Action:	The Finance and General Purposes Committee is requested to note the contents of this report.
Lead:	Alan Ritchie, Director of Finance and Estates
Status:	Open

1. Introduction

1.1 The boards of all public bodies require assurance that assets and other resources are used effectively and efficiently and that financial affairs are well managed. Internal financial controls are essential checks and the presence of effective procedures in this area help public bodies:

- meet their legal duties to safeguard public assets;
- administer public funding in a way that identifies and manages risk; and
- ensure the quality of financial reporting, by keeping adequate accounting records and preparing timely and relevant financial information.

1.2 Internal financial controls reduce, but do not eliminate, the risk of losses through theft and fraud, bad decisions, human error, breaches of controls, management override of controls and unforeseeable circumstances.

1.3 In accordance with the 2019-20 Internal Audit Plan, Scott Moncrieff have reviewed the controls over College financial systems covering non-pay expenditure and creditors.

2. Conclusion

2.1 The internal audit review concluded that the College's accounts payable systems and controls have been well designed and are operating effectively.

2.2 The review identified several areas of good practice including:

- well-defined policies and procedures for non-pay expenditure available to all staff with the key document, the Financial Regulations, being reviewed annually.

- There is a clear system in place for adding new or amending suppliers to the finance system that staff adhere to. This includes independent verification of bank details with the supplier, prior to adding or updating their details on the system.

- Well-designed process for raising and approving purchase orders, matching these to invoices and ensuring the relevant goods/services had been received prior to payment.

- Management accounts are prepared monthly before being presented to management, the Finance and General Purposes Committee and ultimately the Board.

2.3 There are no audit recommendations arising from the audit work.

3. Recommendation

3.1 The Finance and General Purposes Committee is requested to note the contents of this report.

West College Scotland

Internal Audit Report 2019/20

Financial Systems Health Check

November 2019

Scott-Moncrieff
business advisers and accountants

West College Scotland

Internal Audit Report 2019/20

Financial Systems Health Check

Audit Sponsor	*Key Contacts*	*Audit team*
Alan Ritchie, Director of Finance and Estates	*Vivienne Mulholland, Head of Finance and Student Funding* *Jigna Bhatt, Finance Manager*	*Elizabeth Young, Director* *Claire Beattie, Audit Manager* *Cara Doyle, Internal Auditor*

Executive Summary

Conclusion

West College Scotland's accounts payable systems and controls have been well designed and are operating effectively.

Background and scope

The boards of all public bodies need assurance that assets and other resources are used effectively and efficiently and that financial affairs are well managed.

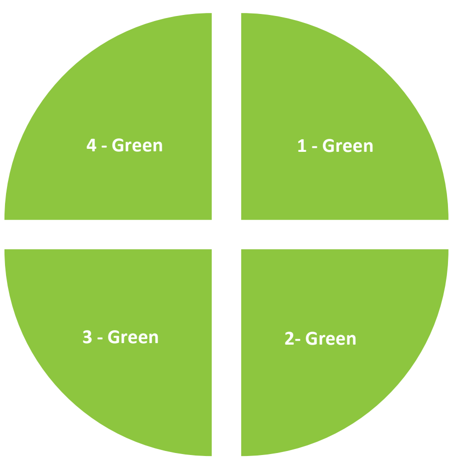
Internal financial controls are essential checks and procedures that help public bodies:

- meet their legal duties to safeguard public assets
- administer public funding in a way that identifies and manages risk
- ensure the quality of financial reporting, by keeping adequate accounting records and preparing timely and relevant financial information.

Internal financial controls reduce, but do not eliminate, the risk of losses through theft and fraud, bad decisions, human error, breaches of controls, management override of controls and unforeseeable circumstances

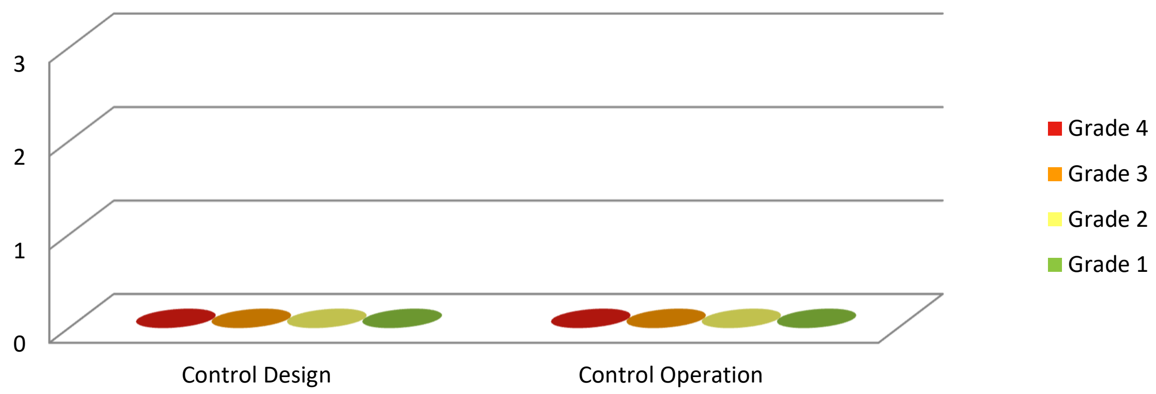
In accordance with the 2019/20 Internal Audit Plan, we have reviewed the controls over financial systems covering non-pay expenditure and creditors.

Control assessment



- 1. Policies and procedues for non-pay expenditure are aligned to best practice.
- 2. Payments are made only in respect of valid and approved creditor accounts for goods and services received.
- 3. Payments are made in accordance with the payment policy with expenditure being accurately reflected in the financial ledger.
- 4. Timely, relevant and accurate management information is available and is reviewed on a regular basis.

Improvement actions by type and priority



No improvement actions have been identified from this review. See Appendix A for definitions of colour coding.

Key findings

Good practice

West College Scotland's procedures reflect good practice in several areas:

- The College has well-defined policies and procedures for non-pay expenditure. These are available to all staff, via the staff intranet and are subject to regular review with the key document, the Financial Regulations, being reviewed annually.
- There is a clear system in place for adding new or amending suppliers to the finance system that staff adhere to. This includes independent verification of bank details with the supplier, prior to adding or updating their details on the system. There is also thorough review and authorisation process in place before the supplier details are uploaded.
- We found there to be a well-designed process for raising and approving purchase orders, matching these to invoices and ensuring the relevant goods/services had been received prior to payment. We found this process ensured appropriate segregation of duties and has been adhered to for all the items within our sample testing. User roles are enforced through the access restrictions within the finance system which is an important preventative control to ensure appropriate authorisation is sought for each transaction.
- The College aims to approve and pay all invoices due within 30 days of receipt. This is regularly monitored, with action taken to remind budget holders to approve invoices timeously. Any disputed or aged invoices are automatically picked up in the next payment run after the outstanding issues have been resolved and the invoice approved.
- Management accounts are prepared monthly before being presented to management, the Finance and General Purposes Committee and ultimately the Board. These are subject to robust scrutiny and regular review by senior finance management with review notes provided to demonstrate this.

These are further discussed in the Management Action Plan below.

Impact on risk register

This review is not directly linked to any of the identified risks within the Strategic Risk Register. More generally, the robust expenditure controls that we have found to be in place help mitigate a number of business risks, including the risk of supplier fraud.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Management Action Plan

Control Objective 1: Policies and procedures for non-pay expenditure are aligned to best practice.

Green

No weakness identified

West College Scotland has clear policies and procedures for non-pay expenditure in place that are aligned to best practice. The key document relevant to accounts payable is the Financial Regulations. The Regulations were recently subject to an in-depth review with several changes being made. The updated Regulations were approved by the Finance and General Purposes Committee at their meeting on 19 November 2019.

We also confirmed the Financial Regulations were readily available to staff. The College has made this available within the policies and procedures section on the staff intranet.

Control Objective 2: Payments are made only in respect of valid and approved creditor accounts for goods and services received.

Green

No weaknesses identified

West College Scotland have a clear and appropriate system in place for adding new and amending supplier details on the finance system. There is a standard form in place that requires dual authorisation prior to changes being recorded on the system. Where bank detail additions or changes are required, finance also independently contact the supplier to request they confirm their details on letter headed paper. We tested a sample of 24 new suppliers and 24 supplier amendments and confirmed that the standard form was used for changes, was appropriately authorised and supported by bank detail confirmations on letter headed paper. We also confirmed that amendments are checked prior to payment runs being made.

The Financial Regulations clearly outlines the approval levels required for purchase orders. We selected a sample of 24 purchase orders and confirmed that these were approved by the appropriate individual. We also confirmed that invoices, purchase orders and goods received are matched and authorised by a second individual prior to payments being made. This ensures there is appropriate segregation of duties, amounts paid are agreed to the original orders and that payments are not made until the goods/services have been received.

We also confirmed that access to the finance system is appropriately restricted. The system is password controlled with individual users having varying levels of access dependent on their role. Access rights are re-confirmed annually through a joint review by finance and budget holders. During the year, finance process authorised requests to amend system access for individuals and receive a monthly staff listing from human resources that allows them to identify any leavers that require to be removed.

Control Objective 3: Payments are made in accordance with the payment policy with expenditure being accurately reflected in the financial ledger.

Green

No weaknesses identified

The College complies with the Confederation of British Industry Prompt Payment Code and has a policy of paying its suppliers at the end of the month following the date of invoice or supply unless supplier payment terms are different, in which case payment is made in accordance with those terms. The College produce monthly reports on their average invoice payment times, which from review of a sample of reports we confirmed was within 30 days.

The finance system automatically selects for payment all authorised invoices that fall due on or before the payment run date i.e. 30 days after the invoice date. The Finance Officer and Finance Manager review the aged creditors every month and there is an automatic reminder to budget holders to authorise any outstanding invoices. Any aged/disputed invoices are paid in the next payment run after the invoice is authorised.

During our sample testing, we noted that the aged creditor review for July 2019 had not been signed off. We confirmed however that the review had taken place; the front cover was not signed due to it having been reprinted and the second copy mistakenly was not signed. Accordingly, we confirmed this was a housekeeping issue and the control in place had in fact operated effectively.

The Finance Officer also prepares monthly reconciliations between the creditors control account and the ledger balance to ensure the ledger is up-to-date and accurate. The Finance Manager then reviews and signs these off. The Treasury Assistant also prepares monthly bank reconciliations that are then reviewed by the Finance Manager to ensure all transactions are accurately recorded.

Control Objective 4: Timely, relevant and accurate management information is available and is reviewed on a regular basis.

Green

No weaknesses identified

The College produces management accounts each month other than August due to this being the College’s year end. The Principal Accountant works to a 10-day deadline to prepare the management accounts, which are then reviewed by the Head of Finance and Student Funding with any key points being discussed between the Director of Finance and Estates and the Head of Finance and Student Funding.

The management accounts information packs are presented to the Finance and General Purposes Committee and then to the Board of Management for review on a quarterly basis.

We confirmed that the management accounts are produced monthly and are subject to robust scrutiny and review by senior management. We also confirmed that there is minimal manual intervention or manipulation of data involved in producing the management accounts thereby reducing the likelihood of error.

Appendix A – Definitions

Control assessments

R	Fundamental absence or failure of key controls.
A	Control objective not achieved - controls are inadequate or ineffective.
Y	Control objective achieved - no major weaknesses but scope for improvement.
G	Control objective achieved - controls are adequate, effective and efficient.

Management action grades

4	•Very high risk exposure - major concerns requiring immediate senior attention that create fundamental risks within the organisation.
3	•High risk exposure - absence / failure of key controls that create significant risks within the organisation.
2	•Moderate risk exposure - controls are not working effectively and efficiently and may create moderate risks within the organisation.
1	•Limited risk exposure - controls are working effectively, but could be strengthened to prevent the creation of minor risks or address general house-keeping issues.

TITLE: **STRATEGIC RISK CONSIDERATION**

Background: Under the Corporate Governance Code, the College Board of Management is tasked with ensuring a framework of risk management and control is in place. This paper presents the College Strategic Risk Register for the consideration of the Finance and General Purposes Committee and provides an update on the actions taken by the College to embed risk management across the organisation.

Action: The Finance and General Purposes Committee is requested to review and approve the College Strategic Risk Register and in doing so consider:

- The risks included in the register;
- The revised risk rating both pre and post mitigation;
- Whether any other risks should be considered for removal;
- Whether any new risks should be considered for inclusion; and
- The progress made in further developing the College Risk Management framework.

Lead: Alan Ritchie, Director of Finance and Estates

Status: Open

1. Risk Management Strategy

1.1 The West College Scotland Risk Management Strategy is approved by the Board of Management. The College Strategic Risk Register is subject to ongoing review by the Board of Management and all Board of Management Committees, with oversight being provided by the Audit Committee.

2. College Strategic Risk Register Update

2.1 The Board of Management approved a version of the risk register at its meeting in February 2020.

2.2 Since that meeting the Senior Management Team (SMT) has continued to carry out a review of the College Strategic Risk Register. The mitigating controls have been updated to take account of items such as the ongoing interactions with the SFC, the outcomes of internal/external audit reports and any Scottish Government/Scottish Funding Council (SFC) announcements.

2.3 The College Senior Management Team consider that the operating environment within which the College functions has not materially changed since the risk register was reviewed by the Board of Management in February 2020. Thus:

- No risk score has been amended; and
- No strategic risk has been removed or no new risks have been included.

2.4 During discussions the senior management team commented upon the continued level of low investment in the information technology infrastructure of the College was an area of concern. This low level of investment impacts upon risk 3 on the College strategic risk register 'Failure to secure adequate estates maintenance / capital funding for future investment or refurbishment of IT ad physical infrastructure.'

2.5 The current scoring of the risk is pre mitigation - possibility (5) and impact (4) = 20 and after mitigating actions have been considered - possibility (4) and impact (4) = 16. The SMT were not minded to amend the score at this time until the SFC have announced the funding for 2020 onwards at which point the College will be in a better position to assess the level of future investment in IT.

2.6 Each Board Committee is requested to:

- review the risks included within the register;
- the risk ratings both pre and post mitigation;
- whether any other risks should be considered for removal; and
- whether any new risks should be considered for inclusion.

2.7 The detailed risk register has been aligned to the new Corporate Strategy and this alignment will be refined over the course of 2019-20. A copy of the current College Strategic Risk Register is attached to this report.

Development of the College Risk Strategy

2.8 The Board of Management risk management action plan has continued to be implemented with the following action remaining:

- The introduction of a formal risk management appetite statement
  The Board of Management meeting in February 2020 considered the outcome of the two Scott Moncrieff facilitated workshops with the Senior Management Team on 19 November 2019 and the Board of Management on 12 December 2019 both of which aimed to capture their views on the level of College risk appetite. The Board considered the outcomes arising from these sessions with Scott Moncrieff staff facilitating a further discussion of what the most appropriate risk appetite level should be for each category of risk. The Board of Management also approved a draft College risk appetite statement.

  The next steps in the development of the College risk appetite statement were agreed as:
  1. Confirmation of the risk appetite for the agreed risk categories.
  2. Review and confirmation of the risk appetite statement.
  3. Update of the College Risk Management Strategy in consultation with the Audit Committee.
  4. Approval of the updated College Risk Management Strategy by the Board of Management.
  5. Implementation of updated Risk Management Strategy across the College.

These next steps will be further progressed at the Audit Committee meeting of 12 March 2020 and the Board of Management meeting on 23 March 2020.

3. Conclusion

3.1 The Finance and General Purposes Committee is requested to review and approve the Strategic Risk Register and in doing so consider:

- The risks included in the register;
- The revised risk rating both pre and post mitigation;
- Whether any other risks should be considered for removal;
- Whether any new risks should be considered for inclusion; and
- The progress made in further developing the College Risk Management framework.

WEST COLLEGE SCOTLAND

Strategic Risk Register

Strategic Risk Register Dashboard Report

Risk register review period: January 2020
Board / Committee review period: February 2020

Top 5 Risks Post Mitigation

Ref	Risk	Movement since previous register	Probability	Impact	Score Feb 20	Score Feb 19
WCS 1	Inability to clearly forecast the volatility and impact of SFC funding and funding methodology changes in relation to core-grant-in-aid, credit activity model; reduction in European funding; student support funding and estates maintenance.	↔	6	4	**24**	**16**
WCS 3	Failure to deliver Estate Strategy objectives due to business cases for development of estate being delayed, with this having a resultant negative impact on the ability of the College to recruit students, retain staff and address legislative requirements	↔	5	4	**20**	**9**
WCS 2	Failure to secure adequate estates maintenance / capital funding for future investment or refurbishment of IT and physical infrastructure.	↔	4	4	**16**	**16**
WCS 16	Failure to prepare for the anticipated impact upon the College of Brexit including loss of European funding, loss of students / staff and access to exchange programme funding.	↔	5	3	**15**	**10**
WCS 4	Failure to deliver SFC Regional Outcome Agreement targets at a time of limited resource results in future credit and/or funding adjustments.	↔	4	3	**12**	**12**

The most significant risk faced by the College continues to be the volatility of SFC funding.

Continued delays to the business cases for the development of the College estate has moved up the risk register based on the latest developments in Renfrewshire and Inverclyde. This risk is closely linked to the next highest risk which is the failure to secure adequate maintenance funding.

The impact of the UK exit from Europe contiues to be a signifiacnt risk faced by the College as the level of uncertainty continues.

WEST COLLEGE SCOTLAND STRATEGIC RISK REGISTER

Risk No.	Risk Reference	Strategic Objective	Risk	Assessment pre mitigation: Risk Probability	Risk Impact	Risk Score	Mitigating Controls and Actions	Assessment post mitigation: Risk Probability	Risk Impact	Risk Score	Previous Score	Movement since last review	Executive Responsible
1	WCS 1	1.1 1.3 3.1 3.4	**Inability to clearly forecast the volatility and impact of SFC funding and funding methodology changes in relation to core-grant-in-aid, credit activity model; reduction in European funding; student support funding and estates maintenance.**	6	4	24	1) Detail of 2019-20 final SFC funding confirmed and shows a level of core funding which is not greater than in 2018-19; a change in the estates funding methodology which will impact upon College operations; and no specific funding in order to meet the cost of any annual pay increases. The College will continue to face a number of financial challenges arising from this settlement during 2019-20 and beyond.. 2) 2019-20 budget approved by College Board in conjunction with 5 year future financial scenario planning and detailed assumptions. 3) Transformation Plan submitted to SFC in order to address future financial challenges. The College continues to engage with the SFC on the final agreement and implementation of the plan including review of curriculum delivery in Renfrewshire. 4) Robust financial forecasting including production and review of monthly management accounts. 5) Estates Strategy including objective to improve / rationalise the College estate utilising estate maintenance funding. 6) Financial modelling of next 5 years undertaken based upon SFC FFR assumptions. Allows the College to identify funding gap and to continue to take necessary steps to address the gap. 7) Commercial Development and Credits Group reporting to Corporate Development Committee with focus on maintaining and growing income including ESF activity. 8) Robust monitoring of current and future curriculum delivery plans (CMAP) including staffing requirements. 9) Active College representation and involvement in external SFC review groups - funding methodology, CDN Finance network; credit review; access and inclusion; rural and remoteness premium and student funding.	6	4	24	24	↔	VP Operations / VP Educational Leadership
2	WCS 3	1.2 3.1 3.3 3.4	**Failure to deliver Estate Strategy objectives due to business cases for development of estate being delayed, with this having a resultant negative impact on the ability of the College to recruit students, retain staff and address legislative requirements**	6	4	24	1) The College continues to engage with SFC, SFT, local councils and other key stakeholders re investment and in relation to implementation of national estate condition survey review and future direction of travel. 2) Approved Estate Strategy and annual implementation updates highlight required estate investment for consideration by SFC and Scottish Government. 3) Draft Outline Business Case for Paisley estate submitted to the SFC. Response received from SFC in regard to Paisley OBC and the College is currently engaging with partners in relation to the collaborative aspects of any proposals. 4) Outline Business Case for Greenock updated and submitted to the SFC in December 2018 following Board of Management approval. SFC have confirmed receipt and willingness to work with College to take forward OBC. 5) Inverclyde local development plan now finalised leading to potential restrictions on future College developments on preferred site. College continues to engage with partners to find suitable way forward. 6) Ongoing prioritisation of College estates funding in a way which links to priority projects, with update reports being provided to each meeting of the Board of Management Estates Committee. 7) Ongoing involvement in sector/SFC capital working group enables WCS input to ongoing discussions in relation to SFC estates maintenance allocation methodology and capital allocations. 8) Ongoing engagement with SFC	5	4	20	20	↔	VP Operations

				Assessment pre mitigation				Assessment post mitigation					
Risk No.	Risk Reference	Strategic Objective	Risk	Risk Probability	Risk Impact	Risk Score	Mitigating Controls and Actions	Risk Probability	Risk Impact	Risk Score	Previous Score	Movement since last review	Executive Responsible
3	WCS 2	1.1 1.2 2.3 4.1	**Failure to secure adequate estates maintenance / capital funding for future investment or refurbishment of IT and physical infrastructure.**	5	4	20	1) College Estate Strategy submitted to SFC, reviewed by internal audit and subject to annual review on implementation and progress by Board of Management Estates Committee. 2) 2019-20 SFC funding for estates has seen a reduction in lifecycle maintenance and priority maintenance funding. The continued reduction in lifecycle maintenance does present an operational challenge. There is also a need to understand the basis of estates maintenance funding allocation beyond 2019-20. 3) WCS participation in SFC/sector Capital Working Group and wider consultation exercises where possible. 4) Outline Business Case for Greenock updated and submitted to the SFC in December 2018 following Board of Management approval. SFC have confirmed receipt and willingness to work with College to take forward OBC. College currently undertaking curriculum horizon scanning exercise in responding to SFC information request in relation to Greenock OBC. Implications of published Inverclyde local development plan being actioned and College is engaging with partners in relation to this. 5) Outline Business Case for Paisley submitted to the SFC in October 2017 and feedback received from the SFC. Discussion with partner organisations remains ongoing in relation to the collaborative aspects of the proposals, and an updated OBC for Paisley will require to be submitted to SFC once these have been concluded. 6) The College has updated the estate condition work undertaken in 2015. This provides robust data showing the level of investment required as at 2019 in order to get the College estate up to Condition B and maintain this..	4	4	16	16	↔	VP Operations
4	WCS 16	1.3 2.2 3.1 3.4	**Failure to prepare for the anticipated impact upon the College of Brexit including loss of European funding, loss of students / staff and access to exchange programme funding.**	5	3	15	1) College has considered possible impacts of Brexit on operations and continues to keep this under review. Output has been discussed at senior management level and with relevant Board Committees. It is anticipated there may be an impact on EU funded programmes (such as Modern and Foundation Apprentices). 2) The College is a member of a sector working group on Brexit allowing access to latest intelligence specific to the College sector. 3) Close liaison with SFC on future funding arrangements post 2021 when current ESF funding is due to end.	5	3	15	15	↔	Principal
5	WCS 4	1.2 2.1 3.2 3.4	**Failure to deliver SFC Regional Outcome Agreement targets at a time of limited resource results in future credit and/or funding adjustments.**	5	4	20	1) Positive engagement with SFC in relation to ROA development and monitoring for current and future years. Internal audit of ROA process indicated robust planning arrangements in place regarding development of ROA. 2) Effective internal monitoring and reporting procedures in place, including operational planning process, and monitoring through the Board of Management and all Committees. 3) Good working relationships with local authorities and schools in order to access attainment funding in support of College activities in this area. 4) Detailed curriculum development planning and review process which has been subject to positive review by internal audit. 5) Blended approach to delivery of teaching and learning including online learning allowing College to address changes in recruitment and delivery. 6) Curriculum offering is reviewed to ensure employer and student needs are met and appropriate courses delivered. 7) The Board of Management to consider the College ROA during February 2020 meeting. The draft ROA will then be submitted to the SFC for initial consideration.	4	3	12	12	↔	Principal

				Assessment pre mitigation				Assessment post mitigation					
Risk No.	Risk Reference	Strategic Objective	Risk	Risk Probability	Risk Impact	Risk Score	Mitigating Controls and Actions	Risk Probability	Risk Impact	Risk Score	Previous Score	Movement since last review	Executive Responsible
6	WCS 5	1.1 1.2 1.3 3.4	**Impact and outcome of National Pay Bargaining for both teaching and support staff.**	6	3	18	1) WCS representation and involvement in national college Employers Association and national joint negotiating committee (NJNC). 2) Financial impact assessment / planning scenarios on the impacts of National Bargaining ongoing. National Bargaining funding distribution for 2019-20 agreed with Colleges Scotland and the Scottish Funding Council. 3) Business Continuity Planning considers impact of industrial action, with specific plans in place. 4) Local trade union consultation and negotiating committees for support and teaching staff continuing to meet on an ongoing basis in order to maintain positive College industrial relations. 5) Robust college sector and WCS communications plan including liaison with Student Association on impact on students. 6) Local workforce planning arrangements subject to positive internal audit review (June 2018). Workforce planning being carried out at departmental level based on agreed template 7) Support and teaching staff pay award until September 2020 in place.	6	2	12	12	↔	Principal
7	WCS 6	1.1 2.1 3.3 4.2	**Failure to maintain or acquire and use IT systems and infrastructure to support the digital ambitions of the College.**	4	4	16	1) IT Strategy, Policies / Procedures and system access processes in place. The Finance and General Purposes Committee review progress achieved in delivering the IT Strategy on an annual basis and are satisfied with progress given the level of resource available to the College - although recognise that the College digital ambitions are being constrained by the level of SFC funding. Strategic dialogue with Colleges Scotland and the SFC is ongoing in an effort to secure the required level of funding in order to deliver College digital ambitions. 2) Staff and student feedback and evaluation procedures in place. 3) IT Contingency Plan in place with regular review. 4) College has renewed its Cyber Essentials Plus accreditation as required. Work commencing on updating the Scottish Government Cyber Resilience Framework. 5) College Digital Strategy which sets out digital ambitions for the College, presented and approved by the Board of Management. 6) Discussions remain ongoing with the SFC on IT condition survey and College offered to be model for future sector wide survey. 7) College HR department providing support to staff undertaking national support staff job evaluation.	4	3	12	12	↔	VP Operations
8	WCS 15	1.1 2.1 3.4 4.3	**Failure to deliver the financial and/or non-financial objectives outlined in the College Transformation Plan "Future Proofing Our College".**	4	4	16	1) Transformation Plan has been developed by the College and discussed in detail with the SFC. 2) Board of Management have approved the Plan and financial objectives are monitored through the F&GP Committee. Board of Management monitor overall plan achievement. 3) Projects have been initiated in line with the plan and are directed by a specific member of SMT. 4) Detailed delivery plan has been created to allow milestones to be set and monitoring to take place. 5) College has a plan in place to meet financial objectives during 2019-20. However future years remain challenging and the plan will require to be further reviewed/updated. SFC indicative funding figures have been published and have crystallised the financial challenges faced by the College. No guidance on future years.	3	4	12	12	↔	Principal

				Assessment pre mitigation			Mitigating Controls and Actions	Assessment post mitigation				Movement since last review	Executive Responsible
Risk No.	Risk Reference	Strategic Objective	Risk	Risk Probability	Risk Impact	Risk Score		Risk Probability	Risk Impact	Risk Score	Previous Score		
9	WCS 9	1.2 1.3 3.4	**Inability to maintain positive staff relations**	4	3	12	1) Approved Workforce Plan in place to address Audit Scotland recommendations and implementation reviewed by the Board CDC and HR Committee. 2) Internal audit on internal communications reported that that the College had effective internal communication channels to staff and students 3) Clear procedures for communication and engagement with Trade Unions and College staff. 4) Staff engagement sessions and staff surveys undertaken on regular basis allowing matters to be raised and issues to be addressed early. 5) Local trade union consultation and negotiation committees in place for teaching and support staff. 6) College is supportive of staff involvement in national job evaluation scheme and has open dialogue with Unions as to how staff can be supported.	3	3	9	9	↔	Principal
10	WCS 11	1.1 2.3 3.1 3.2	**Ability to generate consistent levels of alternative income or to grow alternative income streams.**	4	3	12	1) Alternative Income Strategy currently under development in response to requirements of College Transformation Plan objectives. Strategy will be subject to review by Corporate Development Committee. 2) Annual financial budget agreed and monitored by the Corporate Development Committee. 3) Strong partnerships with local employers and stakeholders. 4) Operation planning process used to identify potential opportunities for income growth. 5) Adaption of course portfolio to meet student / employer needs. 6) Financial strategy and planning in place to address resource needs and redirect as required. 6) Review of resources required within Curriculum Development Planning procedure. 7) Commercial Development Group meets bi-monthly to review and address challenges of delivering alternative income.	3	3	9	6	↔	VP Educational Leadership
11	WCS 7	1.2 3.4	**Inadequate business continuity / cyber resilience planning leading to material interruptions to service delivery.**	3	4	12	1) Business Continuity webpage created to inform all staff and stakeholders of College approach to business continuity planning. 2) Business Continuity Plan available to relevant staff on OneDrive along with associated documents to assist during any incident (including creation of "battle boxes"). 3) College has achieved Cyber Essentials Plus accreditation and has in place IT recovery plans as part of overall business continuity planning process. 4) Training and scenario planning sessions undertaken on a quarterly basis with involvement from both teaching and support staff. Externally facilitates and lessons learned shared with staff. 5) Adequate insurance cover to assist in recovery after an incident. 6) Risk assessment process well embedded at strategic level now being further embedded at operational level.	3	3	9	9	↔	VP Operations
12	WCS 10	1.3 2.3	**Failure to embed Workforce Plan resulting in lack of appropriate resources and skills being developed to achieve College strategic objectives and outcomes**	4	3	12	1) College Workforce Plan and associated reporting requirements approved by the Board of Management. 2) Detailed teaching resource planning through use of curriculum mapping tool (CMAP). 3) Resourcing of support staff structures reviewed on an ongoing basis by Executive Management Team to ensure alignment with operational and strategic priorities. 4) Itrent HR and payroll software developed to provide staff data and reports including an establishment report. 5) Professional Development Policies are aligned to strategic priorities. 6) Roll out of College CPD review process is ongoing and supports succession planning, leadership development and assists in mitigating the impact of the loss of key staff. 7) Internal audit reviewed workforce planning as part of 2018-19 audit plan. All recommendations made by internal auditors fulfilled and OD&HR Committee updated on progress. 8) Initial results from staff skills survey being used to allow the College to identify and address future skills gaps.	3	2	6	6	↔	Principal

				Assessment pre mitigation				Assessment post mitigation					
Risk No.	Risk Reference	Strategic Objective	Risk	Risk Probability	Risk Impact	Risk Score	Mitigating Controls and Actions	Risk Probability	Risk Impact	Risk Score	Previous Score	Movement since last review	Executive Responsible
13	WCS 13	3.4 4.1	**Inability to ensure a holistic response to data and information governance, including compliance with the General Data Protection Regulations (GDPR).**	3	3	9	1) Data Protection Officer (DPO) appointed in compliance with legislative requirement. DPO is part of shared services agreement allowing the College to work collaboratively with other institutions. 2) DPO is undertaking review of departmental compliance with data legislation and addressing issues as required. Reports provided to working group on progress and issues identified / rectified. 3) College has a working group covering GDPR and data management issues with involvement from senior staff. The Group has oversight of the information risk assessment process. 4) Data Protection concepts and principles embedded within the operations of the College.	3	2	6	6	↔	Principal
14	WCS 14	1.2 3.4	**Normal business activities are unduly affected due to the complexity of sequencing estates investment works**	4	2	8	1) Detailed resource planning involving all relevant parties at stage to address any issues in advance of project start date. 2) Staff resource increased during 2018-19 to address the significant increase in level of expenditure and complexity of projects being undertaken. 3) Well embedded project / estate team with knowledge base that allows issues to be identified and addressed. 4) use of external professional advisors to provide oversight and critical review of proposed activities / plans.	3	2	6	6	↔	VP Operations

Corporate Strategy 2019-2025

Priorities			Objectives
(1) Personalisation	We will deliver the skills solutions that employers are looking for and the learning outcomes that students want,	1.1	Developing Bespoke solutions, Fast
		1.2	Raising Aspirations and Enabling Students to achieve outcomes
		1.3	Recruiting and Retaining Talented People
(2) Collaboration	We will build the immersive relationships and make the connections that enhance value for	2.1	Creating Learning Pathways
		2.2	Immersive Partnerships
		2.3	Delivering Inclusive Growth
(3) Agile and Adaptive	We will develop the capability to respond to shifts in demand and seize new opportunities quickly' putting in place specialist delivery capabilities.	3.1	Developing new income opportunities
		3.2	Developing the Market
		3.3	Utilising Specialist Capabilities
		3.4	Managing for Resilience
(4) Digital	We will ensure that the College has the digital capacity and capabilities to deliver in a modern economy.	4.1	Using Data
		4.2	Inspirational Learning
		4.3	Developing the skills base

Tolerance Matrix and Scoring Grid

Probability	Score	Impact	Score
Almost Certain	6	Catastrophic	4
Very Likely	5	Critical	3
Likely	4	Marginal	2
Possible	3	Negligible	1
Very Unlikely	2		
Remote Chance	1		

Risks - Probability x Impact Score Grid

Almost Certain 6	6	12	18	24
Very Likely 5	5	10	15	20
Likely 4	4	8	12	16
Possible 3	3	6	9	12
Very Unlikely 2	2	4	6	8
Remote Chance 1	1	2	3	4
	Negligible 1	Marginal 2	Critical 3	Catastrophic 4

Risk Score - Direction of Travel

↔	Post mitigation risk score after review has remained static compared to the last time the register was reviewed.
↑	Post mitigation risk score after review has increased compared to the last time the register was reviewed.
↓	Post mitigation risk score after review has reduced compared to the last time the register was reviewed.

TITLE:	**THE FINANCIAL SUSTAINABILITY OF COLLEGES AND UNIVERSITIES IN SCOTLAND**
Background:	The Scottish Funding Council (SFC) on 11 February published the attached report on the financial sustainability of Colleges and Universities in Scotland. The report presented an aggregate picture of the financial health of Scottish institutions, based on an analysis of the information reported to the SFC in September 2019 by each institution. The report highlights that financial management is a dynamic process. The figures used in the report are subject to change as governing bodies plan and make choices and decisions about the future, and as the SFC engages with institutions about the robustness of their projections and plans. While the report presents an aggregate picture, the SFC noted that there is significant variation in the financial position of individual institutions.
Action:	The Finance and General Purposes Committee is requested to note the contents of this report.
Lead:	Alan Ritchie, Director of Finance and Estates
Status:	Open

1. Introduction

1.1 The Scottish Funding Council (SFC) is the national, strategic body that funds further and higher education and research in Scotland. Universities and colleges that receive public funds must meet the terms and conditions set out in accepted offers of grant, Outcome Agreements, and a Financial Memorandum (which also includes compliance with Scottish codes of governance).These documents require universities and colleges to make best use of public funds and to exercise good governance.

1.2 It is vital that institutions plan and manage their activities to remain sustainable and financially viable. Financial sustainability is, therefore, a condition of grant and is set out in the Financial Memorandum the College has with the SFC. The SFC takes into account the underlying financial position and cash generative capacity when monitoring the financial sustainability of individual further and higher education institutions.

1.3 The report at Appendix A presents an aggregate picture of the financial health of Scottish institutions, based on an analysis of the information reported to the SFC in September 2019 by each institution. It identifies key financial trends for the forecast period from the submitted projections.

1.4 There is no doubt that institutions are operating in a financial environment that is complex, changing, and difficult to predict. There is uncertainty in the wider context of public finances and the UK's future relationship with the European Union, alongside financial pressures from pay and pension contributions, demographic and migration changes, and increasing competition for students. This report shows a challenging set of indicators of sustainability across colleges and for some parts of the university sector.

1.5 Given the volatile and uncertain operating environment, robust financial management is critical to good governance, decision-making and future success. The SFC, therefore, expect institutions to:

- Keep their performance, projections, and financial policies under regular review and ensure they test the continued reliability of underlying assumptions and their risk management strategies as they approve their future financial plans.
- Benchmark financial and other performance indicators with relevant institutions.
- Maximise opportunities for surplus-making activities, efficiencies and cost savings.
- Undertake workforce planning.
- Consider involvement in wider partnerships and collaborations that bring additional resources to the institutions, regions and Scotland.
- Consider models of provision that will be attractive to learners and meet the needs of the local economy.
- Understand, where appropriate, the UK and global context that can impact on an institution's future strategy.

1.6 Institutions are responsible for continued compliance with the Financial Memorandum including SFC's requirements in relation to financial sustainability and viability. The SFC will continue to monitor individual institutions for early signs of financial difficulties and may increase their levels of engagement where an institution provides them with information that suggests they may face sustainability issues.

1.7 The table on page 6 provides several high-level indicators for the College sector.

Adjusted Operating Position

1.8 The main one to bring to the Committee's attention is the adjusted operating surplus / (deficit) indicator.

1.9 The report highlights that the future financial position over the next five years is challenging across all indicators of sustainability. The forecasts reflect the cost pressures facing the college sector. These pressures include increased employer contributions to pension schemes, funding cost of living pay increases, and estates maintenance. Colleges also face the prospect of reduced European funding.

1.10 Colleges are forecasting an acceptable i.e. positive, adjusted operating position up to 2020-21, followed by increasing deficits in the later years of the planning period. The SFC note that there is, however, significant variation between colleges in terms of their financial positions and performance and this has led to an increase in the number of colleges and regions subject to a higher level of engagement with the SFC.

Cash

1.11 Sector cash and equivalent balances are expected to reduce by 60% over the next five years, from £59.1 million in 2018-19 to £23.4 million by 2023-24, reflecting the changing operating position. Total long-term borrowing (including non-profit distributing and public finance initiative commitments) is expected to decrease from £258.1 million to £201.3 million over the same time period.

Key risks

1.12 Page 12 summarises the key risks that could adversely affect their financial performance and sustainability. The most significant risk areas for colleges relate to:

- Changes to the funding model and colleges' ability to deliver regional outcome agreements and Government priorities. This includes the sector's ability to meet the core student activity target of c. 116,000 FTE places and other key performance measures.
- The impact of cost efficiencies, including reduced staff numbers and frontline student services, on both the quality of student experience and on the health and wellbeing of college staff.
- The impact of the UK exiting from the EU and the risk of reduced European funding.
- Additional staff costs arising from both cost of living pay awards and the outcome of the National Bargaining job evaluation exercise for support staff.

- Increases in employer contributions to the Scottish Teachers Superannuation Scheme and Local Government Pension Schemes.
- Addressing backlog estates maintenance and ICT/digital requirements.
- Challenges of diversifying income and generating additional surplus.
- The balance of portfolio of provision and how that impacts on student numbers.
- Insufficient funding to address student support requirements (SFC planning guidance asked colleges to plan on the basis that these costs would be met throughout the planning period).

1.13 On reviewing the above risks there does not appear to be any new risks that the College is not already aware of from its own risk management processes.

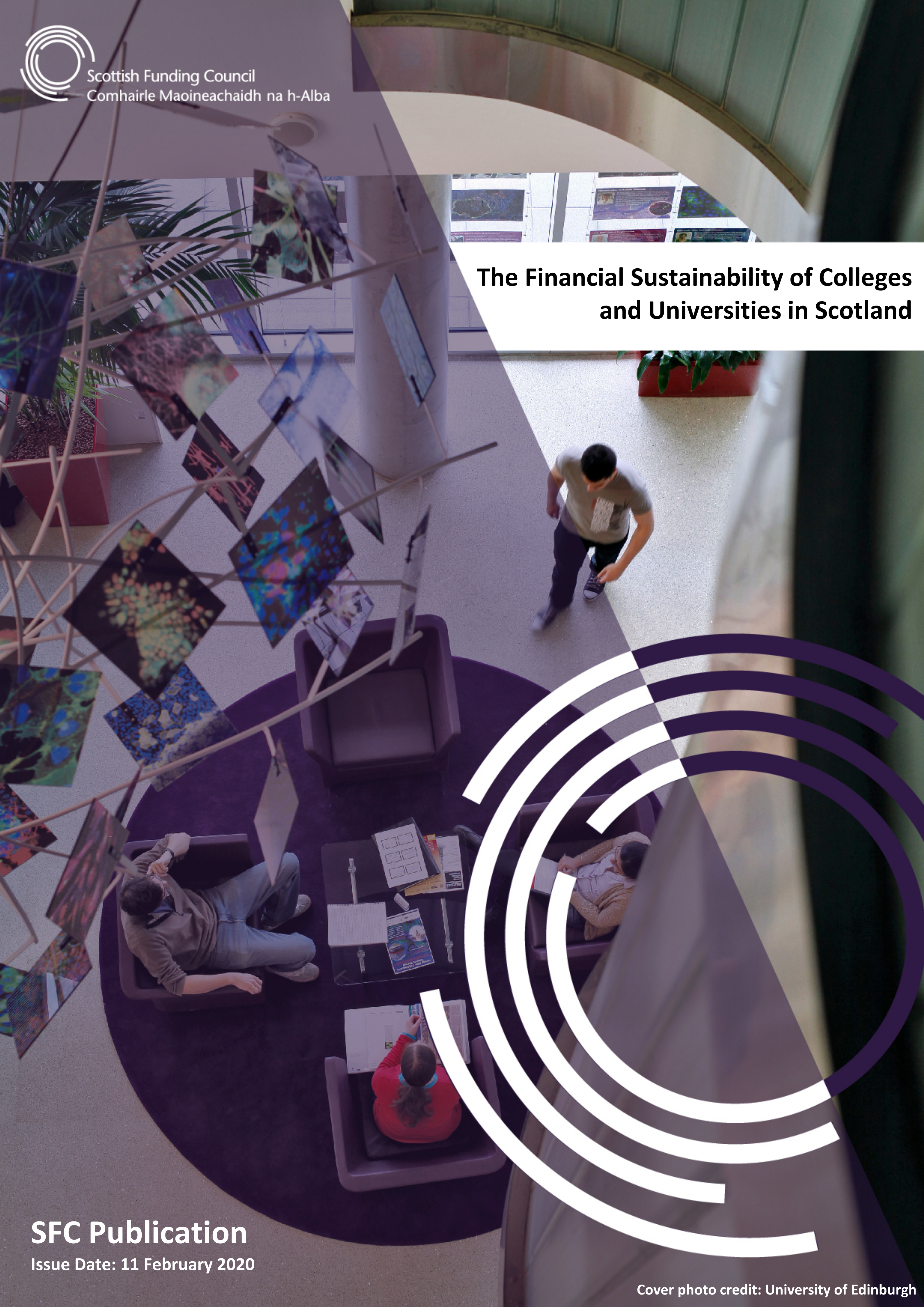
1.14 The College will continue to engage with the SFC in relation to the 5-year financial projections for the organisation.

2. Recommendation

2.1 The Finance and General Purposes Committee is requested to note the contents of this report.

Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

The Financial Sustainability of Colleges and Universities in Scotland



SFC Publication

Issue Date: 11 February 2020

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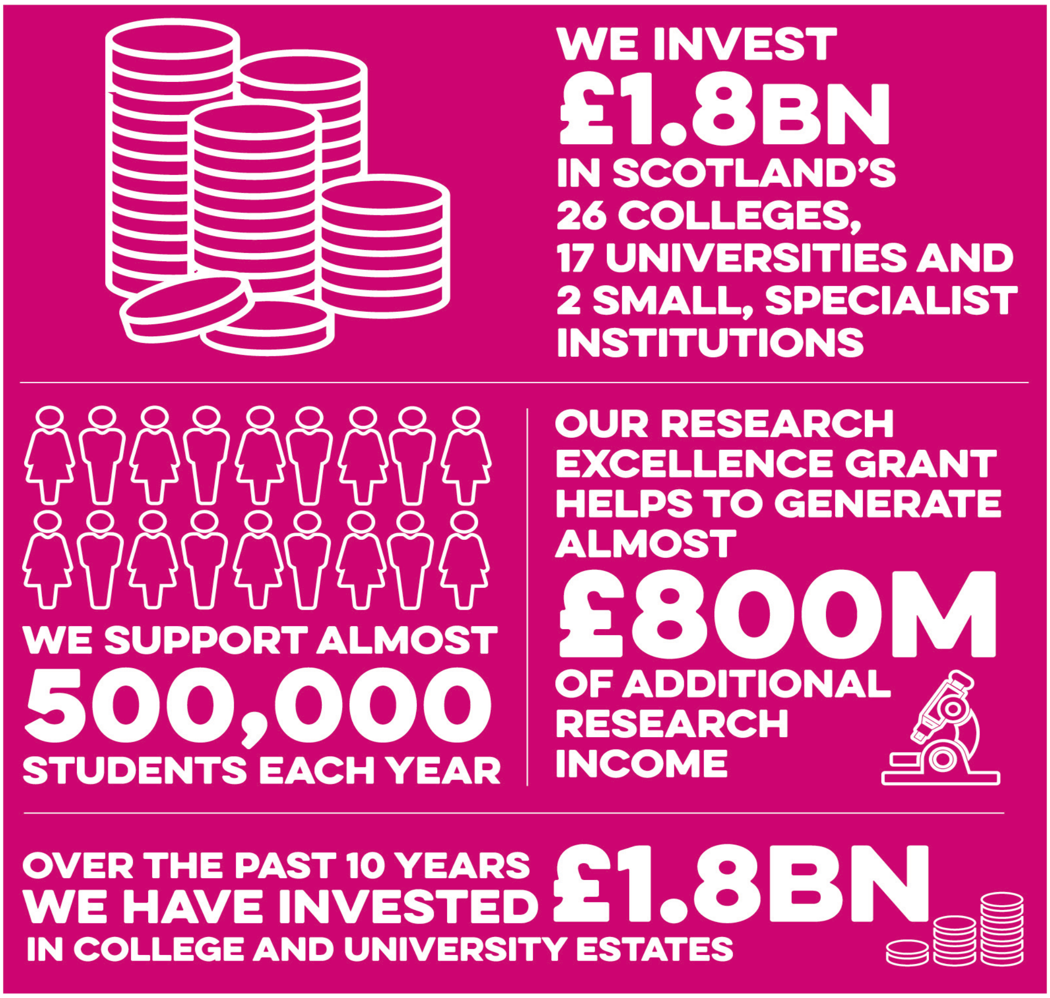
About us

LEADING, INSPIRING, INVESTING

We are the national, strategic body that funds further and higher education and research in Scotland.

- We invest in education that is accessible to learners from all backgrounds, gives them a high-quality learning experience, supports them to succeed in their studies, and equips them to flourish in employment, further study and fulfilling lives.
- We invest in excellent research and innovation that adds to current knowledge, delivers economic and societal value, enhances Scotland's international reputation and attractiveness, and makes the world around us prosperous, healthier and more sustainable.
- We ensure our autonomous colleges, universities and specialist institutions form part of a successful, world-leading, coherent and sustainable system of education that responds effectively to the future needs of learners and the skills needs of the economy and society, enhances our rich cultural life, and strengthens Scotland's international connections.
- We will be an excellent, outcome-focused public body that provides leadership, inspires confidence, models collaborative working, is committed to continuous improvement, and stewards public resources well.



Contents

1. Introduction and Context

1.1. The Scottish Funding Council (SFC) is the national, strategic body that funds further and higher education and research in Scotland. Our main statutory duties and powers come from the Further and Higher Education (Scotland) Act 2005. Universities and colleges that receive public funds must meet the terms and conditions set out in accepted offers of grant, Outcome Agreements, and a Financial Memorandum (which also includes compliance with Scottish codes of governance). In the round, these require universities and colleges to make best use of public funds and to exercise good governance.

1.2. It is vital to the success of students and research activities, local communities and the wider Scottish economy, that the institutions we fund plan and manage their activities to remain sustainable and financially viable. Financial sustainability is, therefore, a condition of grant and is set out in our Financial Memorandum. SFC takes into account the underlying financial position and cash generative capacity when monitoring the financial sustainability of individual further and higher education institutions.

1.3. This report presents an aggregate picture of the financial health of Scottish institutions, based on an analysis of the information reported to us by each institution. It identifies key financial trends for the forecast period from submitted projections. Financial management is a dynamic process. The figures reported here are subject to ongoing change as governing bodies plan and make choices and decisions about the future, and as we engage with institutions about the robustness of their projections and future plans. While this presents an aggregate picture, there is significant variation in the financial position of individual institutions.

1.4. Scotland is one of the most highly educated countries in the world, with world renowned science and research excellence, and an ability to attract talent and investment. Our colleges and universities have a strong track record of adapting to change and managing challenges. There is no doubt that institutions are operating in a financial environment that is complex, changing, and difficult to predict. In particular, there is uncertainty in the wider context of public finances and the UK’s future relationship with the European Union, alongside financial pressures from pay and pension contributions, demographic and migration changes, and increasing competition for students. While this aggregate summary shows a challenging set of indicators of sustainability across colleges and for some parts of the university sector, this track record of adapting to changes in the environment will be important for the future.

1.5. Given this volatile and uncertain environment, robust financial management is critical to good governance, decision-making and future success. We, therefore, expect institutions to:

- Keep their performance, projections, and financial policies under regular review and ensure they test the continued reliability of underlying assumptions and their risk management strategies as they approve their future financial plans.
- Benchmark financial and other performance indicators with relevant institutions.
- Maximise opportunities for surplus-making activities, efficiencies and cost savings.
- Undertake workforce planning.
- Consider involvement in wider partnerships and collaborations that bring additional resources to the institutions, Scotland and particular regions.
- Consider models of provision that will be attractive to learners and meet the needs of the local economy.
- Understand, where appropriate, the UK and global context that can impact on an institution's future strategy.

1.6. Institutions are responsible for continued compliance with the Financial Memorandum including SFC's requirements in relation to financial sustainability and viability. SFC will continue to monitor individual institutions for early signs of financial difficulties and may increase our levels of engagement where an institution provides us with information that suggests they may face sustainability issues. Institutions are encouraged to approach us at an early stage in order that we can understand the emerging pressures and mitigating actions being taken. It is important that institutions tell us about changes in their situation that affect their sustainability or ability to continue to provide good quality learning and teaching or research activities, so that we can work together to secure good outcomes for individual learners, local communities, and for Scotland and its wider contribution in the world.

1.7. In addition, SFC's 2019-20 annual report and accounts will include an updated analysis of the financial sustainability of the college and university sectors, based on the review of 2018-19 financial statements.

2. College Sector

Summary indicators

2.1. The table below provides a summary of key college financial indicators across the years 2018-19 to 2023-24[1].

Financial Indicator	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	Forecast 2023-24
Total income (£000)	768,680	786,841	780,640	781,296	776,780	779,894
SFC grant as % of total income	72%	72%	72%	72%	71%	71%
Operating surplus/(deficit) (£000)	(20,436)	(13,494)	(10,504)	(12,410)	(17,158)	(17,560)
Operating surplus/(deficit) as % of total income	(3%)	(2%)	(1%)	(2%)	(2%)	(2%)
Adjusted operating surplus/(deficit) (£000)	8,200	(344)	1,738	(777)	(3,545)	(5,086)
Adjusted operating surplus/(deficit) as % of total income	1.1%	(0.0%)	0.2%	(0.1%)	(0.5%)	(0.7%)
Net operating cash flow (£000)	51,201	20,156	28,516	26,632	23,704	23,024
Net operating cash flow as % of total income	7%	3%	4%	3%	3%	3%
Cash and cash equivalents net of overdrafts (£000)	59,094	40,077	38,827	35,674	29,865	23,400
Cash days	30	20	19	18	15	12
Borrowing (£000)	258,125	246,515	235,807	224,724	213,206	201,328
Borrowing as % of total income	34%	31%	30%	29%	27%	26%

Note: There is no balance sheet information for two of the non-incorporated colleges as they form part of the Local Authority. Therefore they are not included in the cash and borrowing figures above. Shetland College only provided financial information up to 2019-20 due to possible merger.

[1] All reporting references in this paper relate to the Academic Year, ending 31 July

2.2. Overall, the sector's reported future financial position over the next five years is challenging across all indicators of sustainability. The forecasts reflect the cost pressures facing the college sector. These pressures include increased employer contributions to pension schemes, funding cost of living pay increases, and estates maintenance. Colleges also face the prospect of reduced European funding.

2.3. In aggregate, colleges are forecasting an acceptable adjusted operating position up to 2020-21, followed by increasing deficits in the later years of the planning period. There is, however, significant variation between colleges in terms of their financial positions and performance that is not reflected in our aggregate indicators. Following our financial reviews, there has been an increase in the number of colleges and regions subject to a higher level of engagement.

2.4. Sector cash and equivalent balances are expected to reduce by 60% over the next five years, from £59.1 million in 2018-19 to £23.4 million by 2023-24, reflecting the changing operating position. Total long-term borrowing (including non-profit distributing and public finance initiative commitments) is expected to decrease from £258.1 million to £201.3 million over the same time period. Capital spend of £133.5 million is forecast over the planning period; just under half of that amount relates to one new campus development.

2.5. Most colleges predict action to address deficits that includes staff restructuring, as staff costs represent the largest proportion of colleges' expenditure. While the aggregate financial returns indicate a substantial reduction in staff may be required, this is based on the common key planning assumptions used in the forecasts and the figures are indicative.

2.6. The financial forecast returns from some colleges did not comply with our detailed planning guidance and failed to present a balanced operating position in the later years of the forecast period. We have asked these colleges for either revised returns or supplementary information about the mitigating actions required to bring them into financial viability. This means some of the figures reported here may be subject to further change.

2.7. Colleges will need to balance the need to restructure with their requirement to deliver regional outcome agreements and Government priorities, in particular the ability to meet student activity targets. We expect institutions to respond to financial challenges in ways that sustain and prioritise the delivery of good quality teaching and learning for students, and the overall student experience and the general health and wellbeing of the college workforce.

2.8. Details of the regional organisation of colleges across Scotland are provided in Annex A. An explanatory note in relation to the adjusted or underlying operating position indicator is provided in Annex B.

SFC financial return requirements

2.9. Colleges make the following financial returns to SFC in the course of the year:

- Financial Forecast Return (FFR), normally submitted at the end of June, comprising an outturn forecast for the current academic year and forecasts for the following five years.
- Mid-Year Return, comprising an updated outturn forecast for the current academic year.
- Annual accounts, submitted at the end of December, comprising the audited financial statements and supporting reports by the college's audit committee, internal and external auditors (also on an academic year basis).
- Monthly cash flow returns (incorporated colleges only) for Scottish Government budgeting and accounting requirements (see Annex A).

2.10. Colleges and regions experiencing heightened challenges to their ongoing sustainability also provide quarterly and monthly returns. The FFR is usually returned at the end of June but the deadline was extended to late September for 2019 to give colleges and regions sufficient time to fully take account of key planning assumptions within their financial returns.

2.11. The 2019 Financial Forecast Return (FFR) Call for Information included key planning assumptions[2] to assist colleges in producing their forecasts to support their financial planning.

2.12. The guidance stated that:

'SFC's Financial Memorandum with colleges and Regional Strategic Bodies (RSBs) requires institutions to plan and manage their activities to remain sustainable and financially viable. It is therefore critical that institutions take the necessary actions to balance their operating position, reflect these actions in their FFRs, and provide a full description of their financial plans in the FFR commentary.'

Adjusted operating position

2.13. The adjusted operating position (AOP) is intended to reflect the underlying operating performance after allowing for material one-off or distorting items or other items outwith the control of colleges. An explanation of how the AOP is calculated can be found in Annex B. In aggregate, colleges are forecasting an acceptable adjusted operating position up to 2020-21, followed by increasing

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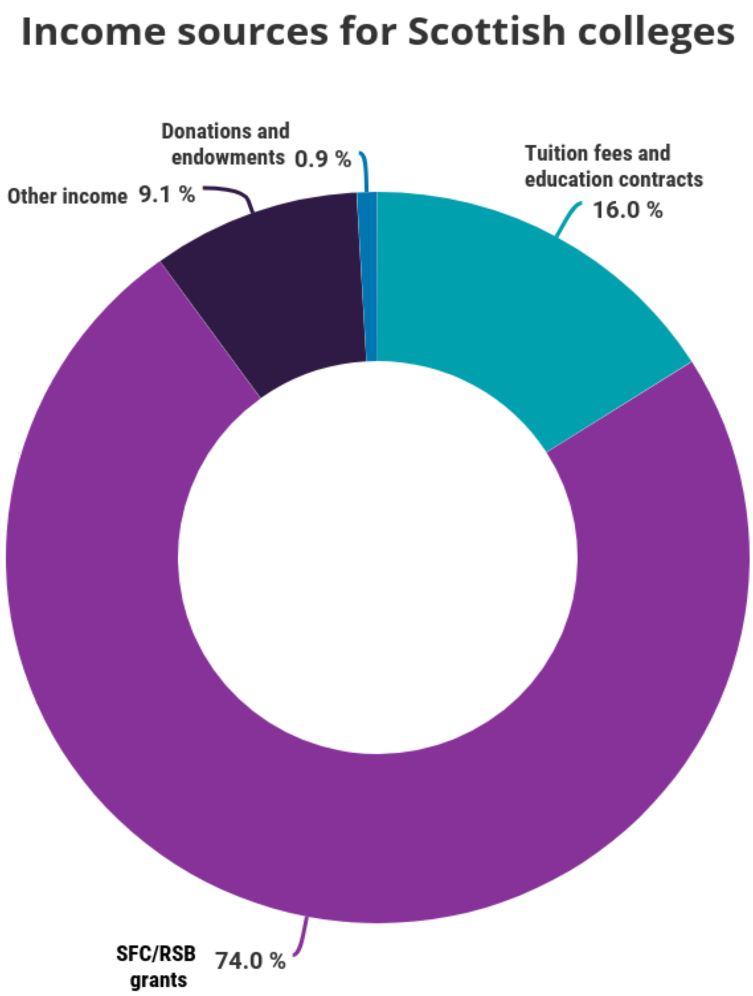
2 http://www.sfc.ac.uk/web/FILES/callsforinformation_sfcci042019/SFCCI042019_Call_for_information_2019_FFR.pdf

deficits in the later years of the planning period. It should be noted that the FFR analysis is ongoing and the figures reported here are subject to change as we engage with institutions.

Reliance on SFC grant

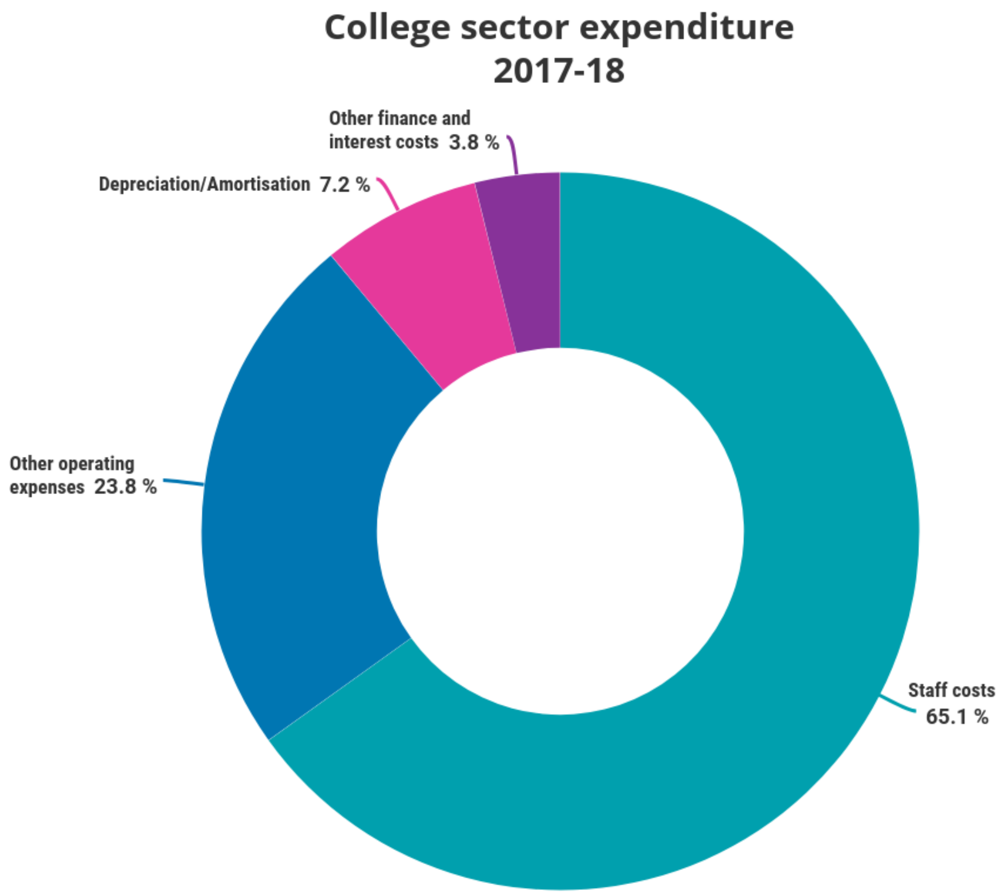
2.14. SFC grants are projected to account for 72% of total sector income in 2018-19 reducing slightly to 71% in 2023-24.

2.15. Sources of income for the college sector in 2017-18 are shown in the chart below:



College expenditure

2.16. A breakdown of the main expenditure headings for the college sector for 2017-18 is shown in the chart below.



Mitigating actions

2.17. Staff costs represent the largest element of college expenditure (68% by the end of the forecast period). This is, therefore, the area that colleges are focusing on to make efficiencies in order to deliver a balanced budget, given that the sector has in previous years delivered significant non-staff cost efficiencies.

2.18. The college sector forecasts suggest colleges plan to spend £5 million on staff restructuring in 2018-19 and a further £7.5 million over the remainder of the forecast period, in order to reduce the cost base to levels that allow them to be financially sustainable.

2.19. However, it is important to note that many colleges have reflected staff cost savings from restructuring activity in the forecasts but have not included the costs of restructuring. The cost of restructuring is therefore expected to be substantially higher.

2.20. We are engaging with colleges that are forecasting deficits over the planning period to clarify potential mitigating actions. There may also be liquidity concerns as several colleges that have not factored in restructuring costs are projecting low or negative cash balances during the forecast period.

2.21. It is expected that most of the restructuring will be addressed through voluntary severance schemes.

Cost of living increases

2.22. Colleges were asked to incorporate the lecturers' cost of living pay award, agreed in June 2019, in their forecasts. The cost of living pay awards are expected to have less of a financial impact on colleges in 2018-19 but will carry significant risks for colleges' financial sustainability for 2019-20 and beyond.

2.23. The support staff cost of living award agreed in September 2018 is reflected in the forecasts.

Cash balances and liquidity

2.24. Sector cash balances are forecast to amount to £59.1 million (30 days of expenditure) at the end of July 2019 and reduce to £23.4 million (12 days of expenditure) by 2023-24. Three colleges that failed to show a balanced operating position in the later years of the forecast period are currently forecasting negative cash balances by the end of July 2024. In addition, three colleges anticipate having less than 10 days of cash reserves by the end of July 2024.

2.25. As noted above, not all colleges have factored in the costs of restructuring that will be essential to ensure they are financially sustainable over the forecast period. It is therefore possible that the levels of cash across the sector will be lower and could result in more colleges reporting negative cash balances throughout the forecast period.

Scenario planning

2.26. Colleges have been encouraged to develop their own additional forecasts based on alternative planning scenarios if they believe these scenarios are more appropriate for their operating environment and circumstances. Several colleges provided details of alternative scenarios. All of these alternative scenarios would clearly result in a more challenging position. Scenarios included:

- Reduction of 1% in SFC funding.
- Increase of 1% in public sector pay policy.

- Funding reduced to 50% and 0% for additional Scottish Teachers Superannuation Scheme (STSS) costs (SFC planning guidance asked colleges to plan on the basis that these costs would continue to be fully funded throughout the planning period).
- Increase of 1% in Local Government Pension Scheme employer contribution costs.

Key risks

2.27. In preparing the forecasts, colleges identified a number of risks that could adversely affect their financial performance and sustainability. The most significant risk areas for colleges relate to:

- Changes to the funding model and colleges' ability to deliver regional outcome agreements and Government priorities. This includes the sector's ability to meet the core student activity target of c. 116,000 FTE places and other key performance measures.
- The impact of cost efficiencies, including reduced staff numbers and frontline student services, on both the quality of student experience and on the health and wellbeing of college staff.
- The impact of the UK exiting from the EU and the risk of reduced European funding.
- Additional staff costs arising from both cost of living pay awards and the outcome of the National Bargaining job evaluation exercise for support staff.
- Increases in employer contributions to the Scottish Teachers Superannuation Scheme and Local Government Pension Schemes.
- Addressing backlog estates maintenance and ICT/digital requirements.
- Challenges of diversifying income and generating additional surplus.
- The balance of portfolio of provision and how that impacts on student numbers.
- Insufficient funding to address student support requirements (SFC planning guidance asked colleges to plan on the basis that these costs would be met throughout the planning period).

SFC engagement

2.28. SFC operates a risk-based and proportionate approach to the way it engages with individual institutions. The level of SFC's engagement with colleges has increased for many colleges in recent years. In many cases this has related to our need for greater assurance about financial sustainability while securing good outcomes for students.

3. University Sector

Summary indicators

3.1. The table below provides a summary of key university sector financial indicators, by type of institution, across the years 2018-19 to 2021-22. Details of the university sector 'groupings' are provided in Annex C.

Financial Indicator	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
Ancient	2,272,054	2,359,101	2,437,862	2,553,260
Chartered	966,395	994,811	1,049,786	1,176,279
Modern	655,482	677,255	691,966	702,973
SSI[3]	158,470	149,298	148,909	150,965
Total income (£000)	**4,052,399**	**4,180,466**	**4,328,523**	**4,583,477**

Ancient	21%	20%	19%	19%
Chartered	30%	28%	26%	25%
Modern	58%	56%	55%	54%
SSI[3]	34%	37%	36%	36%
SFC grant as % of total income	**30%**	**28%**	**27%**	**26%**

Ancient	61,128	98,032	37,408	69,116
Chartered	(111,779)	(7,018)	(17,869)	54,833
Modern	(21,787)	(9,808)	(6,879)	(6,166)
SSI[3]	4,971	(2,377)	720	97
Operating surplus/(deficit) (£000)	**(67,468)**	**78,829**	**13,380**	**117,880**

Ancient	2.7%	4.2%	1.5%	2.7%
Chartered	(11.6%)	(0.7%)	(1.7%)	4.7%
Modern	(3.3%)	(1.4%)	(1.0%)	(0.9%)
SSI[3]	3.1%	(1.6%)	0.5%	0.1%
Operating surplus/(deficit) as % of total income	**(1.7%)**	**1.9%**	**0.3%**	**2.6%**

Ancient	101,517	57,908	37,408	69,116
Chartered	4,349	(15,917)	(15,712)	57,255
Modern	(11,194)	(5,699)	(4,679)	(3,966)
SSI[3]	6,058	1,423	720	97
Operating surplus/(deficit) adjusted for staff restructuring costs and pension revaluation (£000)	**100,729**	**37,715**	**17,737**	**122,502**

[3] Scotland's Rural College receives SSI grant and is categorised as SSI for purposes of this table

Financial Indicator	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
Ancient	4.5%	2.5%	1.5%	2.7%
Chartered	0.4%	(1.6%)	(1.5%)	4.9%
Modern	(1.7%)	(0.8%)	(0.7%)	(0.6%)
SSI[3]	3.8%	1.0%	0.5%	0.1%
Operating surplus/(deficit) adjusted for staff restructuring costs and pension revaluation as % of total income	**2.5%**	**0.9%**	**0.4%**	**2.7%**

Ancient	929,072	687,580	612,233	471,116
Chartered	240,731	199,131	180,242	151,191
Modern	107,207	112,614	126,987	123,322
SSI[3]	43,053	29,906	19,875	23,352
Cash and cash equivalents net of overdrafts (£000)	**1,320,063**	**1,029,232**	**939,337**	**768,981**

Ancient	163	118	100	74
Chartered	87	78	66	53
Modern	61	64	71	73
SSI[3]	110	78	53	61
Cash days	**117**	**92**	**79**	**63**

Ancient	138,632	94,275	n/a	n/a
Chartered	50,350	32,155	n/a	n/a
Modern	29,684	48,588	n/a	n/a
SSI[3]	8,979	(2,527)	n/a	n/a
Net cash flow from operating activities	**227,644**	**172,492**	n/a	n/a

Ancient	6%	4%	n/a	n/a
Chartered	5%	3%	n/a	n/a
Modern	5%	7%	n/a	n/a
SSI[3]	6%	(2%)	n/a	n/a
Net cash flow from operating activities as % of total income	**6%**	**4%**	n/a	n/a

Ancient	1,090,627	1,084,112	n/a	n/a
Chartered	289,933	343,621	n/a	n/a
Modern	243,416	237,816	n/a	n/a
SSI[3]	8,686	7,848	n/a	n/a
Total borrowing (£000)	**1,632,661**	**1,673,397**	n/a	n/a

Ancient	48%	46%	n/a	n/a
Chartered	30%	35%	n/a	n/a
Modern	37%	35%	n/a	n/a
SSI[3]	5%	5%	n/a	n/a
Total borrowing as % of total income	**40%**	**40%**	n/a	n/a

3.2. Overall, the sector's reported future financial position over the next three years is sound on the basis of the common key planning assumptions used in the forecasts. However, the forecasts are significantly skewed by the strength of the two largest institutions, the universities of Edinburgh and Glasgow. The sector's position is, therefore, considerably weaker when their projections are taken out of our aggregate analysis.

3.3. The financial pressures and uncertainties reflected in submitted forecasts include the withdrawal from the European Union, increased pension costs and estates maintenance costs. In general, the four ancient universities are better placed than others to respond to these cost pressures, and modern universities are more reliant on SFC grant funding.

3.4. The university sector expects to report an operating deficit of £67.5 million in 2018-19 followed by operating surpluses in each of the following years. It should be noted that the 2018-19 deficit position will be substantially higher as many institutions did not include the impact of the Universities Superannuation Scheme provision adjustments in their forecasts. Some volatility in results is to be expected under the Financial Reporting Standard (FRS) 102 accounting standard, as there may be a mismatch between the reporting of income and related expenses and the forecasts also include the accounting impact of several large items that distort year-on-year results (see Annex D). These include Universities Superannuation Scheme provision adjustments and exceptional staff restructuring costs. Excluding these items, the forecast underlying surplus for 2018-19 is £100.7 million, with surpluses projected over the remainder of the planning period ending 2021-22. Between eight and 11 of the 18 institutions are forecasting underlying operating deficits over the next three years.

3.5. The sector's financial forecasts indicate plans to undertake considerable staff restructuring over the period to 2021-22.

3.6. Cash and short-term investments are forecast to move from £1,320 million (117 cash days) in 2018-19 to £769 million (63 cash days) by the end of 2021-22. Borrowing is forecast to increase from £1,342 million in 2017-18 to £1,673 million in 2019-20. The projected reduction in cash and increase in borrowing reflect the impact of financing capital investment, which is estimated at £2.5 billion over the planning period.

3.7. Fee income represents the largest source of revenue in the sector. Institutions are increasingly reliant on international fee income; however, this represents a key risk as markets become ever more competitive and global events can occur over which institutions have no control. Income cross-flows, such as international fee income, are used to support other areas of operations such as research activity, which tends to be loss-making.

3.8. There is significant variation in the financial position of individual institutions. Several institutions are facing particular challenges to their financial sustainability and are subject to higher levels of engagement.

University financial returns to SFC

3.9. Universities make two financial returns to SFC in the course of the year:

- The Strategic Plan Forecast (SPF), submitted at the end of June, comprising an outturn forecast for the current year and forecasts for the following three years.

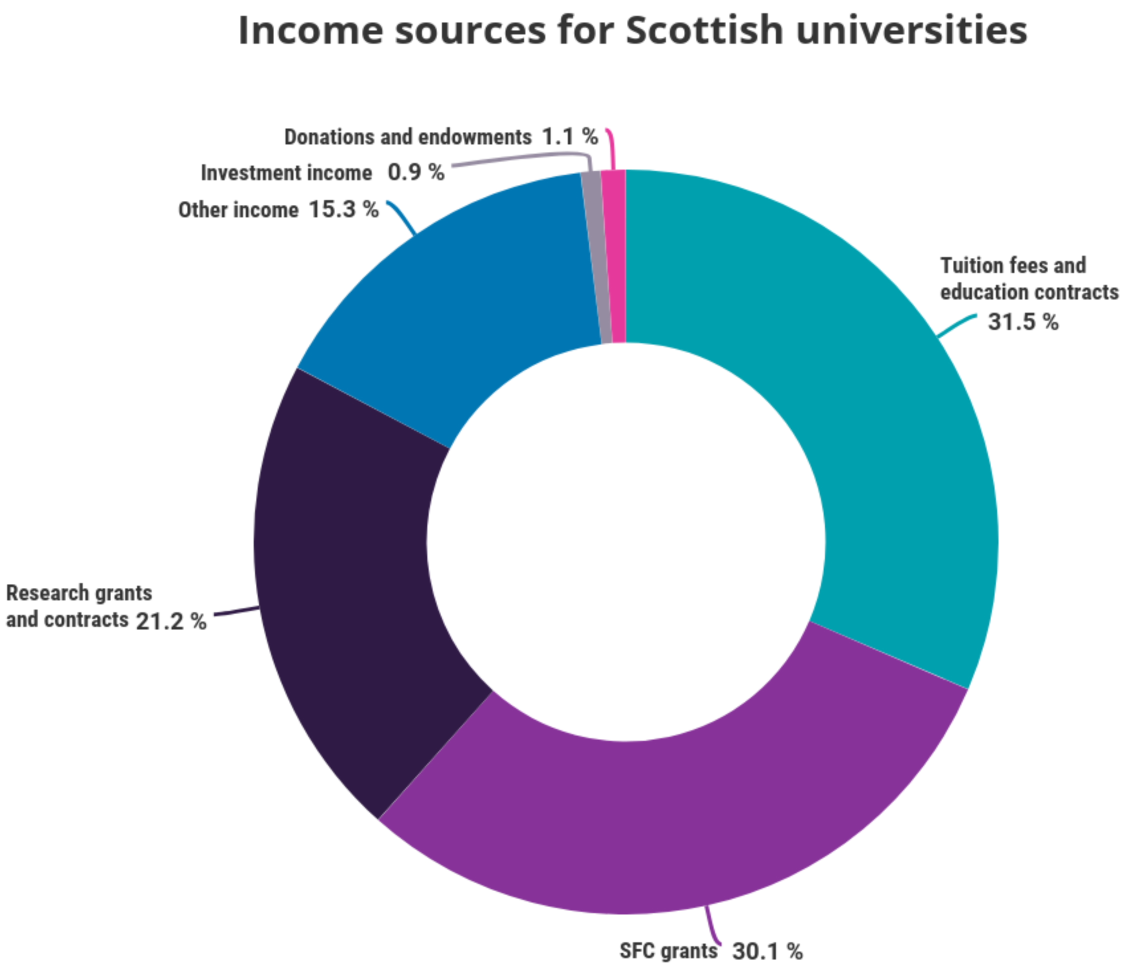
- The annual accounts, submitted at the end of December, comprising the audited financial statements and supporting reports by the institution's audit committee, internal and external auditors.

Operating position

3.10. Institutions were asked to provide financial forecasts, covering the period 2018-19 to 2021-22, by 30 June 2019. In preparing their financial projections, institutions were asked to ensure SFC grant for 2019-20 was based on the funding allocations announced in May 2019. Institutions were also asked not to forecast any increase in SFC grant for 2020-21 and 2021-22, as SFC had no information on Scottish Government budgets beyond 2019-20. Institutions were encouraged to develop additional planning scenarios if they believed they were more appropriate for their circumstances.

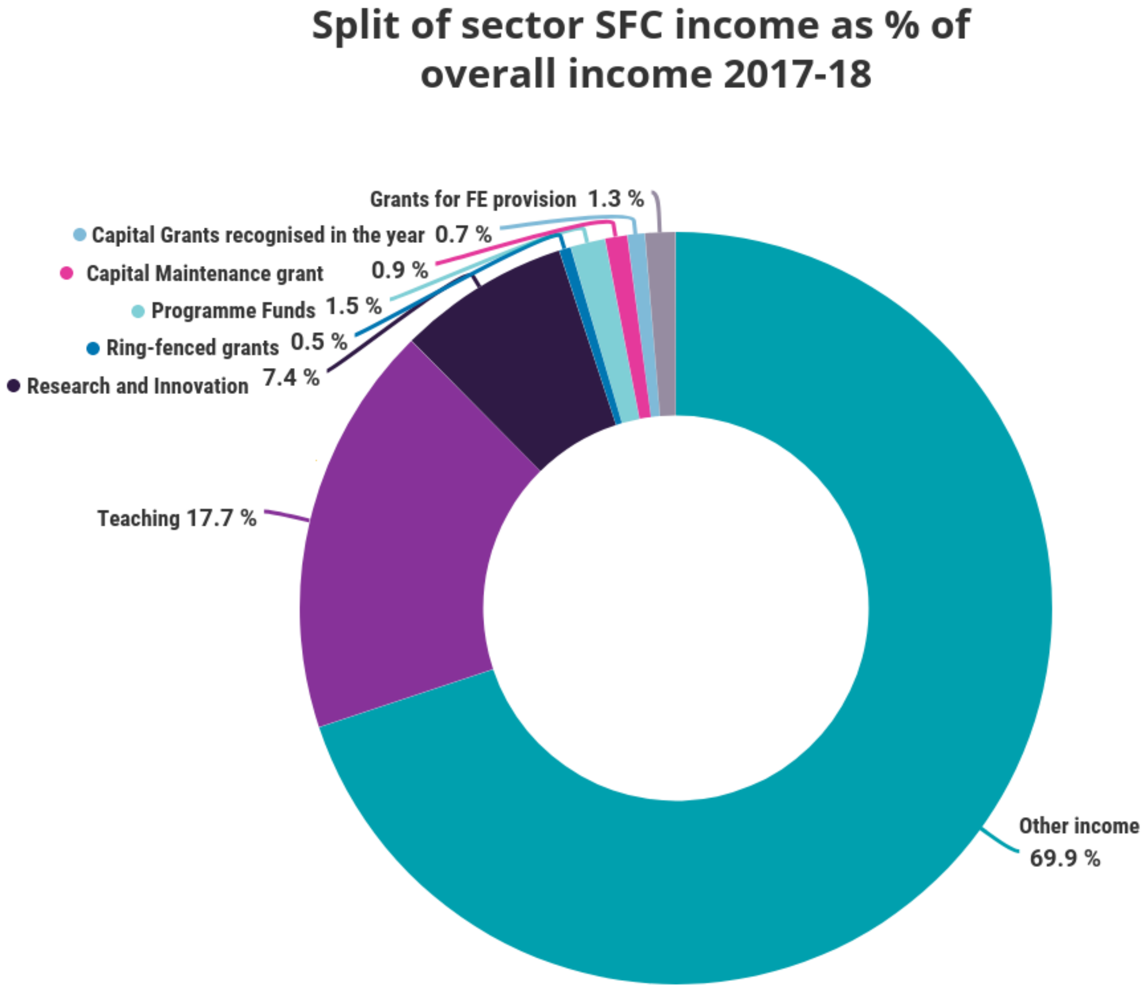
Sources of income

3.11. The chart below shows all sources of income for institutions in Scotland in 2017-18. Apart from SFC grants, universities receive income from tuition fees and contracts (including international student fees), research activity, commercial income, investment income and donations and endowments.



Reliance on SFC grant

3.12. The larger universities are generally not as reliant on SFC funding. SFC grants account for 30% of sector total income in 2017-18 and this is forecast to reduce to 26% by 2021-22. The majority of SFC grant is for teaching, which amounts to 18% of overall sector income, while SFC funding for research represents 7% of overall sector income.



3.13. There is a large variation in SFC grant reliance across the sector as illustrated below:

Funding Council grants as % of total income	Actual 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
Lowest	15%	16%	15%	15%	14%
Average	30%	30%	28%	27%	26%
Highest	68%	78%	76%	77%	78%

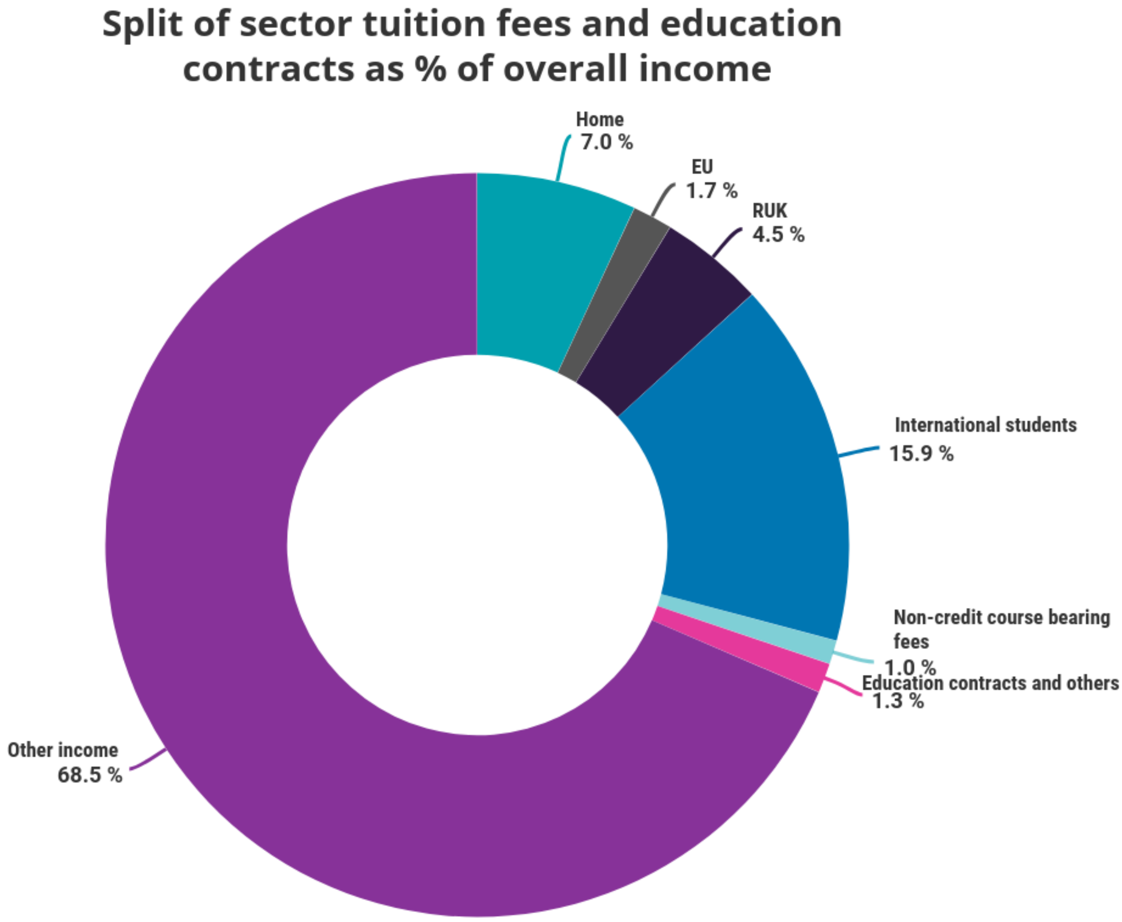
3.14. In 2017-18, the institution with the lowest reliance on SFC income was University of St Andrews at 15% while University of the Highlands and Islands had the highest proportion of its income from SFC, with 68% of its income coming from this source.

Other sources of income

3.15. All of the other sources of income come with associated costs and some of the activities can be loss making, for example research. This can be seen in the section on income crossflows at paragraphs 3.26 – 3.38 below.

International student fees

3.16. The chart below splits the tuition fee and education contract income into the different categories of income and demonstrates the significance of international student tuition fees as a source of income.

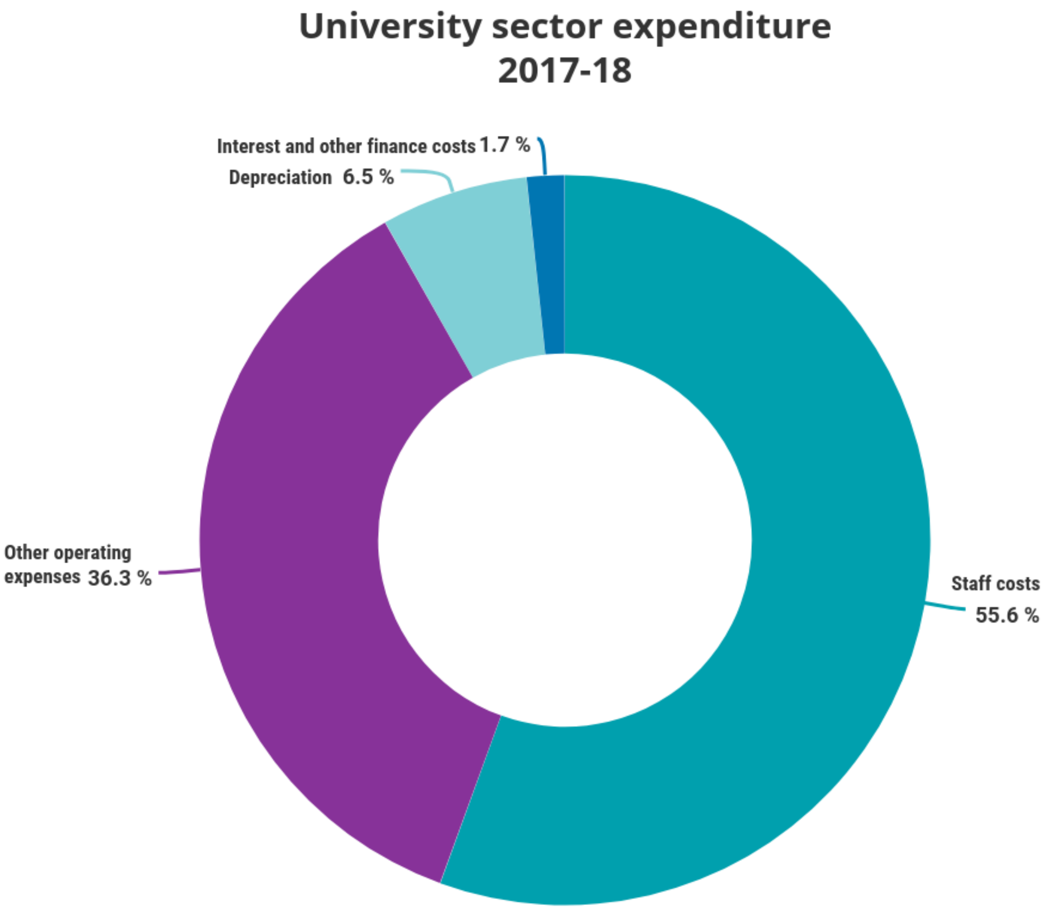


3.17. As in previous years, the largest anticipated increase in income from other sources in the forecast derives from international student tuition fees. In 2017-18, international fees represented 16% of the university sector total income and this is forecast to increase to 18% by 2019-20. It is clear that universities need this source of income in order to remain financially sustainable and to support other areas of their operation. For example, research can be a loss making activity and it is therefore important that institutions continue to plan to address this through other surplus generating activity.

3.18. We will be engaging with several institutions to assess the robustness of the level of increase in their projected international student tuition fee income over the forecast period. Non-EU tuition fees continue to be an area of significant risk due to the international markets becoming ever more competitive. There is also an impact on this market from UK immigration policies. It is encouraging that the UK Government has recently changed its policy of restricting post-study visas for international students and will now offer two year work visas for international graduates from next year.

University expenditure

3.19. A breakdown of the main expenditure headings for the university sector for 2017-18 is shown in the chart below.



Staff restructuring

3.20. The sector is planning to spend £30.8 million on staff restructuring between 2018-19 and 2021-22. Four universities are planning staff restructuring in each year of the forecast while another six institutions are forecasting staff restructuring in some of the years. It is recognised that some restructuring may be achieved through natural turnover.

Cash and borrowing

3.21. The sector is expected to remain liquid though cash and short-term investments are forecast to reduce on 2018-19 levels, moving from £1,320 million (117 days) in 2018-19 to £769 million (63 days) by the end of 2021-22. This reduction in cash over the forecast period mainly reflects the impact of financing capital investment. Institutions have provided assurances that capital investment will be re-profiled in the event that cash generation targets are not achieved.

3.22. The net cash inflow from operating activities is an important performance indicator in terms of assessing institutions' ability to generate sufficient cash to repay debt and for estates investment. The sector figure is forecast at £227 million in 2018-19 and £172 million in 2019-20. Only one institution in 2018-19 projected negative cash inflow from operating activities and in 2019-20 this increases to three institutions. The negative position for two of these institutions results from exceptional adjustments and there are no immediate concerns about their financial health.

3.23. Total borrowing is forecast to increase from £1,342 million in 2017-18 to £1,673 million in 2019-20 again reflecting an increase in capital investment in the sector. Borrowing represents 40% of turnover in 2019-20 compared to 36% in 2017-18.

3.24. Much of the sector's borrowing is now in the form of private placements due to the very low interest rates available. However, this type of borrowing involves large capital repayments at set points in the future with interest being paid in the intervening years. Out of the total sector borrowing figure of £1,342 million at the end of July 2018, £574 million was in the form of private placements. The universities with this form of borrowing will have to ensure they have the necessary funds to repay at the set points. Therefore, building up cash reserves, through generating ongoing surpluses, is essential to allow them to do this.

3.25. Levels of borrowing and pension commitments are sensitive to changes in how institutions are funded and ultimately the sustainability of the institutions. These are long-term obligations that must be fulfilled irrespective of the funding flows into institutions. It is important that institutions take into consideration potential increases in pensions costs which can be volatile and are outwith their control.

Transparent Approach to Costing (TRAC) and income crossflows[4]

3.26. Our understanding of the performance of Scotland's universities can be

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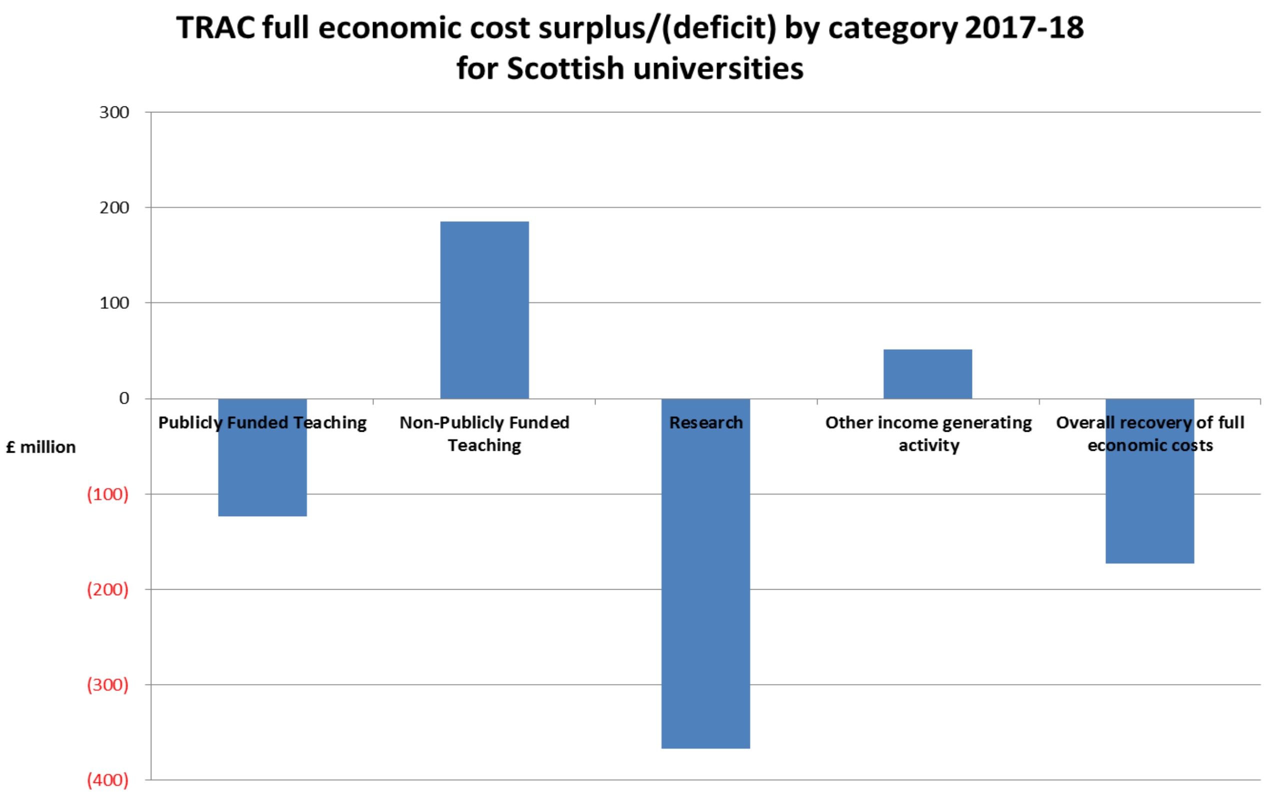
[4] All universities in the UK use the Transparent Approach to Costing (TRAC) methodology for costing their activities. TRAC was introduced in 2000 with a view to improving accountability for the use of public funds for research and to inform university decision making. TRAC was subsequently extended to other university activities, including teaching. The methodology for calculating TRAC was adjusted in 2015-16 to reflect changes resulting from the introduction of the FRS 102 accounting standard. For further information on TRAC on SFC's website: http://www.sfc.ac.uk/governance/institutional-finance-governance/institutional-finance/university-finance/transparent-approach-costing.aspx

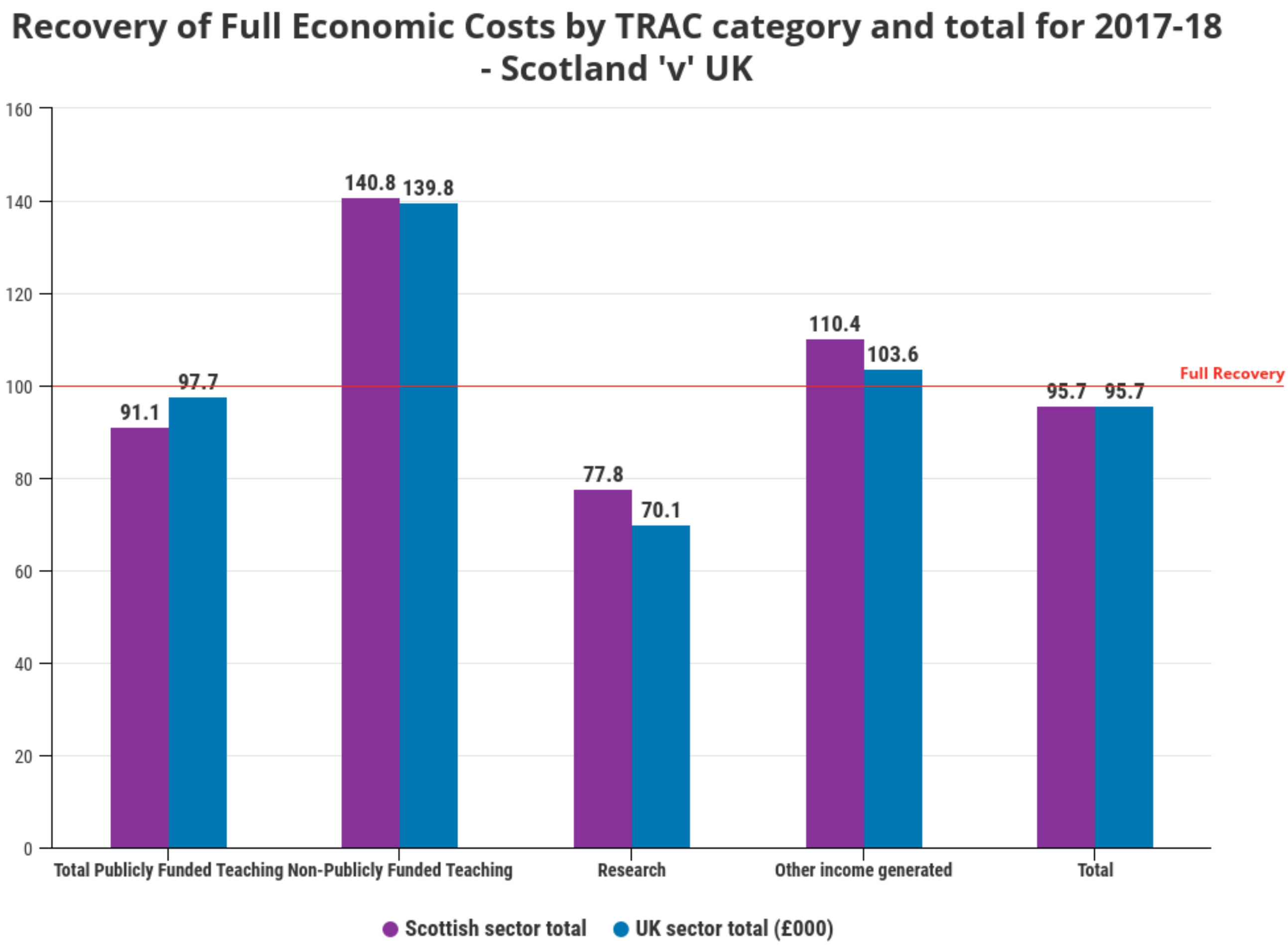
improved by considering income crossflows within an institution, highlighted through the TRAC data, and the impact they have on financial sustainability and the benefits or issues they create.

How is Scotland performing?

3.27. The chart below sets out Scottish universities' recovery of full economic cost surplus/(deficit) by TRAC category, using the 2017-18 figures as this is the latest information available.



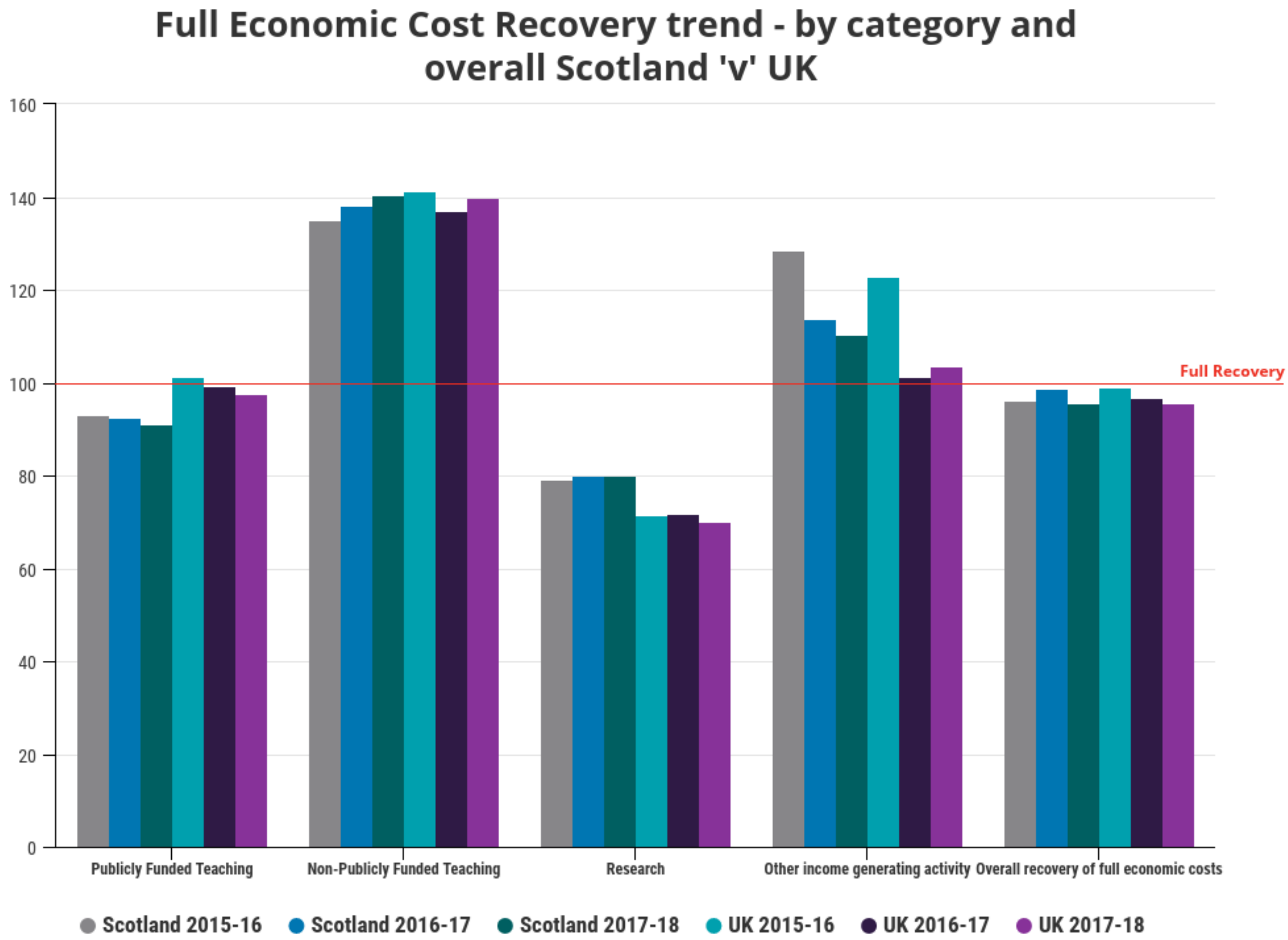
3.28. A comparison of each category against the UK results, in terms of recovery percentage, is presented in the graph below using 2017-18 figures.



3.29. The chart above shows that, in overall terms, Scotland recovers 95.7% of full economic costs, which is in line with the UK total. However, the position varies across institutions.

3.30. Scotland is performing slightly better than the UK as a whole in recovering full economic cost on non-publicly funded teaching, research activities and other income generating activities. However, it still falls short of 100% recovery on publicly funded teaching and research and therefore contributions generated by non-publicly funded teaching and other income generating activities are being used to meet these costs.

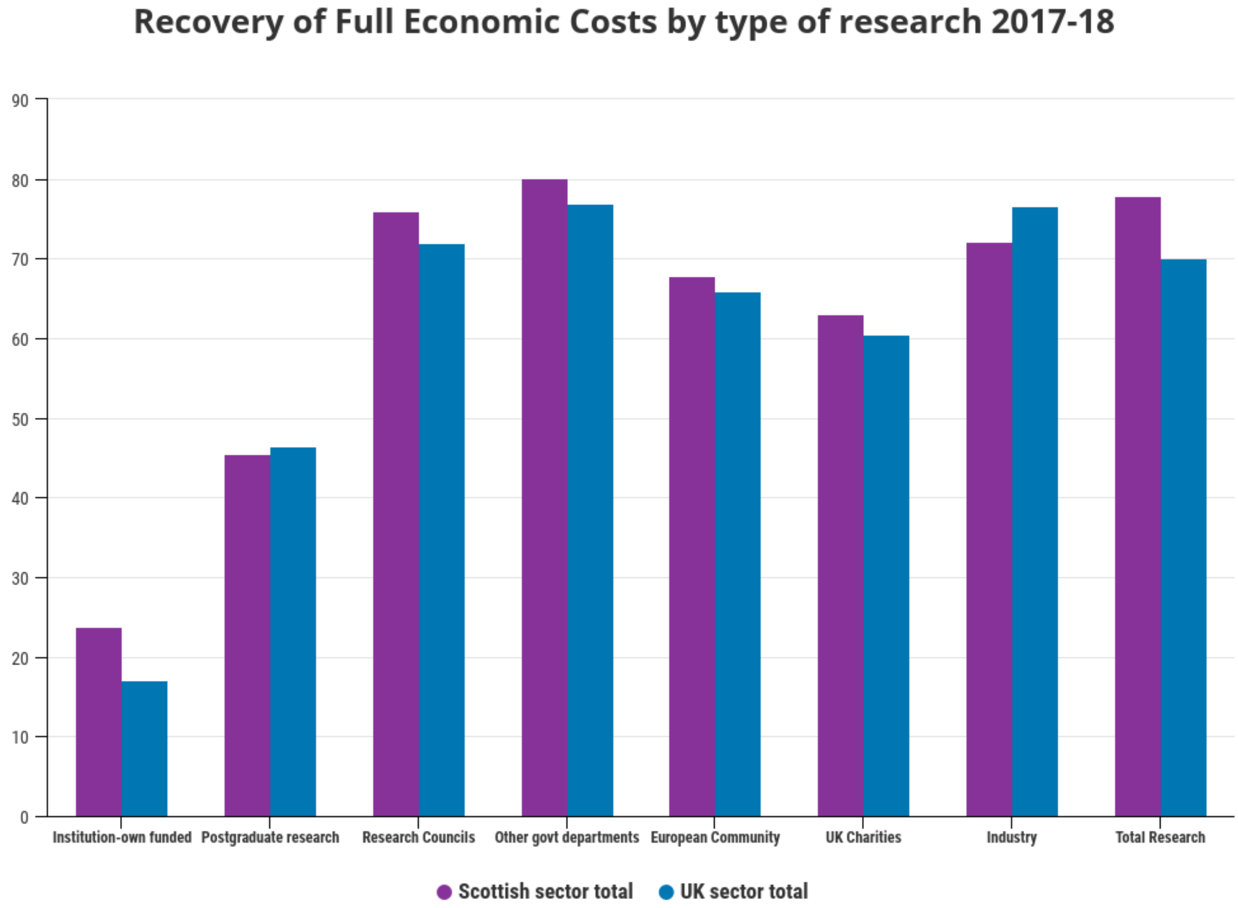
3.31. When looking at TRAC data, it is important to note that 2017-18 is the third year in which TRAC reporting has been prepared under the FE/HE Statement of Recommended Practice (SORP), applying FRS 102. This standard introduced some significant changes in the way financial performance is reported, making comparison difficult between the latest results and historical TRAC data prior to 2015-16 because of changes to the timing when some income is recognised in the accounts. The adoption of FRS 102 has resulted in greater volatility in reported surpluses or deficits and so it is necessary to take a multi-year view when assessing TRAC results. It is important to look at trends over a period rather than one year's results in isolation. Data for 2015-16 therefore formed the baseline for the start of a new time series of TRAC data and the trend data is set out below:



3.32. The trend data illustrates that recovery of full economic costs is most successful through non-publicly funded teaching which is largely reliant on international student recruitment which, as already highlighted in paragraphs 3.16 – 3.18 above, is uncertain and carries demand risks. The data for Scotland shows an increase year on year whereas the UK trend takes a dip in 2016-17.

3.33. Full cost recovery is low in Scotland for publicly funded teaching and there is a downwards trend for recovery. The rest of the UK outperforms Scotland in this category in each year of the trend data.

3.34. The area where there is the lowest recovery of full economic costs is research activity, albeit Scotland performs better than the UK as a whole. The chart below breaks down the recovery on research in Scotland in 2017-18 by research sponsor type:



3.35. The chart shows the levels of full economic cost recovered vary by research sponsor. The chart highlights that not only is there a flow of income from other activities to research but that the extent of the cross flows varies according to which organisation is funding the research. Research Council funding represents the largest sponsor of funding in volume terms and will have the largest impact.

3.36. The reasons for this vary. In some cases, certain funders do not fund overheads, or require an element of matched funding from the institution. The differential rates of full economic cost recovery will lead institutions to become more selective about the research funders they choose to work with in terms of financial recovery. However, institutions will find it challenging to maintain optimal full economic cost recovery on research activity given the limited portfolio of funders, spanning of projects over several years and the need for continual income flows to support the cost base.

3.37. The management of loss-making research by cross-subsidy from surplus-generating activities should be seen as part of an interconnected set of university activities. The international research reputation of universities, and their position in league tables, affects the recruitment of international students. The surplus from those international students assists with the sustainability of the research activity. Research reputation drives other income and strengthens staff recruitment and business relationships and so the TRAC deficit from research must be viewed in the context of the overall university strategy and management.

3.38. Institutions will also use their own funds and income cross flows in other activities to support their overall sustainability which involves generating an appropriate level of surplus. This will differ from institution to institution according to their circumstances.

Key risks

3.39. In preparing the forecasts, institutions identified a number of risks that could adversely affect their financial performance and sustainability. The most significant risk areas for universities relate to:

- The impact of the UK exiting from the EU.
- The rise in staff and pension costs.
- A fall in rest-of-UK recruitment in an increasingly competitive market.
- The review of Post-18 education and funding in England – lower tuition fees in England could have a significant impact on Scottish institutions.
- Any failure to achieve international student recruitment targets.
- UK visa and immigration regulations.
- Further unanticipated public spending cuts in teaching and/or research income.
- The impact of changes to UK research funding in the Higher Education and Research Act 2017.
- Failure to effectively manage major capital investment programmes and their financial impacts.

SFC engagement

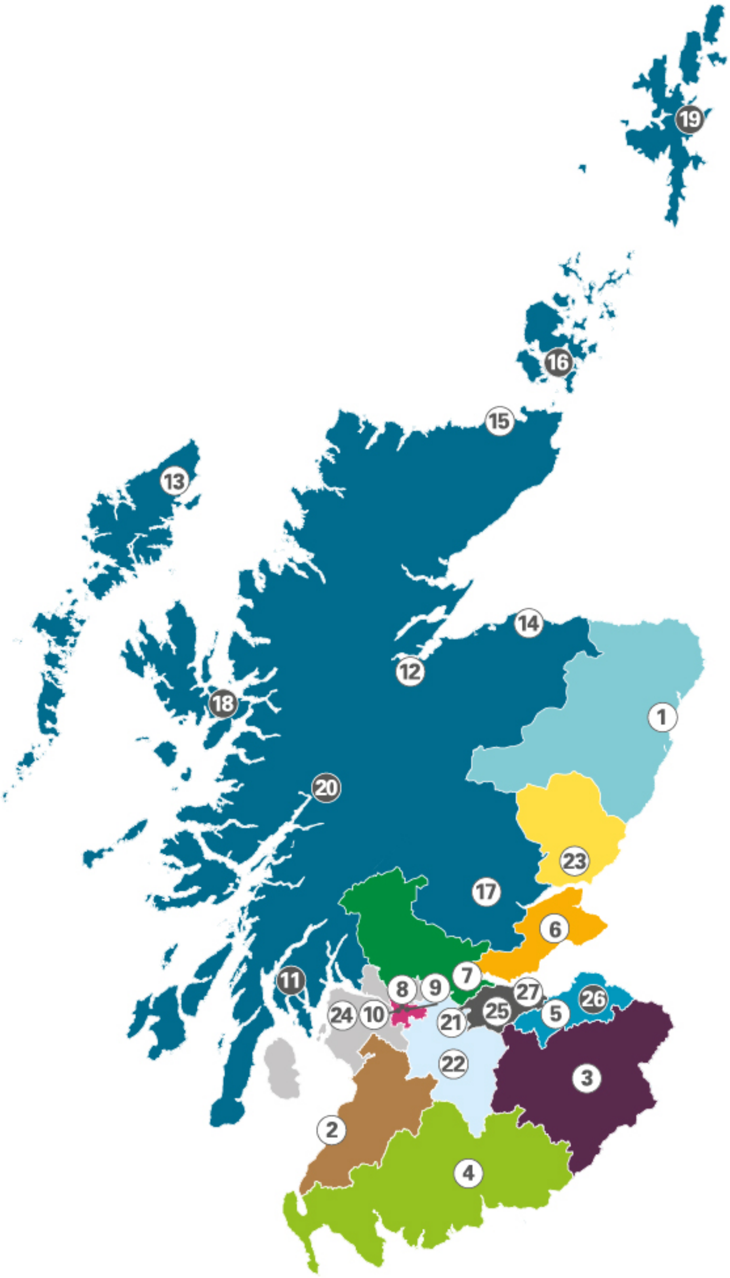
3.40. SFC operates a risk-based and proportionate approach to the way it engages with individual institutions. The level of SFC's engagement with universities has increased for many universities in recent years. In many cases this has related to our need for greater assurance about financial sustainability while securing good outcomes for students.

College Regions

1. The college sector in Scotland comprises 20 incorporated colleges and six non-incorporated colleges, organised into 13 college regions. Ten of these regions consist of one college. The three remaining regions (Glasgow, Highlands & Islands, and Lanarkshire) have more than one college. The individual colleges in Glasgow and the Highlands & Islands are assigned to the relevant Regional Strategic Body: Glasgow Colleges' Regional Board or University of the Highlands & Islands. In Lanarkshire, New College Lanarkshire is the Regional Strategic Body and South Lanarkshire College is assigned to the Lanarkshire Board. Details of all regions and colleges are set out on the next page.

2. Fundable bodies in the college sector can be incorporated or non-incorporated. Before the Further & Higher Education (Scotland) Act 1992, almost all publicly funded colleges in Scotland were run by local authorities. In 1993, most of these colleges were established with boards of management constituted under the 1992 Act. Colleges with a board of management constituted under the 1992 Act are commonly referred to as incorporated colleges. Incorporated colleges were reclassified as arms-length central government bodies in 2014 and are subject to Government budgeting and accounting requirements, including the provision of monthly cash flow returns, and are required to comply with the Scottish Public Finance Manual.

3. The 1992 Act does not govern the non-incorporated colleges which take a number of different legal forms and/or have differing constitutional arrangements. Two non-incorporated colleges (Orkney and Shetland) are still run by their local authorities.



Region		College
Aberdeen and Aberdeenshire	1	North East Scotland College
Ayrshire	2	Ayrshire College
Borders	3	Borders College
Dumfries and Galloway	4	Dumfries & Galloway College
Edinburgh and Lothians	5	Edinburgh College
Fife	6	Fife College
Central	7	Forth Valley College
Glasgow	8	City of Glasgow College
	9	Glasgow Clyde College
	10	Glasgow Kelvin College
Highlands and Islands	**11**	**Argyll College**
	12	Inverness College
	13	Lews Castle College
	14	Moray College
	15	North Highland College
	16	**Orkney College**
	17	Perth College
	18	**Sabhal Mòr Ostaig**
	19	**Shetland College**
	20	**West Highland College**
Lanarkshire	21	New College Lanarkshire
	22	South Lanarkshire College
Tayside	23	Dundee and Angus College
West	24	West College Scotland
West Lothian	25	West Lothian College
n/a	**26**	**Newbattle Abbey College**
n/a	27	SRUC

Note: The map shows the 20 incorporated colleges, the six non-incorporated colleges in Scotland (in bold) and Scotland's Rural College (SRUC) which is classed as a higher education institution but counts towards the achievement of the national target for colleges.

Source: Audit Scotland

College adjusted or underlying operating position

1. The adjustments to the operating position to give the underlying operating position for the colleges have two purposes:

    - Smooth the volatility in reported results arising from the FRS 102 accounting standard.
    - Recognise some of the reported costs do not have an immediate cash impact.

2. The underlying operating position is a better indicator of colleges' operational cash generative capacity.

3. The reported operating surplus/(deficit) figures have been adjusted for:

    - Depreciation net of deferred capital grant (incorporated colleges only).
    - Exceptional non-restructuring costs (impairments and lease dilapidation costs).
    - Non-cash pension adjustments.
    - Donations to arms-length foundations (ALFs) (incorporated colleges only).
    - Non-Government capital grant (e.g. ALF capital grant).
    - Exceptional income.
    - Loan repayments (incorporated colleges only).
    - Non-Profit Distributing Project (NPD) income applied to reduce NPD debt.

University groupings

1. The financial summary table and other sections in this report refer to the following four university groupings:

   Ancient universities (University of Aberdeen, University of Edinburgh, University of Glasgow and University of St Andrews).

   Chartered universities (University of Dundee, Heriot-Watt University, University of Stirling and University of Strathclyde).

   Modern universities (Abertay University, Edinburgh Napier University, Glasgow Caledonian University, University of the Highlands & Islands, Queen Margaret University Edinburgh, Robert Gordon University and University of the West of Scotland).

   Small and specialist institutions (Glasgow School of Art, Royal Conservatoire of Scotland, Scotland's Rural College and Open University in Scotland).

2. The Open University in Scotland is not included in this analysis due to different reporting arrangements in place.

Financial Reporting Standard 102

1. The introduction of new accounting rules in 2015-16 brought about significant changes to the way institutions' finances were measured and recorded and represented the biggest change in college and university accounting for 20 years.

2. The new accounting rules changed the way some income, expenses, assets, and liabilities appear on the financial statements and resulted in significant changes in the way numbers were reported in institutions' financial statements despite the substance of an institution's financial performance or its net worth not changing at all.

3. The change was introduced because the UK accounting standards setting body, the Financial Reporting Council (FRC), had been on a mission to harmonise UK accounting standards with international standards. This was completed in 2015, with the replacement of 40 different standards with a new code based on a single, internationally-consistent reporting framework.

4. The 2015-16 financial results were the first to report under the new accounting standard, known as FRS 102, and interpreted for the sector by the FE/HE Statement of Recommended Practice (SORP).

5. To help readers of the accounts, institutions have made extra effort to explain the most significant changes in their annual financial reports. Some have also explained the impact of the new standard on perceptions of the institution's long-term financial sustainability, as one of the features of FRS 102 has been increased volatility in the numbers from one year to the next.

6. Due to the volatility in the operating position, these figures are no longer meaningful indicators of the institutions' financial sustainability. Our focus has therefore changed to look at something that is meaningful for our purposes e.g. underlying operating position and levels of operating cash. We can also take assurance from the going concern statements and clean audit opinions in the accounts.

The Financial Sustainability of Colleges and Universities in Scotland

Issue date: 11 February 2020

Reference: SFC/CP/02/2020

Summary: This publication provides a summary of the financial forecasts for the university and college sectors. It formed part of our advice to Scottish Government in advance of the draft 2020-21 budget.

FAO: Principals, Chairs, Directors of Finance and Board Secretaries of Scotland's colleges and universities.

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TITLE:	**SCHEDULE OF BUSINESS 2019-20**
Background:	This paper outlines how the Schedule of Business for 2019-20 enables the Finance and General Purposes Committee to fulfil its' remit.
Action:	The Finance and General Purposes Committee is requested to note the content of the report.
Lead:	Alan Ritchie, Director of Finance and Estates
Status:	Open

REMIT	**DELIVERABLES**				
	3-9-2019	**19-11-2019 Joint with Audit**	**19-11-2019**	**10-03-2020**	**2-6-2020**
a) ***To advise the Board of Management on key issues of the College's financial and resource management including:***					
• ***solvency of the College*** • ***cashflow*** ○ Annual review of banking arrangements ○ Cash flow report (Management accounts)	**Y**		**Y**	**Y**	**Y**
• ***the effectiveness and appropriateness of the utilisation of College resources*** ○ Vice Principal Update Report ○ College Business Transformation Plan ○ Update on year-end financial position ○ Management Accounts ○ Internal Audit reports ○ Financial Systems Health Check	**Y** **Y**		**Y** **Y** **Y (October)**	**Y** **Y** **Y (January)** **Y**	**Y** **Y** **Y(April)**
• ***Financial Strategy*** • Management Accounts • Update of 5-year Financial Forecast • SFC Funding Update • Annual budget and 5-year financial forecast	 **Y**		**Y (October)** **Y** **Y** **Y**	**Y (January)** **Y** **Y**	**Y (April)** **Y** **Y** **Y**

REMIT	DELIVERABLES				
	3-9-2019	**19-11-2019 Joint with Audit**	**19-11-2019**	**10-03-2020**	**2-6-2020**
b) ***To review and approve the Financial Regulations on an annual basis, or more frequently if required.***					
• Annual review of Financial Regulations • Corporate Governance Statement - Financial Statements		 **Y**	**Y** **Y**		
c) *To consider and advise the Board on:*					
Financial forecasts and budgets in relation to the West Region Outcome Agreement. • Management Accounts including forecast for year • Annual Budget • Update of 5-year Financial Forecast • Monitoring report on Regional Outcome Objectives	 **Y** **Y**		**Y (October)** **Y** **Y**	**Y (January)** **Y**	**Y (April)** **Y** **Y** **Y**
Any relevant taxation issues. • Annual update report on taxation matters • Update report if any material changes – as required	**Y**				
d) ***To consider the College's annual financial statements (at a joint meeting of the Audit and Finance and General Purposes committees).*** • External Audit Management Letter • Corporate Governance Statement		**Y** **Y**			

REMIT	DELIVERABLES				
	3-9-2019	**19-11-2019 Joint with Audit**	**19-11-2019**	**10-03-2020**	**2-6-2020**
• Financial Statements • Annual Internal Audit Report • Internal Audit Annual Plan 2019-20 • External Audit Planning Memorandum	**Y**	**Y** **Y**			**Y**
e) To monitor:					
The College's financial performance against agreed budgets and make recommendations on major variations. • Management Accounts • Update on 31 July Year End Position • Annual Financial Statements	**Y**	**Y** **Y** **Y**	**Y (October)** **Y**	**Y (January)**	**Y (April)**
All income • Reported through Management Accounts			**Y (October)**	**Y (January)**	**Y (April)**
All material financial issues. • Vice Principal Update Report • Finance System Report	**Y**		**Y** **Y**	**Y**	**Y**
Monthly management accounts. • Management Accounts			**Y (October)**	**Y (January)**	**Y (April)**
f) To advise the Board on investments and borrowing and to seek appropriate external advice. • Annual review of banking arrangements	**Y**				

REMIT	DELIVERABLES				
	3-9-2019	19-11-2019 Joint with Audit	19-11-2019	10-03-2020	2-6-2020
g) *To ensure adherence to statutory requirements related to the College's financial affairs and compliance with the Financial Memorandum, Scottish Public Finance Manual (SPFM), and related guidance.* • Internal Audit Annual Report • External Audit Management Letter • Annual report on Governance Compliance		Y Y			Y
h) To receive a regular report on bad debt write offs • Annual report on bad debt write off • Further reports if/as required	Y				
i) To consider, review and recommend to the Board, pension arrangements for College staff, in consultation with the Organisational Development and HR Committee. • Overview of College pension schemes					Y
j) To receive an annual update on banking arrangements, including Scottish Government banking arrangements and to annually approve the bank signatories. • Annual review of banking arrangements	Y				

REMIT	**DELIVERABLES**				
	3-9-2019	**19-11-2019 Joint with Audit**	**19-11-2019**	**10-03-2020**	**2-6-2020**
Information Technology					
k) To agree and approve IT strategy and policies, ensuring these support the priorities and outcomes of the College • IT Strategy Update • Scottish Government/ College Cyber resilience framework update			**Y**	**Y** **Y**	**Y**
l) *To advise the Board of Management on key issues relating to the College's information technology*. • IT Strategy Update				**Y**	
m) To consider and promote the effective and efficient use of IT services. • IT Strategy Update				**Y**	
n) To consider information technology initiatives and innovations for use within the College, the resources required to implement these and to identify risks and opportunities associated with proposals. • IT Strategy Update				**Y**	

REMIT	DELIVERABLES				
	3-9-2019	**19-11-2019 Joint with Audit**	**19-11-2019**	**10-03-2020**	**2-6-2020**
Procurement					
o) *To agree and approve financial regulations which ensure compliance with legal obligations in respect of tendering and contract procedures* • Review of Financial Regulations			**Y**		
p) *To agree and approve procurement strategy and policies that reflect best practice, ensuring these support the priorities and outcomes of the College and the achievement of efficiencies.* • Procurement Strategy Update • Procurement Annual Report including future year plan • PCIP Update Report			**Y** **Y** **Y**	**Y**	
q) *Approve the awarding of contracts above £250,000* • Authorisation sought as required	**Y**		**Y**		
r) *To support development of:* ○ *supplier management and contract monitoring* ○ *electronic procurement systems* ○ *procurement performance management systems* ○ *collaborative opportunities* • Reports on update of implementation of Procurement Strategy			**Y**		

REMIT	**DELIVERABLES**				
	3-9-2019	**19-11-2019 Joint with Audit**	**19-11-2019**	**10-03-2020**	**2-6-2020**
s) *To consider risk relating to the matters that fall within the Committee's remit and to agree what mitigating factors/actions are in place and what further action, if any, needs to be taken to address such matters of risk.* • Review of strategic risk register			**Y**	**Y**	**Y**
t) *Any other factors as required by the Board of Management* • As required					