West College Scotland
Board of Management
Monday 20 July 2020 at 2.15p.m. via the Teams link circulated by the Secretary
Agenda

General Business

1. Welcome and Apologies

2. Declarations of Interests

Main Items for Discussion and/or Approval

3. 2019-20 College Financial Outturn Forecast - Update	Paper 3	DA
4. Budget 2020-21 and Financial Forecast to 2022-23	Paper 4	DA
5. Student Digital Poverty Procurement Approval Request	Paper 5	DA

6. Any Other Business

7. Date of Next Meeting:
   - Monday 5 October 2020 at 4.00 p.m. – Venue TBC

Shirley Gordon
Secretary to the Board

TITLE: **2019-20 COLLEGE FINANCIAL OUTTURN FORECAST - UPDATE**

Background: The purpose of this paper is to provide the Board of Management with an update in relation to the 2019-20 College financial outturn forecast and cashflow position.

Action: The Board of Management is requested to:

- consider and note the revised 2019-20 College adjusted operating position;
- note the impact of the COVID-19 pandemic lockdown on the 2019-20 operations and financial position of the College; and
- note the revised 2019-20 College cashflow position.

Lead: David Alexander, Vice Principal Operations
Alan Ritchie, Director of Finance and Estates

Status: Open

1. Introduction

1.1 The Finance and General Purposes Committee meeting of 2 June 2020 and Board of Management meeting of 16 June 2020 received the College Management Accounts for the eight-month period to 31 March 2020.

1.2 The Management Accounts as at 31 March 2020 outlined that the College had been forecasting a £35,000 adjusted operating surplus for 2019-20 – however due to the cessation of on-site College operations on 20 March 2020 as a result of the COVID-19 pandemic lockdown, a number of variances had arisen - resulting in a revised College adjusted operating position with a forecast deficit of (£3.9m).

1.3 It was noted the forecast adjusted operating deficit of (£3.9m) as reported in June 2020 was prudent and based on information available to the College at that time, with it being likely this position would be subject to change as further information became available from the SFC, Scottish Government and wider partners. This paper provides an update in relation to these matters and the resultant impact to date on the College 2019-20 forecast outturn.

2. 2019-20 College Financial Outturn Forecast - Update

2.1 The College has received updated information from the SFC, Scottish Government and wider partners in relation to several areas since consideration of the 31 March 2020 Management Accounts. This has impacted upon the College operating environment and forecast financial outturn position as considered by the Finance and General Purposes Committee and Board of Management during June 2020. The 2019-20 financial impacts and variances arising from this updated information can be summarised as follows:

- *UK Government Job Retention Scheme* – income now being received by the College as a result of approximately 150 staff being placed on the furlough scheme in accordance with SFC guidance.
- *ESF Credit Activity* - the College had previously assumed that the impact of the closure of on-site activities would result in the ESF activity totalling 6,264 credits not being achieved – however the College has been able to deliver some of this activity online, with the forecast shortfall now being 3,000 credits.
- *Skills Development Scotland* – income received through SDS support scheme which is now in place.
- *Commercial activity* – better than anticipated delivery of commercial income through online activities, with an additional £181,000 forecast to be generated.
- *Other income* – additional income of £51,000 was received from local authorities for school / college programmes and a change in SFC childcare support guidance allowed the College to be able to recognise a further £63,000 of nursery income.

- *Cost increases* – additional costs have been incurred in relation to health and safety, related primarily to addressing the impact of COVID-19 (provision of additional personal protection equipment and addressing home working challenges) and a higher level of consumable spend associated with the uplift in commercial income.

Table 1: Movement in Adjusted Operating Position March to July 2020

	Variances £'000
March 2020 Revised adjusted operating deficit for the year 2019-20	**(3,900)**
Income variances	
ESF activity recovered as a result of more activity than anticipated	891
Increased SDS income through taking advantage of SDS support scheme	35
Improved level of fee and commercial income	176
Successful application to UK Government Job Retention support scheme	573
Better than anticipated recovery of other income	114
	1,789
Expenditure variances	
Increased health and safety costs as a result of Covid-19	(51)
Increased consumable costs as a result of additional income activity	(95)
	(146)
Overall movement on variances	**1,643**
Forecasted adjusted operating position for the year 2019-20	**(2,257)**

2.2 As outlined by the table above, the impact of these changes is that the College forecast adjusted operating deficit has been revised from (£3.9m) - as set out in the 31 March 2020 Management Accounts - to an forecast adjusted operating deficit of (£2.3m), an overall movement of £1.6m.

3. Financial Accounting Position as at 31 July 2020

3.1 In approving the College budget for 2019-20, the key indicator of financial health that is used – in accordance with SFC and Audit Scotland guidance – is the adjusted operating position. The Board of Management approved budget for 2019-20 forecast an adjusted operating surplus of £35,000, effectively a break-even position. In accounting terms, this would have resulted in a financial accounting deficit of (£2.996m) as at 31 July 2020 - after adjusting for depreciation and loan repayments.

3.2 Based on the 31 March Management Accounts – and the forecast adjusted operating deficit of (£3.9m) outlined at that time – the College was forecasting an overall financial accounting deficit of (£6.908m) as at 31 July 2020. The current forecasted financial accounting deficit is anticipated to be (£4.467m) a reduction of £2.441m. The movement is due to:

a) As noted in the external audit 31 July 2019 Annual Report presented to the joint Finance and General Purposes/Audit Committee meeting, and subsequently to the Board of Management, the College was requested to undertake a review of useful economic life of its revalued assets. This review was undertaken in April and resulted in a reduction in the forecasted depreciation charge of £0.799m (March 2020 forecast: £4.831m; revised forecast for 2020-21: £4.032m). This movement does not impact the College cash position and addresses a recommendation from the external auditors; and

b) The revised adjusted operating deficit of (£2.257m) compared (£3.9m) which represents a movement of £1.643m.

3.3 It should be noted that the overall financial deficit of (£4.467m) currently forecast for 2019-20 is prior to:

- the impact of the annual pension valuation, the outcome of which will not be known until September 2020; and

- any movement in the staff holiday pay provision (non-cash) which will be calculated as part of the year end work. This provision is likely to increase due to staff not taking holiday during the College closure resulting in a higher year end provision and subsequent charge to the profit and loss account.

4. 2019-20 College Cashflow Position - Update

4.1 The availability of cash in order to support ongoing College operations is essential. The current 2019-20 forecast indicates that the College will have a total of £5.6m in cash as at 31 July 2020, which represents approximately 37 days of cash. It is important to note however that the College cash position continues to include amounts relating to:

- SFC estates maintenance funding. The College expects to have £1.5m of cash in place at 3 July 2020 as received from the SFC for projects scheduled to be delivered during 2019-20 – but which have now been delayed due to the cessation of on-site College activities since 20 March 2020. £1.0m of this relates to the project to transfer curriculum activity from the Centre for Performing Arts in Paisley to the Renfrew Road Campus. The College is committed to these projects which have been approved by the College Estates Committee and Board of Management and it is intended they will be progressed to completion following the COVID-19 lockdown period.

- ESF funded credit activity. The College is now forecasting that just over 50% of the College ESF activity will be delivered by the end of 2019-20. The 31 March Management Accounts outlined that all funds relating to the delivery of 6,264 ESF credits may require to be repaid – however it is anticipated 3,400 ESF credits will now be achieved. Based on the 31 March Management Accounts assumption there was the potential the College may have to repay approximately £1.2m of cash already drawn down from SFC relating to this activity. The amount repayable to the SFC will now be approximately £0.4m based on the revised position, and if the level of credit activity increases in 2019-20 the amount to be repaid will reduce further.

- Flexible Workforce Development Fund (FWDF). The College previously highlighted that £0.4m of funding may require to repaid due to the fact some training was not able to be delivered as a result of COVID19. No further information has been received as to whether this amount is repayable or not.

4.2 The College cashflow position as at 31 July 2020 of £5.6m therefore requires to be adjusted for:

- £1.5m relating to estates projects;
- £0.4m potential payback in relation to ESF credit activity; and
- £0.4m potential payback of FWDF income

and this means the underlying College cash balance to fund ongoing operations is forecast to be £3.3m as at 31 July 2020 – which is the equivalent of approximately 22 days cash.

4.3 The College continues to ensure cashflow is monitored on an ongoing basis in order to identify, mitigate and manage any risk which may emerge.

5. Summary

5.1 The full impact of COVID-19 on College operations and finances will continue to be kept continually under review. However, the position remains that, due to the impacts arising from COVID-19, the College will not be able to deliver a breakeven adjusted financial operating outturn for 2019-20.

5.2 The College will continue to:

- Monitor costs and income closely during the final weeks of the 2019-20 financial year, to enable the College to continually review the financial outturn and cashflow position for 2019-20;
- Re-assess the likely impact upon the College financial outturn and cashflow once any further clarifications are received from the Scottish Government and SFC, particularly in relation to the Flexible Workforce Development Fund and ESF funding; and
- Engage on an ongoing basis with the SFC in relation to the financial challenges arising as a result of Covid-19.

6. Conclusion

6.1 The Board of Management is requested to:

- consider and note the revised 2019-20 College adjusted operating position;
- note the impact of the COVID-19 pandemic lockdown on the 2019-20 operations and financial position of the College; and
- note the revised 2019-20 College cashflow position.

TITLE: **BUDGET 2020-21 AND FINANCIAL FORECAST TO 2022-23**

Background: The purpose of this paper is to present the following matters to the Board of Management for their consideration:

a) The 2020-21 College budget;
b) The 2020-21 Student Association budget;
c) The College financial forecast for the two years to 2022-23;
d) A note of the budgetary and forecast assumptions used; and
e) A sensitivity analysis of the key assumptions used.

The Finance and General Purposes Committee on 9 July 2020 considered and approved for presentation to the Board of Management the above matters.

Action: The Board of Management is requested to:

a) Consider the basis upon which the 2020-21 College budget has been created;
b) Approve the 2020-21 Student Association budget;
c) Approve the 2020-21 College budget; and
d) Consider the basis upon which the two-year financial forecast to 2020-23 has been created.

Lead: David Alexander, Vice Principal Operations
Alan Ritchie, Director of Finance and Estates

Status: Open

1. Introduction

1.1 This paper presents the 2020-21 College budget and financial forecast to 2022-23 for consideration and approval by the Finance and General Purposes Committee and Board of Management. The budget and financial forecast are based upon the guidance and governance framework with which the College requires to comply, with this primarily being the:

- Financial Memorandum with the Scottish Funding Council (SFC);
- Financial Forecast Return (FFR) guidance issued by the SFC; and
- Scottish Public Finance Manual (SPFM).

1.2 The SFC FFR guidance issued on 9 June 2020 provided the college sector with baseline assumptions for use in preparing the 2020-21 budget and financial forecast to 2022-23 – a three-year period. In prior years the SFC FFR guidance has requested colleges provide a financial budget and forecast to cover a five-year period, however due to the uncertainty arising from COVID-19 the shorter three-year period has been requested on this occasion. The College has applied this SFC guidance as required, and the FFR assumptions are outlined in the sections which follow below.

1.3 In providing the 2020-21 budget and forecast to 2022-23 this paper:

- Sets out the financial strategy and financial objectives of the College;
- Provides a commentary on the College operating environment and the impacts this has on the College financial position;
- Outlines the key assumptions used for financial planning purposes;
- Includes a three-year RAG analysis of the key sensitivities used in compiling the 2020-21 budget and two-year forecast to 2022-23; and
- Provides a summary of the financial health of the College.

2. West College Scotland – Financial Strategy and Objectives

2.1 Colleges are required to plan and manage their activities to remain sustainable and financially viable. It is for each college to determine and respond to the economic needs of their region; ensuring resources are allocated to areas which meet the needs of learners and the economy. It is therefore essential that a robust organisational financial strategy and associated financial objectives are in place to enable this to be achieved.

2.2 The College financial strategy enables assessment of the financial needs and resources required to support and meet organisational objectives and outcomes, and in doing so plan for continued development where possible to enable success and sustainability. While the sector financial operating environment remains challenging, the 2020-21 budget and forecast to 2022-23 continue to adopt this strategic approach - and seek to achieve the required breakeven financial position on a continuous basis in doing so.

2.3 The College financial strategy aligns and integrates with other College strategies – including curriculum; commercial; information and technology; digital, human resources and organisational development; estates; and procurement – to support achievement of intended outcomes where possible. The College financial strategy ultimately supports achievement of the College business transformation plan, Corporate Plan and Regional Outcome Agreement – and in developing the 2020-21 budget and 2022-23 forecast the following financial objectives have been set:

1) Maintain a sound financial base (solvency and liquidity) based on the following:
- The College will work with SFC to maintain sufficient cashflow in order to support continuous College operations.
- The College will aim to achieve a break even adjusted operating position and in doing so meet annual obligations due for loans and leases.
- The College will annually expend all resource funding it receives, thereby generating a cash neutral position from operating activities.

2) Ensuring sound financial management by producing management accounts on a periodic basis.

3) *Maintaining confidence of funding bodies, suppliers and professional advisers by:*
- Providing financial and non-financial returns on time and in agreed formats.
- Working with auditors to provide returns which are certified, unqualified and submitted timeously.
- Adhering to the College’s policy to pay all suppliers within 30 days of receipt of an invoice.

4) Continuing to raise awareness of financial issues by providing:
- Advice, guidance and training to staff, management and Board of Management members on funding, funding methodologies, budgeting and the College’s Financial Regulations.
- Adequate information to ensure staff, management and Board of Management members are kept updated on the financial position of the College.

5) Improving the College estate and equipment by:

- Utilising SFC funding in order to maximise investment in maintenance, technology, digitalisation and equipment required to support teaching and learning programmes and College administration.
- Ensuring adequate procedures are in place to protect assets from loss, theft, neglect and fraudulent activity.

6) Supporting our students by providing:

- Advice and guidance for and accessibility to student support funding.
- A Student Association budget which enables an engaged and active student body.

2.4 These financial strategy objectives will continue to be monitored and progress reported through the provision of management accounts and wider information to the Finance and General Purposes Committee.

2.5 The College financial strategy approach and associated financial objectives are therefore intended to provide a robust basis for financial planning – and these underpin the 2020-21 budget and forecast to 2022-23 which are presented within the following sections of this report.

3. 2020-21 Budget

3.1 The Board of Management is invited to note that the budget for West College Scotland for the financial year 2020-21, attached as A*ppendix A* to this report, has been produced on the basis outlined in the paragraphs below.

3.2 Adjusted Operating Position

3.2.1 The basis of the 2020-21 budget the Board of Management are being requested to approve as detailed at *Appendix A* is a deficit accounting budget (due to the expending of cash arising from net depreciation) - which when adjusted for technical and underlying movements agreed by Audit Scotland and the SFC, provides a small adjusted operating surplus of £27,000 – effectively a breakeven position. The adjusted operating position is the measure of financial health and sustainability applied by the SFC.

3.2.2 It should be noted the final FFR guidance issued by the SFC on 9 June 2020 contained the following statement:

> *SFC's Financial Memorandum with colleges and RSBs (Regional Strategic Bodies) 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. Colleges must prepare a balanced budget for 2020-21 and/or have a deliverable plan to reach a balanced budget over the forecast period.*

Given the funding realignment that West College Scotland will receive in 2020-21 as a result of agreeing a business transformation plan with the SFC – which will see funding per credit increase from £255 to £277 allied with a 5,246 reduction in credit activity *(see section 3.4, Income, below)* - the 2020-21 College budget and forecast to 2022-23 outlines plans to achieve a breakeven adjusted operating position in each of the three years covered by the FFR.

3.2.3 It should however be noted that the financial operating environment of the College will still remain challenging in seeking to achieve a breakeven position, with efficiencies required – and the impact of COVID-19 on operations will be kept under continuous review, with further engagement being sought with the SFC should there be additional significant financial implications arising from the pandemic which are not currently anticipated.

3.2.4 The Finance and General Purposes Committee and Board of Management should also note that there is ongoing engagement with the SFC regarding the impact of any voluntary severance (VS) costs in calculating the breakeven annual adjusted operating position.

3.2.5 The SFCs current position is that any VS costs funded by the College should not be excluded in calculating the annual adjusted financial operating position – and that these VS costs should be included within the College budget as operating expenditure. However the College has outlined in representations to the SFC that the stated intention of the adjusted operating position is to remove any exceptional/one off items which do not form part of ongoing business operations in order that underlying operational financial health can be determined and assessed – and given VS is an exceptional cost of restructuring the organisation, such costs should therefore be deducted in calculating the adjusted operating position.

3.2.6 The 2020-21 budget presented to the Finance and General Purposes Committee and Board of Management does not include any VS costs which may require to be met during the year. However the 2020-21 budget currently assumes the College will require to realise a minimum £0.5m in staffing efficiencies – and while this may be achieved through staff turnover, vacant posts and other approaches - it is likely that part, and possibly all, of this saving may potentially be achieved through VS.

3.2.7 The current FFR guidance states colleges should assume SFC will fund up to 6 months salary costs of any VS payments for modelling purposes. The College has contacted the SFC in order to gain an understanding of how an application to access any such VS funding might be progressed, and a response is awaited. As the College has an SFC approved VS scheme in place which allows for up to 12 months salary to be paid, approval of any VS application would therefore mean at least 6 months payment would require to be funded from the institution's own cash resource – and such a cost would not be excluded in calculating the annual adjusted operating position given the current SFC position on this matter.

3.2.8 It is therefore important to outline to the Finance and General Purposes Committee and Board of Management the potential impact of any VS undertaken by the College on the breakeven adjusted operating position - as should the SFC continue to hold the position that VS costs cannot be excluded, there is the potential for the College to declare an adjusted operating deficit in future years.

3.2.9 Under such a scenario, if £0.5m of staffing efficiencies were realised in 2020-21 through VS – on the basis the College had to fully fund all VS costs - this would mean an adjusted operating deficit of approximately (£0.5m) would arise. Similarly, the forecast for 2021-22 and 2022-23 contain assumptions that the College will require to deliver employee cost efficiencies of £500,000 and £900,000 respectively – and so the adjusted operating deficits for each of these years would be (£0.5m) and (£0.9m) if the College met this through funding VS. This level of adjusted operating deficit would only arise if all staffing efficiencies in each year were achieved through VS and fully funded by the College – if the efficiencies were achieved by other means and/or any VS was part funded by the SFC, then the VS impact on the adjusted operating position would lessen.

3.2.10 However, seeking to address any adjusted operating deficit of this nature - which would arise due to one-off VS costs not being excluded - would effectively require the College to deliver further efficiencies which impact upon staff and frontline services in order to offset what is in effect a technical accounting adjustment. The College does not believe this would be appropriate and therefore continues to engage with the SFC to address what it sees as an irregular way to treat the costs of any voluntary severance programme in calculating the adjusted operating position. Clarification also continues to be sought on the nature and extent of any potential SFC support for VS in 2020-21 and future years.

3.2.11 It should be noted that according to the definition of financial sustainability and viability as outlined by the SFC and detailed in *Section 3.2.2, above*, delivering an underlying adjusted deficit in any one year would not be incompatible with the requirements of the Financial Memorandum.

3.2.12 The College is therefore proposing that the 2020-21 budget be approved based on an adjusted breakeven position which does not assume the need to offset any VS costs which arise.

3.3 Teaching Activity Levels

3.3.1 The College has a target of 158,693 credits for 2020-21 – a reduction of 5,426 credits when compared to the 2019-20 activity level of 164,119 credits. The reduction is a direct result of work undertaken by the College in collaboration with SFC to realign teaching activity. This work has resulted in a reduction of 5,000 credits as part of the implementation of the College Business Transformation Plan, with ESF activity also 426 credits lower in 2020-21.

3.3.2 An analysis of SFC funding as confirmed for 2020-21 is outlined within *Appendix B.* It can be seen from this SFC has not reduced core teaching funding for 2020-21 despite the reduction in overall credit activity – which was a central element of the agreed College Business Transformation Plan with SFC. This has resulted in an increase in the value of a credit for West College Scotland – with the uplift equating to 8.6%, from £255 in 2019-20 to £277 in 2020-21. This reflects discussions the SFC has had with the College to recognise the movement towards higher cost teaching and learning activity over the course of previous years. As a condition of this change, the College must reduce its third-party distance learning activity going forward.

3.4 Income

SFC Income

3.4.1 The SFC issued the final outcome agreement funding allocations for academic year 2020-21 in a circular on 9 June 2020. The funding decisions set out in this announcement are based on the Scottish Government's Scottish Budget 2020-21, approved by the Scottish Parliament on 5 March 2020. In providing this circular SFC also advised that there would be no updated Ministerial guidance issued at this point – and that any such guidance would be issued to the sector when received. To date this Ministerial guidance has not been issued to the sector.

3.4.2 SFC income has therefore been budgeted in line with the final SFC 2020-21 grant in aid settlement circular received on 9 June 2020 and a full analysis is attached at Appendix B. SFC funding for 2020-21 totals £49,531,549 and the table below provides a reconciliation between the SFC funding as noted in *Appendix B* and the SFC income as per the 2020-21 budget:

	SFC 2020-21 Income Appendix A £'000	SFC Income Budget 2020-21 Appendix B £'000
Total SFC income	**49,947**	**49,531**
Childcare income excluded - funded separately but required to be disclosed in budget as income and expenditure	(2,165)	0
Other SFC income from prior years recognised in 2020-21	(90)	0
Flexible Workforce Development Funding - subject to confirmation - assumption made on budgeted income	(734)	0
SFC indicative support staff job evaluation funding not included in the budget	0	(934)
Net depreciation expenditure accounted for separately in the College budget	0	(1,639)
Reconciled SFC income total	**46,958**	**46,958**

The key points arising in relation to SFC funding for 2020-21 are as follows:

- SFC Core teaching funding for West College Scotland has increased in total by £2.0m – an uplift of 4.9%. However, it should be noted that £1.1m of this has been provided in order to specifically meet the cost of a required increase in employer contributions to the teaching superannuation fund. In addition, £77,899 of the increase relates to national support staff job evaluation, an exercise which is ongoing, and at this stage is therefore a theoretical movement in funding. Thus, there is an underlying increase in SFC funding of £0.86m (2.18%) when compared to 2019-20.

- A funding allocation has been made by the SFC towards two elements of estates need – and for 2020-21 West College Scotland has received a total estates allocation of £3.767m (2019: £2.531m), an increase of £1.236m (48.4%) when compared to 2019-20. This comprises of:

  - £2.574m (2019: £1.710m) to meet high priority backlog maintenance needs – an allocation based on the condition of the College estate - with this being an increase of £0.864m (50.5%) when compared to 2019-20; and
  - £1.193m (2019: £0.821m) to meet lifecycle maintenance requirements – an allocation based on the volume of credits delivered by the College – with this being an increase of £0.372m (45.3%) when compared to 2019-20.

  It should be noted that although West College Scotland received the highest SFC 2020-21 funding of any individual institution in the sector for high priority backlog maintenance at £2.574m, this remains significantly lower than the average annual investment of £8.5m that condition surveys advise is required. This means that West College Scotland will continue to face ongoing challenges and choices in managing the estate.

- Confirmation is still awaited from SFC in relation to funding for period poverty and mental health initiatives, but the College has assumed within the 2020-21 budget that this will be in line with 2019-20.

- The level of student support funding allocation to WCS for 2020-21 is £13.822m (2019: £13.315m) an increase of £0.507m (3.8%) when compared to 2019-20. This uplift is to meet costs associated with the removal of the age cap for the Care-Experienced bursary, previously only available to 16-25 year olds. In addition, an inflationary increase has been provided to the maintenance bursary. In accordance with financial reporting standards only childcare costs totalling £2.165m require to be included in the College income and expenditure account.

Skills Development Scotland (SDS) Income

3.4.2 SDS income in relation to modern and foundation apprenticeships is not anticipated to return to pre COVID-19 levels during 2020-21 – the budget has therefore been set at £0.820m – which, while being an increase of £0.2m when compared to 2019-20, equates to 75% of 2018-19 income levels, when £1.092m was secured.

Fees - Commercial and Tuition

3.4.3 Fees, which includes both FE/HE tuition and commercial income fees, are expected to generate £5.178m, an increase of almost £0.4m on 2019-20 levels. Most of the increase is in relation to HE tuition fees which are based upon predicted levels of HE recruitment. However, it should be noted that fees generated £5.716m of income in 2018-19, and so the 2020-21 budget is at a level which is £0.538m (9.4%) lower.

3.4. It should be further noted that the significant underlying movement relates to commercial income - with the 2019-20 budget being £2.27m; actual income for 2019-20 being £1.67m; and the 2020-21 budget being set at £1.74m.

As can be see the level of commercial and other fee income in 2020-21 is not anticipated to grow significantly from 2019-20 levels as the market in this area may take a year to recover.

Other Income

3.4.4 Other Income includes funds arising from areas including nursery provision, catering, property rentals and staff secondments. The level of Other Income in 2020-21 is budgeted to be £2.171m – while this is expected to be £565,000 less than in the previous year, it should be noted that 2019-20 Other Income was increased by £0.6m due to the College following SFC guidance and applying to the UK Government Job Support Scheme in order to furlough approximately 150 staff. As this Government support is due to terminate in October 2020 and the College will remove staff from furlough as activity recommences, it is assumed that no more that £0.1m will be received from the Job Support Scheme in 2020-21. Excluding income arising from staff furlough, Other Income for 2020-21 is therefore expected to be consistent with 2019-20.

3.4.5 However it should be noted that the income arising from College catering operations is expected to experience a significant downturn during 2020-21 due to the reduction in the level of on campus College activity and the need to implement social distancing measures. The model of operation is currently under review, however it is envisaged that due to these restrictions a limited 'grab and go' service will be made available – with the impact being that catering is expected to generate income at a level of £688,000 for 2020-21 – compared to £741,000 for 2019-20 - and £1.075m in a normal operating year. During 2019-20 the College had budgeted for a deficit of (£150,000) to arise from catering – however due to the on-site closure of College operations from 20 March 2020, a deficit of approximately (£300,000) is now expected. This is a significant movement in income and the College will therefore ensure the resultant deficit of (£0.250m) which is budgeted to arise from catering during 2020-21 is kept under continuous review.

3.5 Employee Costs

3.5.1 Employee costs remain the most significant element of expenditure for the College and are budgeted to total £43.039m for 2020-21 – an increase of £1.186m (2.83%) when compared to the expected cost of £41.853m for 2019-20. The 2020-21 employee cost budget has been compiled using the following assumptions:

- pay uplifts which follow the SFC June 2020 FFR guidance;
- no increases to employer national insurance contributions;
- the anticipated costs and associated income relating to support staff job evaluation are not included (SFC estimate this to be £934,000) – the quantum and timing of the implementation of the job evaluation scheme are not know

and until such times as this is confirmed the income and corresponding expenditure have not been included in the 2020-21 budget;
- an element of staff efficiencies will be recognised through staff turnover savings;
- employer contributions to staff pension schemes will total £6.5m – 15% of total 2020-21 employee cost expenditure;
- no increase to teaching / support staff employer pension contributions – however it should be noted that a review of the employer contribution levels in relation to the support staff pension fund is due to take place prior to April 2021 and the College will keep this under review.

3.6 Non-Staff Costs

3.6.1 The College has attempted to maintain non-staff costs at a comparable level to the 2019-20 budgeted position where possible. Key non-staff movements are as follows:

- <u>Property costs</u> are largely in line with the original 2019-20 budget of £4.694m, with the overall increase being due to the additional funding received from SFC in order to meet estate lifecycle maintenance costs.

  <u>Supplies and Services costs</u> - the College is continuing to sustain levels of investment in ICT and digital development under Supplies and Services costs. The majority of Supplies and Services budgets for 2020-21 are largely in line with the original 2019-20 budget – however the overall level of budgeted spend is £223,000 lower than in 2019-20 with the reasons for the reduction being:
  - lower levels of anticipated catering expenditure; and
  - a slight reduction in travel costs due to the planned change in on site College operations as a result of COVID-19 during 2020-21

- <u>Other Operating costs</u> are budgeted to be £3.533m, which is largely in line with the original 2019-20 budget of £3.680m – this is as a result of the College receiving additional student support funds for 2020-21 which will enable some course costs to be met from this allocation rather than through College core funds.

- <u>Finance Charges</u> – The reduced interest charges during 2020-21 are due to the College completing repayment of one of the two outstanding legacy bank loans.

3.7 Student Association Budget 2020-21

3.7.1 The Student Association budget for 2020-21 has been incorporated into the overall College budget for next year. The table below indicates the areas of expenditure the Student Association incurred during 2019-20 and the budget request for 2020-21.

	2019-20 Budget £'000	2019-20 Actual £'000	2020-21 Budget £'000
Staff Costs	54	52	55
Marketing and Promotion	5	4	5
Other Central Costs	6	0	5
Centrally controlled costs	**65**	**56**	**65**
Election Campaign	2	1	2
Student Social Events	10	2	10
Clubs, Societies and Library	6	1	6
T&S / Uniforms / Memberships / Other	8	2	8
Student Association controlled costs	**26**	**6**	**26**
Total Budget	**91**	**62**	**91**

3.7.2 It should be noted that the level of expenditure incurred by the Student Association in 2019-20 was impacted by COVID-19, with several events cancelled due to the closure of on-site College operations.

3.7.3 The Finance and General Purposes Committee and Board of Management are asked to approve the 2020-21 budget as detailed above for the Student Association.

3.8 Funds arising from Net Depreciation

3.8.1 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.

3.8.2 The 2019-20 West College Scotland budget applied £1,639,000 of cash arising from net depreciation towards meeting the following College priorities during 2019-20:

- repayment of bank loans;
- funding of core College ICT expenditure; and
- to meet the cost prior year staff pay increases.

3.8.3 The 2020-21 budget similarly proposes that the £1.639m of cash arising from net depreciation be applied for these purposes.

3.9 Full Asset Valuation

3.9.1 The 2020-21 budget is based upon a revised level of depreciation arising from the implementation of the external audit recommendation that the College undertake a review of the useful economic life of its revalued assets. This review was undertaken in April 2020 and resulted in a reduction in the forecasted depreciation charge of £0.799m (2019-20 forecast: £4.831m; revised forecast for 2020-21: £4.032m). This movement does not impact College cashflow or the adjusted operating position. An interim valuation is not due until July 2021 and due to the uncertain outcome of this review no adjustment has been made within the 2020-21 budget to account for this.

3.10 Arm's Length Foundation

3.10.1 The College has not budgeted for any donation being made to an arm's length Foundation and will keep this matter under review. Similarly, any bids for funding to an arm's length Foundation will also be kept under review with no additional income being accounted for in the budget / forecast period.

4. Financial Forecast to 2022-23 - Years 2 and 3

4.1 The financial plan at *Appendix A* also details the forecasted financial position of the College for 2021-22 and 2022-23. In previous years SFC FFR guidance has requested that this forecast be for a subsequent 4-year period thereby providing the SFC with a 5-year financial forecast. However, given the impact of COVID-19 and the volatility of any assumptions beyond 3 years the SFC has requested that colleges only provide a budget for 2020-21 and a further 2 years financial forecast on this occasion.

4.2 The following sections provide an overview of the financial forecast for 2021-22 and 2022-23.

4.3 Income

<u>*Teaching Activity*</u>

4.3.1 Core SFC activity levels are assumed to be in line with 2020-21 for year 2 at a level of 158,693 credits. Year 3 assumes the cessation of the sector ESF funding with a resultant decrease of 6,468 Credits (£1,610,000) for the College. This reduction in credits represents 4% of the 2019-20 level of College activity.

<u>*SFC Income*</u>

4.3.2 The SFC FFR guidance assumes that the level of 2020-21 core SFC funding will remain at the same level for Years 2 and 3 and the reduction in ESF Credits will result in a loss of associated ESF income - which is assumed to be at the 2020-21 level of £1.6m. The FFR does not ask that colleges assume any replacement of ESF activity in Year 3.

4.3.3 The College has assumed that during year 2021-22 (Year 2) there will require to be a voluntary severance programme undertaken to prepare for the loss of ESF activity in Year 3. The College has assumed that it will require to remove primarily staff costs equivalent to the loss of ESF income (£1.6m) and will do this through a programme of voluntary severance to be undertaken in the latter part of 2021-22 in preparation for the loss of income in 2022-23.

4.3.4 Given that this reduction in teaching activity would be a strategic college sector issue and the level of funding required to support such a change in staffing structure and operations would be significant, the College forecast for 2021-22 assumes any VS costs associated with this the loss of ESF activity (£1.6m) would require to be fully funded by the SFC. This is an area where the college sector requires clarification on future intentions as a priority.

<u>Fees</u>

4.3.5 Fees are assumed to return to pre COVID-19 levels of £6.06m in 2021-22, compared to the 2019-20 budget level of £5.78m, and 2019-20 actual level of £4.8m, a growth of £0.28m. This growth will be mainly in managing agent fees (CITB, SNIPEF and SECCT) for apprenticeship programmes with a modest growth in commercial income fees.

Other Income

4.3.6 Other Income is assumed to return to pre COVID-19 levels over the two-year period despite the challenging environment arising from the global pandemic. This will be a challenge to deliver, however the College believes it has a strong position within the sector and a proven record of delivering previous income targets.

4.4 Employee Costs

4.4.1 For employee costs an annual salary uplift in line with the SFC FFR guidance has been assumed in 2021-22 and 2022-23. In line with guidance from the SFC it is anticipated that these increased costs will be met from College resource rather than an increase in SFC Grant-in-Aid funding.

4.4.2 The employee cost budget for Years 2 to 3:

- Does not include the anticipated costs and associated income relating to support staff job evaluation (SFC estimate this to be £934,000) – the quantum and timing of the implementation of the job evaluation scheme are not know and until such times as this is confirmed the income and corresponding expenditure have not been included in the budget.
- Assumes staff efficiency savings of £0.5m (2021-22) and £0.9m (2022-23) will be secured in achieving a breakeven adjusted operating position. At this time no voluntary severance costs have been assumed in the budget in order to achieve these efficiencies, and as outlined earlier in this paper engagement is continuing with the SFC regarding this matter.

4.5 Non-Staff Costs

4.5.1 All non-staff costs are assumed to remain largely constant in terms of total levels of expenditure over the course of 2021-22 and 2022-23. While the pressure to invest in maintaining College property is anticipated to rise over the three-year period based upon outputs from the recently updated Estate Condition Survey, the Year 2 and Year 3 forecast assumes the College will receive similar levels of SFC estates funding as in 2020-21, and there are likely to be minimal savings arising from ongoing operations that will be available to improve the built environment.

4.5.2 It should be noted the College has loans that require to be serviced and as the amounts owed reduce over the three period of the forecast, so this affects the level of finance charges incurred. Year 2 will see the legacy Clydesdale Bank loan repaid in full. The College has one legacy loan remaining with the Bank of Scotland which will be fully repaid by the end of 2025-26. There will therefore be a reduction in interest and capital repayment costs releasing £0.2m towards investment in the College infrastructure.

4.5.3 The forecast assumes that in Years 2 and 3 the College will continue to utilise £1.6m of funds arising from net depreciation to meet core operational costs relating to historic annual staff pay increases, IT investment and legacy loan financing.

5. College Cash Position

5.1 As previously discussed with the Finance and General Purposes Committee and the Board of Management, the cash balance is a critical to the College ability to fund ongoing operations.

5.2 Based on the 2020-21 budget and forecast to 2022-23, the College is forecasting a level of cash at the end of each year which will allow operations to be supported in a sustainable manner. The College is forecasting to reduce from the current 37 days of cash to a core cash holding of 20 days on average. The reduction from 2019-20 into 2020-21 is primarily due to the expenditure of estate maintenance funds on the Centre for Performing Arts relocation project and completion of other 2019-20 estates projects.

5.3 It should be noted however that there are several factors which may impact upon the College cash balance and the days cash that the College holds:

- The potential repayment of part of the 2019-20 ESF funding is likely to be required, as the College is currently forecasting a 3,000 credit shortfall in this activity. The repayment would amount to £0.4m based upon the funds already drawn down by the College.

- The potential repayment of part of the 2019-20 Flexible Workforce Development Funding (FWDF) may be required (£0.4m) as the College has not undertaken the required activity to date in order to retain the funds.

- The College requires to realise £0.5m of staffing efficiencies as referred to in section 3.2.5, and the SFC have stated that colleges should assume the SFC will fund up to 6 months of any associated voluntary severance costs. On this basis, if the College realised the £0.5m of efficiencies through voluntary severance in 2020-21, then the SFC would fund up to 50% of such costs. The College cashflow has therefore assumed the SFC will fund 50% of voluntary severance costs (£0.250m). However, it must be noted that the SFC have not yet committed to any funding to support this assumption, and so it is possible the college will be requested to support any voluntary severance costs entirely from its’ own resources.

College Cash Balance	2019-20 £'000	Year 1 2020-21 £'000	Year 2 2021-22 £'000	Year 3 2022-23 £'000
Year end forecasted cash balance	**5,564**	**3,072**	**2,961**	**3,051**
Days cash - budget and forecast	**37**	**20**	**18**	**20**
Annualised impact on cash balance:				
1) Potential repayment of ESF funding		(400)	0	0
2) Potential repayment of FWDF funding		(400)	0	0
3) Voluntary severance scheme – only 50% funded by the SFC		(250)	0	(450)
Impact on cash balance in year		**(1,050)**	**0**	**(450)**
Impact on cash balance from prior year		**0**	**(1,050)**	**(1,050)**
Cash balance if all the above items were to occur		**2,022**	**1,911**	**1,551**
Days cash		**13**	**11**	**10**

5.4 The table above indicates that the College faces several cash management challenges over the course of the next three years. However, the table shows that if the College can deliver the forecasted break-even budget it will retain enough cash to operate in a sustainable manner over the three-year period.

5.5 The College will continue to engage with the SFC to ensure that the cash management challenges are addressed in a timely manner.

6. Sensitivity Analysis

6.1 The Financial Plan document at *Appendix A* contains an analysis of the sensitivities relating to several of the major components of the College income and expenditure account. The analysis uses a RAG rating to highlight areas where the College believes there to be challenges to the delivery of the forecasted annual break-even positions. A 1% movement in each of the components is noted to allow the Committee members to understand the potential magnitude of any positive or negative variances.

6.2 The RAG analysis is categorised as follows:

- Green: Impact and/or movement is either considered to be immaterial or to be of no significant operational concern.
- Amber: Impact and/or movement is material and would require to be addressed.
- Red: Impact and/or movement is significant and likely to have a material effect on the adjusted operating position and/or operation of the College.

6.3 The most significant areas of sensitivity to highlight to the Committee are:

- The forecast for years 2 and 3 assumes a flat cash settlement in relation to SFC Grant in Aid income. Should core Grant in Aid funding be reduced by 1%, it would result in £414,000 reduction in income, with the College requiring to make further efficiency savings to address this.

- The level of SFC maintenance funding has increased in 2020-21 but is still below the required level to maintain College campuses in order to deliver 21st century teaching and learning. Should this level of funding be reduced by 10% (£0.4m) the College would have to review planned future projects and target those that maintain the buildings in a functional operational state.

- A 1% increase in staff costs would result in an additional cost of £0.4m. The SFC have made it clear that any movement in staff costs requires to be funded from College resource, which would result in further efficiencies requiring to be identified.

- As previously reported the teaching pension fund employers’ contributions increased by 34% as from September 2019 and the College was provided with funding from the SFC to meet this cost. The support staff pension scheme is currently undertaking its tri-annual valuation as at March 2020, with any changes to the employer contribution rate due to take effect from 1 April 2021. A 10% increase in support staff pension costs would equate to £210,000 per annum, which the College would require to fund from its own resources in line with current SFC guidance.

- The College net deprecation expenditure allocation has been fixed for several years now as has the application of this expenditure, which was agreed with the SFC. It should be noted the College does not expect the level or allocation of the funding to change over the 3 year period, however if the SFC were to review and change the level of funding and agreed categories of spending it would have a material impact upon the IT expenditure at the College.

7 Conclusion

7.1 The College financial operating environment will continue to prove challenging, and there will be a requirement to identify further efficiencies going forward to ensure financial stability and sustainability. However, the College has cash in place to support ongoing operations, and the 2020-21 budget and forecast to 2022-23 outline that an adjusted breakeven operating position can be achieved – subject to no further unanticipated impacts arising from COVID19 and clarification being received from the SFC regarding the technical accounting treatment of any voluntary severance costs arising.

7.2 The Board of Management is requested to:

- consider the basis upon which the 2020-21 College budget has been created;
- approve the 2020-21 Student Association budget;
- approve the 2020-21 College budget on the basis outlined, which is an adjusted operating surplus of £27,000 excluding the impact of any voluntary severance costs which may arise; and
- consider the basis upon which the two-year financial forecast to 2020-23 has been created.

THREE YEAR FINANCIAL PLAN TO 2023-24
INCLUDING BUDGET FOR 2020-21

2020-21 BUDGET AND TWO YEAR FINANCIAL FORECAST

	12 months to 31 July 2018 ACTUAL £'000	12 months to 31 July 2019 ACTUAL £'000	12 months to 31 July 2020 FORECAST £'000	Year 1 12 months to 31 July 2021 BUDGET £'000	Year 2 12 months to 31 July 2022 FORECAST £'000	Year 3 12 months to 31 July 2023 FORECAST £'000
SFC Income	45,776	48,294	46,782	49,947	51,457	48,246
SDS Income	1,058	1,092	592	820	1,050	1,050
Fees	5,907	5,716	4,804	5,178	6,060	6,160
Other Income	2,761	2,456	2,682	2,171	2,420	2,420
Interest Received	3	1	0	0	0	0
Total Income	**55,505**	**57,559**	**54,860**	**58,116**	**60,987**	**57,876**
Staff Employment Expenditure	(40,040)	(40,963)	(41,865)	(43,073)	(43,944)	(42,801)
Exceptional Staffing Expenditure	(593)	(1,014)	(35)	-	(1,600)	-
Transferred Cost to net depreciation	-	644	644	644	644	644
Unfunded Pension Expenditure	(585)	(595)	(597)	(610)	(622)	(635)
Total Employment Expenditure	**(41,218)**	**(41,928)**	**(41,853)**	**(43,039)**	**(45,523)**	**(42,792)**
Property Expenditure	(4,639)	(5,059)	(4,738)	(5,558)	(5,569)	(5,611)
Supplies and Services Expenditure	(4,836)	(4,937)	(5,003)	(4,188)	(4,567)	(4,203)
Other Operating Expenditure	(3,266)	(3,780)	(3,720)	(3,533)	(3,533)	(3,500)
Finance Charges	(193)	(186)	(162)	(132)	(132)	(107)
Total Non-Pay Expenditure	**(12,934)**	**(13,962)**	**(13,624)**	**(13,411)**	**(13,801)**	**(13,421)**
Total Expenditure	**(54,152)**	**(55,890)**	**(55,477)**	**(56,450)**	**(59,323)**	**(56,213)**
Operating Surplus /(deficit) before adjustments	**1,353**	**1,669**	**(617)**	**1,666**	**1,663**	**1,663**

2020-21 BUDGET AND TWO YEAR FINANCIAL FORECAST	12 months to 31 July 2018 ACTUAL £'000	12 months to 31 July 2019 ACTUAL £'000	12 months to 31 July 2020 FORECAST £'000	Year 1 12 months to 31 July 2021 BUDGET £'000	Year 2 12 months to 31 July 2022 FORECAST £'000	Year 3 12 months to 31 July 2023 FORECAST £'000
Release of SFC Deferred Capital Grant	1,506	1,247	1,153	1,055	1,010	959
Release of Non SFC Deferred Capital Grant	184	184	184	184	184	184
Depreciation	(4,671)	(4,949)	(4,032)	(4,029)	(4,029)	(4,029)
Surplus / (Deficit) after asset related non cash adjustments	**(1,628)**	**(1,849)**	**(3,312)**	**(1,124)**	**(1,172)**	**(1,223)**
SFC Estates Maintenance Funding	1,529	0	0	0	0	0
Loss on disposal of Fixed Assets	(153)	(129)	(25)	0	0	0
Surplus / (Deficit) after accounting adjustments	**(253)**	**(1,978)**	**(3,337)**	**(1,124)**	**(1,172)**	**(1,223)**
Resource Expenditure - Support for staff costs	0	(644)	(644)	(644)	(644)	(644)
Resource Expenditure - ICT/ Estates	0	(500)	(486)	(468)	(649)	(629)
Resource Expenditure - Voluntary Severance	(320)	0	0	0	0	0
Resource Expenditure - Estate Maintenance	(511)	0	0	0	0	0
Surplus / (Deficit) after net depreciation spend	**(1,084)**	**(3,121)**	**(4,467)**	**(2,236)**	**(2,465)**	**(2,496)**
Adjusted Operating Position						
Deficit for the year	(1,084)	(3,121)	(4,467)	(2,236)	(2,465)	(2,496)
Depreciation net of release of capital grant	2,980	3,518	2,695	2,790	2,835	2,886
Loss on disposal	153	129	25	0	0	0
Exceptional income	(1,529)	0	0	0	0	0
Loan repayments	(488)	(495)	(510)	(527)	(346)	(366)
Adjusted operating surplus / (deficit)	**32**	**31**	**(2,257)**	**27**	**24**	**24**

2020-21 BUDGET AND TWO YEAR FINANCIAL FORECAST	12 months to 31 July 2018 ACTUAL £'000	12 months to 31 July 2019 ACTUAL £'000	12 months to 31 July 2020 FORECAST £'000	Year 1 12 months to 31 July 2021 BUDGET £'000	Year 2 12 months to 31 July 2022 FORECAST £'000	Year 3 12 months to 31 July 2023 FORECAST £'000
Operational Cash Expenditure Analysis						
Bank loan / lease capital repayments	(488)	(495)	(510)	(527)	(346)	(366)
Resource Expenditure - Student Support	0	0	0	0	0	0
Resource Expenditure - Voluntary Severance	(320)	0	0	0	0	0
Resource Expenditure - Estates and IT	(831)	(486)	(486)	(468)	(649)	(629)
Resource Expenditure - Staff costs	0	(644)	(644)	(644)	(644)	(644)
Total Net Depreciation Spend	**(1,639)**	**(1,625)**	**(1,640)**	**(1,639)**	**(1,639)**	**(1,639)**
Cash Flow Statement						
SFC income			42,610	44,015	43,925	42,314
SFC restructuring support			0	0	1,600	0
SFC estate maintenance income			2,532	3,767	3,767	3,767
Other operating income			10,996	8,816	9,811	9,932
Student support fund income			14,066	13,822	13,822	13,822
Total Income			**70,204**	**70,420**	**72,925**	**69,835**
Staff costs			42,896	43,683	44,067	42,536
Staff restructuring costs			613	0	1,600	0
Estate maintenance costs			991	3,634	2,165	2,165
Other operating costs			11,241	11,246	11,036	10,856
Loan repayments			510	527	346	366
Student support fund expenditure			14,066	13,822	13,822	13,822
Total Expenditure			**70,317**	**72,912**	**73,036**	**69,745**
Net cash movement			**(113)**	**(2,492)**	**(111)**	**90**
Cash at beginning of the year			5,677	5,564	3,072	2,961
Cash at the end of the year			**5,564**	**3,072**	**2,961**	**3,051**
Days Cash			**37**	**20**	**18**	**20**

Sensitivity Analysis

Noted below is the impact upon the College adjusted operating position of a 1% movement in key areas of income and expenditure. This is intended to highlight those areas where a movement in the assumed level of income or expenditure may have a material impact upon the College adjusted operating position.

- Green: Impact and/or movement is either considered to be immaterial or to be of no significant operational concern.
- Amber: Impact and/or movement is material and would require to be addressed.
- Red: Impact and/or movement is significant and likely to have a material effect on the adjusted operating position and/or operation of the College.

		2020-21 £'000	2021-22 £'000	2022-23 £'000
1	**SFC income**			
	SFC core operational funding assumed to be flat cash but for future years maybe subject to reduction due to spending cuts.		£ 414	£ 414
	ESF funding subject to audit / potential clawback based upon historical claims being challenges by SFC.	£ 16	£ 16	
	Estate maintenance funding confirmed for 2020-21. Impact of future funding reductions on maintenance programmes to be considered.		£ 38	£ 38
2	**SDS Income**			
	SDS contracted income subject to impact from Covid-19 and ability to service apprentice requirements.	£ 11	£ 11	£ 11
3	**Fees**			
	HE fee level will be challenging to attain in current competitive environment; Commercial income subject to impact from Covid-19	£ 52	£ 61	£ 62
4	**Other Income**			
	Inability to delivery other income including areas such as nursery.	£ 22	£ 24	£ 24

		2020-21	2021-22	2022-23
5	**Staff Costs**			
	Increase in staff cost of living award beyond SFC FFR pay assumptions.	£ 435	£ 444	£ 453
	Increase in support staff pension costs not being funded	£ 5	£ 21	£ 22
	Efficiencies required to accommodate loss of ESF income			£ 16
6	**Property Costs**			
	Increased utility costs	£ 11	£ 11	£ 11
	Changes in level of SFC estate maintenance funding		£ 21	£ 21
7	**Supplies and Services**			
	IT costs continue to be funded through net depreciation resource which maybe subject to change in future years.	£ 13	£ 13	£ 13
	Ability of College to realise forecasted operational efficiencies limited due to challenges of Covid-19.	-£ 4	£ -	-£ 4
8	**Depreciation**			
	Properties valued in 2018 with interim valuation due 2021 - any impact is non-cash related.			
9	**Resource Expenditure (Net Depreciation)**			
	Funding arising from net depreciation continues to be utilised in order to met core operational costs including ICT and staffing. However should this fund of £1,639k not be available to the College the impact would be significant.			

2020/21 SFC Funding Update

SFC FUNDING FOR CORE OPERATIONS	2019/20 Final Allocation £	2020/21 Final Allocation £	Final Movement 2019/20 V 2020/21 £	% Final Movement £
SFC Core Grant-in-Aid Allocation:				
Core including national bargaining	£39,373,554	£39,373,554	£0	0.0%
Job Evaluation Funding	£934,789	£934,789	£0	0.0%
Cost of Living Increase	£0	£859,643	£859,643	100.0%
Teachers pension cost increase	£0	£1,133,143	£1,133,143	100.0%
Total Core SFC Grant-In-Aid	**£40,308,343**	**£42,301,129**	**£1,992,786**	**4.9%**
ESF Funding - Additional Activity	**£1,632,461**	**£1,610,301**	**-£22,160**	**-1.4%**
Total Funding to Support Core Operations	***£41,940,804***	***£43,911,430***	***£1,970,626***	***4.7%***
Total Funds Arising from Net Depreciation	***£1,639,000***	***£1,639,000***	***£0***	***0.0%***
	£43,579,804	***£45,550,430***	***£1,970,626***	***4.5%***
Estates Lifecycle Maintenance	***£821,000***	***£1,193,000***	***£372,000***	***45.3%***
Total SFC Funding to Support Operations	***£44,400,804***	***£46,743,430***	***£2,342,626***	***5.3%***
Funding for Specific Purposes:				
High priority maintenance	£1,710,000	£2,574,000	£864,000	50.5%
Period poverty	£92,119	£92,119	£0	0.0%
Counselling support	£122,000	£122,000	£0	0.0%
Total Funding for Specific Purposes	***£1,924,119***	***£2,788,119***	***£864,000***	***44.9%***
Overall Total SFC Income (Including Funding for Specific Purposes)	***£46,324,923***	***£49,531,549***	***£3,206,626***	***6.9%***

SFC STUDENT SUPPORT FUNDING	2019/20 Final Allocation £	2020/21 Final Allocation £	Final Movement 2019/20 V 2020/21 £	% Final Movement £
SFC Core Student Support Funding	£11,905,637	£13,822,121	**£1,916,484**	**16.1%**
SFC Core Student Support Funding	***£11,905,637***	***£13,822,121***	***£1,916,484***	***16.1%***
SFC In-Year Redistribution	£1,409,000	£0	-£1,409,000	-100.0%
Total Student Support Funding	***£13,314,637***	***£13,822,121***	***£507,484***	***3.8%***

SFC Activity Target	2019/20 Credits	2020/21 Final Credits	Final Movement 2019/20 V 2020/21	% Final Movement
Core Activity Target	157,855	152,855	-5,000	-3.2%
ESF Funded Activity	6,264	5,838	-426	-6.8%
Total Credit Target	***164,119***	***158,693***	***-5,426***	***-3.3%***

TITLE: **STUDENT DIGITAL POVERTY - PROCUREMENT**

Background: The issue of digital poverty has been especially highlighted as a result of the impact of Covid-19 on College operations. During the lockdown period the College has required to deliver teaching and learning to students virtually, and future delivery of teaching and learning will require to be undertaken on a blended basis during the 2020-21 academic year.

This paper provides the Board of Management with the background to the procurement of approximately 1,800 Chromebook computers which will assist the College in addressing several of the digital poverty challenges it faces. The procurement was approved by the 9 July 2020 Finance and General Purposes Committee in accordance with the College Financial Regulations.

Action: The Board of Management is requested to note the content of the paper and the rationale for the purchase of up to £425,000 of Chromebook computers (at current pricing this will deliver approximately 1,800 devices) from supplier XMA, under the Scottish Government's Public Sector Procurement framework 'Web Based and Proprietary Client Devices Framework (SP-19-013)'.

Lead: David Alexander, Vice Principal Operations

Status: Open

1. Introduction

1.1 The issue of digital poverty has been highlighted in several recent reports and by work ongoing within the college sector. Addressing digital poverty remains a significant challenge, and this has become a matter of particular focus given the impacts of the Covid-19 pandemic. The consistent key messages arising from several recent reports relating to digital poverty are that:

- A significant proportion of the population is digitally excluded because they lack internet access and/or have low levels of digital literacy and digital capability.
- The main determinant of digital exclusion is age but other significant factors – often combined with low income – include disability, learning difficulties, ethnic origin, location, culture and language.
- As the government and other organisations move services to self-serve channels, significant numbers of people who are unable to move online, or who are not computer-literate, might miss out on these services.
- People who are digitally excluded are likely to be disproportionately heavy users of government services. Nearly half of those seeking help on tax and tax credit issues do not have access to a computer.
- The depth of digital exclusion for people with disabilities is generally much greater than for the wider population.
- Low income groups face an economic barrier to digital inclusion.

1.2 It is expected that digital poverty will become an increasingly significant factor for the College as technology plays an essential role in the provision of teaching and learning.

1.3 In order to engage with the challenges arising from digital poverty, the College a Digital Strategy in place. The Strategy sets out the digital ambition of the College as:

'Providing a positive digital experience for all students, with appropriately skilled and qualified staff and a digital infrastructure that is fit for purpose now and in the future'.

1.4 The College Digital Strategy also contains the following two aims:

- Aim 1 - Digital Delivery - The College will have reimagined our curriculum so that digital innovation and delivery is incorporated across all modes and levels.
- Aim 4 - Digital Infrastructure – The College will ensure that our digital infrastructure will have evolved to meet our digital ambition.

1.5 Unfortunately the College is not currently provided with resource from the SFC which would enable the engagement required to address current digital poverty challenges in the West Region. However, on 11 June 2020 the Scottish Funding Council (SFC) issued updated guidance on the use of Student Support Funds – and this guidance contained the following paragraph:

'Colleges should be looking to ensure that no students are disadvantaged in their studies due to the lack of access to the appropriate technology required for them to be able to continue their engagement in the current remote learning environment. It is up to colleges to manage the costs associated with this across their budgets accordingly. If, taking all other likely Student Support funding needs into account, a college thinks that it will have funds available to cover these aspects for students most in need, then it may do so.'

1.6 An impact of Covid-19 has been the reduction in the level of childcare and travel allowances claimed from 2019-20 College Student Support Fund during the period since 20 March 2020, when on site College operations ceased due to the COVID-19 lockdown period. The College is therefore forecasting that it will have approximately £425,000 of available student support funding - which if not expended by 31 July 2020 would require to be returned to the SFC. The College has therefore raised this matter with the SFC and advised of the need to apply this funding in order to address student digital poverty.

2. Student Digital Poverty – Procurement Proposal

2.1 Based on the above SFC revised guidance the College Educational Leadership Team (ELT) has brought forward a review of student digital requirements. This has identified expenditure which would go some way to addressing the digital poverty issues faced by the College and its students and would support the digital pledges made within the College Digital Strategy.

2.2 The ELT review has recommended the purchase of Chromebooks and associated kit as the digital device of choice to enable students to access and engage with new blended models of learning, teaching and assessment. The purchase of Chromebooks is required in order to:

- support and provide access and structure to students' off campus learning - they will facilitate virtual class sessions simply becoming part of the students' normal timetable as with normal classroom attendance.
- enable student access to recorded class sessions for those who cannot attend or for others to replay later to reinforce learning. The learning time will be divided up to allow for offline working using new devices also.
- provide flexibility for students to suit their personal circumstances in a more inclusive way. Using Chromebooks from home will provide clear structure, including addressing deadlines, opportunities for support, catch up arrangements and tutorials in order to manage individual learning.
- support those practical classes still required to be on campus i.e. students able to watch demonstrations prior to coming into College for practical work.
- provide functionality which supports the student learning experience, including Office 365 and Microsoft Teams, OneNote and PowerPoint together, with the ability to download the required subject Apps from the Apps Store and work in tandem with the College Student Portal 'MyDay'.

2.3 It is important to note that the strategic decision to equip as many of the College students as possible with Chromebooks rather than laptops or netbooks follows review of responses to the College Digital Roadmap Survey. The survey captured:

- the 'digital functionality' requirements to enable engaging learning, teaching and assessment;
- analysis of the National Digital picture regarding other colleges selection choices;
- consideration of Local Authorities' digital device choice for pupils to enable their smooth transition from School to College;
- discussions with College teaching staff / departments; and
- discussions with ICT on the existing kit/resource available on our campus sites.

2.4 The digital proposal outlined above for students works hand in hand with the investment being made by the College - using core funding - in other digital resources for staff use, including GoPros/camera devices and tablets to capture live practical work in specialist teaching areas such as science laboratories, automotive demonstrations and/or hospitality food creations. In combination with the purchase of student Chromebooks, this overall investment will enable the live or pre-recorded streaming of practical subject specialisms which historically could only be conveyed and explored with physical attendance on a campus.

2.5 Ultimately this investment will enable more widespread and increased access to learning and teaching as learners will have the ability to pause, replay and progress their learning at a time and pace which suits their learning style better. The purchase of student Chromebooks is therefore considered to be a key component in addressing the digital poverty challenge and the College is proposing to purchase up to £425,000 of Chromebook computers on this basis.

3. Authorisation of Procurement Proposal

3.1 The College Financial Regulations require that for purchases of goods/ services between £250,001 and £500,000 the College should:

- Utilise a suitable procurement framework and that a mini competition or direct award may be carried out; or
- If no suitable framework is available, it will be necessary to carry out an open tender exercise. Procurements falling into this category must be advertised as per the current relevant procurement regulations.
- The contract award requires to be approved by the Finance and General Purposes Committee.

3.2 The College is proposing to use the Scottish Procurement's 'Web Based and Proprietary Client Devices' (SP-19-013) framework agreement to procure the Chromebooks.

3.3 XMA has been awarded the Scottish Government National Framework Agreement, as sole supplier for Web Based and Proprietary Client Devices (SP-19-013) with a live start date of 30 November 2019. The framework enables schools, colleges, universities and all public sector bodies in Scotland to purchase web based and proprietary client devices, accessories and services.

3.4 At this time XMA are advising of a lead time from point of order of 10 weeks for supply of Chromebooks.

4. Recommendation

4.1 The Board of Management is requested to note the content of the paper and the rationale for the purchase of up to £425,000 of Chromebook computers (at current pricing this will deliver approximately 1,800 devices) from supplier XMA, under the Scottish Government's Public Sector Procurement framework 'Web Based and Proprietary Client Devices Framework (SP-19-013)'.