

West College Scotland

FINANCE AND GENERAL PURPOSES COMMITTEE

TUESDAY 8 September 2020 at 4.00 p.m. to be held via Skype

AGENDA

General Business

1. Apologies
2. Declaration of Interests
3. Minutes of the meeting held on 2 June 2020 Enclosed JW
4. Minutes of the meeting held on 9 July 2020 Enclosed JW
.1 Actions arising from the Minutes Enclosed JW
5. Matters arising from the Minutes (and not otherwise on the agenda)
.1 Catering and cleaning review update Verbal DA
.2 Digital Poverty – Procurement of Student IT Equipment Verbal DA

Main Items for Discussion and/or Approval

6. Committee Remit, membership and meeting dates Paper 6 SG
7. Monitoring of Regional Outcome Agreement Paper 7 DA
8. Vice Principal Update Report Paper 8 DA
9. 2019-20 Financial Year End Update Paper 9 DA
10. 2020-23 Financial Forecast Return Update Paper 10 DA
11. Review of Financial Regulations Paper 11 AR
12. Strategic Risk Register Review Paper 12 DA

Items for Information

13. Annual Update Report – 2019-20 Taxation Matters, Banking Arrangements and Bad Debt Write Off Paper 13 VM
14. External Audit Progress Update Paper 14 AR

15.2019-20 Accounts Direction for Scotland's Colleges Paper 15 VM

16. Schedule of Business 2020-21 Paper 16 AR

17. Any other business

Next meeting: Tuesday 24 November 2020 at 2pm followed by joint meeting with Audit Committee at 4pm (Location: TBC)

Shirley Gordon
Secretary to the Committee

FINANCE AND GENERAL PURPOSES COMMITTEE

MINUTES: Tuesday 2 June 2020

PRESENT: Jim Hannigan (in the Chair), Liz Connolly, John Leburn, Angela Wilson.

ATTENDING: David Alexander (Vice Principal Operations), Alan Ritchie (Director of Finance and Estates), Vivienne Mulholland (Head of Finance and Student Funding), Waiyin Hatton (Chair of the Board of Management), Shirley Gordon (Secretary to the Committee).

APOLOGIES No apologies were received.

FPM320 DECLARATIONS OF INTERESTS

- Jim Hannigan - NMIS Programme Manager, Skills Development Scotland.
- Liz Connolly - Trustee of the West College Scotland Foundation.
- Angela Wilson – West Dunbartonshire Council.
- David Alexander - Board member of the Scottish Funding Council and as Chair of the Scottish Funding Council Audit and Compliance Committee.
- Waiyin Hatton: Wai Beyond, People and organisational development consultancy; Harvey McMillan, People and organisational development consultancy; Action Against Stalking; Ayrshire Sportsability; Scottish Chamber of Commerce.

FPM321 MINUTES

The minutes of the meeting held on Tuesday 10 March 2020 **were approved.**

FPM322 ACTIONS

The Committee **noted** a report on actions taken since the last meeting and the following updates were reported:

- Catering and Cleaning Review – The Vice Principal Operations referred to the presentation delivered to the Finance and General Purposes Committee meeting on 10 March 2020 on the College Cleaning and Catering Services Review which had been undertaken in late 2019. It had been agreed through this process that the next formal review of how the provision of catering and cleaning services were to be provided would be undertaken after a three-year period, by summer 2023 and the College was, therefore, currently focusing on how improvements could be made through the in-house model of provision currently in place – with updates to be provided to the Finance and General Purposes and Estates Committees on this.

The Vice Principal Operations explained that, since the College lockdown from 20 March 2020 due to Covid 19, progress with this had been limited, particularly as the staff cohort in catering and cleaning were not currently able to be active in their roles given the nature of their jobs and the closure of all College buildings. It was, therefore, intended to revisit this at a late date and, meantime, focus on modelling various scenarios for the mobilisation of the return of staff to the workplace. The Committee agreed with this approach.

- Student Support Funding - The Vice Principal Operations confirmed that funding to the total value requested had been received as previously advised and this action was, therefore, complete.

FPM323 MATTERS ARISING FROM THE MINUTES (NOT OTHERWISE ON THE AGENDA)

An update on the following matters arising was provided:

- Finalisation of 2018-19 Financial Statements – The Head of Finance and Student Funding confirmed that the College had received notification on 28 April 2020 that the College Financial Statements for 2018-19 had been laid before the Scottish Parliament and had, thereafter, been made public and filed with OSCR.
- Internal Audit and Other Audit Services – it was confirmed that the Board of Management had approved the appointment of Wylie & Bissett as the College internal auditors for an initial three-year period commencing 1 August 2020, with the option to extend this further until 31 July 2025, in line with the Audit Committee recommendation. The Director of Finance and Estates agreed to circulate to members a copy of the draft internal audit plan 2020-21. **{ACTION – AR}**

The Committee noted the matters arising.

FPM324 COMMITTEE REMIT AND PROPOSED COMMITTEE MEETING DATES 2020-21

The Secretary to the Committee explained that, with a change in Directorate portfolios and the introduction of a new position of Director of Infrastructure, there was a requirement to review the remit of both the Finance and General Purposes Committee and the Estates Committee, primarily to transfer the IT element of the Finance and General Purposes Committee to the Estates Committee.

The Chair led the Committee through a tracked change version of the current Committee remit for consideration and the Vice Principal Operations explained the reasoning behind the re-naming of the Estates Committee to the Asset and Infrastructure Committee.

The Committee:

- **Approved the revised Finance and General Purposes Committee remit.**
- **Noted the current membership of the Committee.**
- **Approved the 2020/21 proposed meeting dates as follows:**
 - ❖ **Tuesday 8 September 2020**
 - ❖ **Tuesday 24 November 2020**
 - ❖ **Joint Audit and FGPC – Tuesday 24 November 2020**
 - ❖ **Tuesday 2 March 2021**
 - ❖ **Tuesday 1 June 2021**

FPM325 VICE PRINCIPAL UPDATE / OVERVIEW REPORT

The Vice Principal Operations provided an overview of the report highlighting several updates in relation to the following:

- **Funds arising from net depreciation** – cash arising from net depreciation was available to be utilised during the current financial year and it had been agreed with the SFC that this be applied towards meeting the following College priorities during 2019-20 as follows:
 - ❖ Repayment of bank loans.
 - ❖ Funding of core College ICT expenditure.
 - ❖ To meet the cost prior year staff pay increases.
- **SFC 2020-21 funding announcement** – the SFC issued Circular SFC/AN/06/2020 - College outcome agreement funding allocations for Academic Year 2020-21 on 7 April 2020. Mr Alexander provided a summary of the funding decisions set out in the

announcement for the college sector within this 2020-21 academic year. He noted, however, that the Circular did not confirm all SFC funding for 2020-21 and that further funding information from SFC would be essential in the coming weeks to enable the College to approve a 2020-21 budget and five-year financial strategy prior to August 2020.

The Committee recognised that the wider financial, cash and governance impacts on the College operating environment as arising from Covid 19 and that meant that wider financial sustainability would be extremely challenging in 2019-20 and 2020-21. Members appreciated that the College would continue to engage with the SFC regarding financial sustainability and the actions required to achieve a balanced budget on an ongoing basis.

- **Ongoing West College Scotland engagement with the SFC** – SFC Circular SFC/AN/06/2020 - College outcome agreement funding allocations for Academic Year 2020-21 – issued on 7 April 2020 - provided formal confirmation that there was to be a reduction in credit activity when compared with 2019-20. This was in line with the expectations of the Business Transformation Plan that the College previously agreed with the SFC. The SFC had not consequently reduced associated teaching funding with this movement in credit and that reflected discussions the SFC had had with the College to recognise the movement towards higher cost activity over the course of previous years. As a condition of this change, the College must reduce its third-party distance learning activity. The College would, therefore, continue to engage with the SFC regarding the revised business model that was required.

The Vice Principal Operations discussed the impact of the Covid 19 pandemic on the College and Committee members welcomed any opportunity to work with the SFC in a collaborative way going forward in seeking to address any challenges arising from the impacts of Covid 19 and social distancing requirements.

- **National bargaining** – for support staff, the process of national job evaluation was continuing, and he led the Committee through project progress at each key stage including: Stage One – Role Outline Questionnaires; Stage Two – Role Analysis; Stage Three – Implementation; Stage Four – Appeals. The Scottish Funding Council had set aside an allocation to fund any pay implications as a result of the implementation of job evaluation. Discussion with trade unions on 2019-20 pay claims would also be taking place over the coming period.
- **Information Technology** – the College IT team had been focussed over the recent period on supporting the transition of College on-site operations to enable staff and students to teach, learn and work from home as a result of the Covid 19 pandemic. This mobilisation required to take place over a short period of time leading up to College closure on 20 March 2020 and the process involved providing staff and high priority students with the hardware and software capability to work from home, with the IT support team continuing to provide a Helpdesk service remotely. The College IT Department would continue to provide that essential support and looked to build on the progress that had been made in the levels of technology engagement going forward.

Given that the requirement for social distancing as a result of Covid 19 was likely to continue going forward, College campuses would not be able to support the same level of staff and student physical presence on-site. As a result of that, digital poverty was expected to be an increasing area of concern and one that the College sector would require to engage with. WCS had advised the SFC that the College would be submitting a proposal to apply an amount of 2019-20 student supporting funding

towards addressing digital poverty and supporting students with their technology needs. However, there was a need for a long-term sustainable funding model to be put in place within the college sector to support this. The Committee was fully supportive of this approach.

- **West College Senior Management** – Estates and Infrastructure – the College had appointed Martin Joyce as its Director of Infrastructure and it was planned he would commence the role on 24 August 2020.

The Committee noted the report for information.

FPM326 OVERVIEW OF COLLEGE PENSION SCHEMES

The Director of Finance and Estates provided an annual overview of the pension schemes currently in operation within the College. He led the Committee through a summary of the two pension schemes in operation within the College; the Scottish Public Pensions Agency (SPPA) scheme, which was accessible to teaching staff; and the Strathclyde Local Government Pension Scheme (LGPS), which provided pension arrangements for support staff members.

The Director of Finance and Estates summarised the level of each scheme membership as well as the level of employer pension contributions made by the College over the recent period for the year ending 31 March. He added that, in addition to the ongoing annual cost of employer pension contributions to the SPPA and LGPS, the College required to meet the cost of unfunded pension liabilities as part of a legacy arrangement and that continued until the death of the pensioner or their spouse. It was also highlighted that a review of the level of employer pension contribution for the LGPS scheme was due, with any change coming into effect from 1 April 2021. However, at this stage the sector had no visibility on whether this may result in a required increase to employer contribution levels, and this had been raised with the SFC as part of 2020-21 funding discussions that were ongoing.

The Committee noted the report.

FPM327 SFC REPORT – BRIEFING NOTE COVID-19 FURTHER AND HIGHER EDUCATION FINANCIAL IMPACTS

The Vice Principal Operations reported that the Scottish Funding Council (SFC) published a report outlining the financial impact of Covid 19 on the Scottish Further and Higher education sectors on 29 April 2020 and confirmed that the College continued to engage with the SFC regarding those funding impacts and the financial sustainability challenges arising from them.

The Vice Principal Operations led the Committee through the report which acknowledged that the financial position of Colleges was already challenging pre-Covid 19 and that the outbreak on Colleges' financial sustainability was significant with the main Covid 19 financial impacts including lower income from funding streams including ESF, FWDF, tuition fees and education contracts, SDS, nursery, accommodation, catering, short-courses including evening classes and other commercial activity including international income. Any savings in costs were minimal and did not offset these income movements. Given this, he explained that cash would be essential in maintaining ongoing College operations and sector cash balances were expected to move significantly. The SFC was seeking to assist and engage with the financial sustainability faced by the sector, and it would continue to work with Colleges to establish the full financial impact particularly when there was greater clarity about European Social Fund (ESF) activity targets/income, and income recognition for Flexible Workforce Development (FWDF) and Skills Development Scotland (SDS) funding.

The Committee recognised the constantly evolving and challenging national picture regarding modelling assumptions to help inform local decision making and thanked College staff for their input to national discussions on funding and financial sustainability in a bid to assess and understand the local impact.

The Committee noted the content of the SFC briefing paper, the financial impacts arising from Covid 19 and that the College continued to engage with the SFC in relation to financial sustainability challenges arising therein.

FPM328 MANAGEMENT ACCOUNTS TO 30 APRIL 2020

The Director of Finance and Estates presented the Management Accounts for the period to 31 March 2020. He explained that the Covid 19 pandemic had had a material impact on the operations of West College Scotland and the financial position for 2019-20 and beyond. The March 2020 financial forecast to 31 July 2020 was based on the current information available to the College and would require to be updated as further clarification was received from the Scottish Funding Council and other key stakeholders.

The Director of Finance and Estates led the Committee through the accounts drawing attention to the following:

- The Statement of Comprehensive Income and Expenditure which provided a summary of the financial position and showed a comparison of the approved 2019-20 budget with the full year forecast position to 31 July 2020. This statement also included the audited 2018-19 figures for comparison.
- An analysis of key variances that provided detail of the movement between the budgeted and forecast position for 2019-20.
- The Balance Sheet that reflected the assets and liabilities of the College.
- The cashflow analysis that showed the actual cash position to date and forecasts the cashflow to 31 July 2020.
- The student funding analysis that provided 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 was recorded within the College Statement of Comprehensive Income and Expenditure was childcare income and expenditure as the College was deemed to act as an agent for those funds. All other funds were accounted for through the College balance sheet.
- The financial graphs and performance indicators that provided background information about income and expenditure and highlight the main indicators of financial sustainability.
- The aged debt analysis that showed a summary of the age of the sales ledger along with a split between corporate and student debt. The emphasis continued to be the reduction in the level of debt in excess of 3 months.

The Director of Finance and Estates added that, as a result of the closure of onsite operations due to the Covid 19 lockdown period, the College was now currently forecasting an adjusted operating deficit and had confirmed this revised forecast position and deficit figure to the SFC in submitting a requested financial Mid-Year Return (MYR) on 19 May 2020. This current forecast deficit was based on information available to the College at this time and it was likely the forecast outturn position may be subject to some change as further information became available from the SFC and Scottish Government over the coming months. However, while it was likely that further guidance and clarification from the SFC and Scottish Government may result in changes to the outturn position as at 31 July 2020, it was anticipated the College would still have an adjusted deficit position at the year-end due to the impacts arising from Covid 19.

The Vice Principal Operations explained that the College would continue to; monitor costs and income closely, to enable it to continually estimate the financial outturn and cashflow position for 2019-20; re-assess the likely impact upon its financial outturn and cashflow once the clarifications required from the SFC were provided; and engage on an ongoing basis with the SFC in relation to the financial challenges arising as a result of Covid-19.

In response to a question, the Vice Principal Operations summarised the basis and methodology issued by the SFC in relation to the furloughing of staff and he confirmed that the College was following the SFC guidance in this regard as well as liaising with trade unions.

The Committee:

- **Noted the revised 2019-20 adjusted operating position, the detailed impact that COVID-19 had had on the operations and financial position of the College and the cashflow position;**
- **Approved the Management Accounts for the period to 31 March 2020.**

FPM329 2020-21 BUDGET AND FINANCIAL PLAN

The Vice Principal Operations explained that the Covid-19 pandemic had had a material impact on the operations of the College and the institutional financial position for 2019-20 and beyond. These impacts meant the College was currently awaiting guidance and direction from the SFC in relation to several financial and governance matters for the 2020-21 budget process and five-year financial plan to be presented to the Finance and General Purposes Committee and Board of Management for approval.

The Vice Principal Operations provided an update on the 2020-21 College budget process and five-year financial plan and the next steps associated with this. The College required to present a 2020-21 budget and five-year financial forecast based on a range of competent assumptions, however, as he outlined, currently no guidance or information had been provided by the SFC to the college sector to enable that process to be concluded to date. By way of next steps, therefore, the College would continue to:

- Engage with the SFC (through the SFC Outcome Agreement Manager and the college sector Finance Director's network) to seek to secure the required clarifications and guidance;
- Seek to present a draft budget and 5-year financial forecast to the Finance and General Purposes Committee at a meeting to be convened in July 2020 for consideration.
- Seek to present a budget and 5-year financial forecast to the Board of Management at a meeting to be convened in July 2020 for approval.

The Committee reflected on the unprecedented situation and welcomed the continued engagement with the SFC particularly as it had been confirmed by the Chief Executive of the SFC that colleges must deliver a breakeven position next year. Members recognised the excellent progress made so far by the College finance team and offered their assistance and support in any way required.

The Committee:

- **Noted the outcome of the SFC 2020-21 funding announcement, the status of the 2020-21 budget and five-year financial planning process and the essential information which required to be provided by the SFC to enable the College to conclude and approve a 2020-21 budget and five-year financial plan; and**
- **Approved the College proposed next steps.**

FPM330 GOVERNANCE COMPLIANCE AND ROA OUTCOMES

The Vice Principal Operations reminded the Committee that its remit included the requirement “To ensure adherence to statutory requirements related to the College’s financial affairs and compliance with the Financial Memorandum, the Scottish Public Finance Manual (SPFM) and related guidance”. As such, he led the Committee through the report to provide assurance that in fulfilment of this remit the College was operating in compliance with the Financial Memorandum with SFC, the Scottish Public Finance Manual; and the Code of Good Governance. Mr Alexander added that there was also a need for the Committee to demonstrate that it had met its requirements in relation to the relevant areas of the 2019-20 Regional Outcome Agreement and confirm this to the Board of Management.

The Committee extended its appreciation of the efforts made by college staff to provide this assurance.

The Committee noted the:

- **Assurance provided in relation to governance compliance.**
- **Progress that has been made in relation to those Regional Outcome Agreement areas for which the Finance and General Purposes Committee had responsibility to provide an update to the Board of Management.**

FPM331 STRATEGIC RISK REGISTER REVIEW

The Director of Finance and Estates reported that, in accordance with the Corporate Governance Code, the College Board of Management was tasked with ensuring a framework of risk management and control was in place. He presented the College Strategic Risk Register for consideration and provided an update on the actions taken by the College to embed risk management across the organisation.

Mr Ritchie explained that the Board of Management approved the current version of the risk register at its meeting in March 2020. Since that meeting, the Senior Management Team (SMT) had continued to carry out a review of the College Strategic Risk Register. The mitigating controls had 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.

The Committee recognised that the Covid 19 pandemic was the most significant challenge the College had faced to date, and this had resulted in a level of uncertainty the organisation had not experienced before. In addressing the challenges, the Director of Finance and Estates explained that the College implemented its Business Continuity Planning arrangements and had formed a Covid 19 Response Team comprising members of the Executive, SMT and other staff as required. This allowed the College to understand the main scenarios that could most impact it and to put in place appropriate control and response measures that reflected the exposure. Furthermore, the College Senior Management Team considered the impacts of the Covid 19 pandemic be recorded within the Strategic Risk Register as a significant part of the Business Continuity Risk which was already represented within the register. The risk probability and impact had been scored at the highest level.

The Vice Principal Operations noted that the financial and cashflow implications arising from Covid 19 were expected to be significant for both 2019-20 and 2020-21, and these matters would be required to be considered by the Finance and General Purposes Committee and Board of Management. The College was currently awaiting clarification and guidance from the SFC in relation to several significant financial, cashflow and governance matters in order to enable an informed financial strategy to be developed and implemented.

The Vice Principal Operations added that, at this point, there were many uncertainties around when the College may reopen campuses and the specific restrictions that there may be. An element of social distancing would be required, and, at present, the College was undertaking curriculum scenario planning for a range of circumstances. Curriculum teams were working on scenario planning and seeking to ensure a consistency of approach where required/possible. The planning also allowed staff to identify the impacts on other areas of the College such as Estates and IT. In tandem with this, there was overall College mobilisation planning, particularly in terms of Estates, Health and Safety and HR. With that in mind, the College was planning for the autumn using the following key aims to:

- Have the fewest possible people on a campus at any one time.
- Ensure the safest possible environment for those on any campus.
- Ensure the best possible learning and working experience for students and staff.

The Committee recognised the huge challenge and commended the work that had been done by all staff so far.

The Committee reviewed and approved the College Strategic Risk Register and in doing so considered:

- **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.**

FPM332 WCS FRAUD UPDATE

[REDACTED]

[REDACTED]

[REDACTED]

FPM333 EXTERNAL AUDIT PLANNING MEMORANDUM 2019-20

The Director of Finance and Estates presented the Mazar LLP (external auditor) Audit Strategy Memorandum and fee proposal for the review of the 2019-20 financial statements and confirmed that this Audit Strategy Memorandum and fee proposal were approved by the Audit Committee on 21 May 2020. Mr Ritchie reported that the Audit Strategy Memorandum document provided the Committee with an overview of the external auditor's preliminary audit planning procedures and approach in relation to the financial statements of the College for the year ended 31 July 2020. The memorandum also provided an overview of significant risks and key judgement areas and noted the four wider scope areas upon which the auditors required to make a judgement as follows:

- financial sustainability;
- financial management;
- governance and transparency; and
- value for money.

Mazars had set their fee for the audit within the fee range set by Audit Scotland.

The Committee noted the content of the 2019-20 Audit Strategy Memorandum and the audit proposed fee.

FPM334 SCHEDULE OF BUSINESS 2019-20

The Committee **noted** its schedule of business for 2019-20 as summarised by the Director of Finance and Estates.

FPM335 ANY OTHER BUSINESS

- No other business items were raised.
- Dates of next meetings:
 - ❖ As agreed at FPM329 a meeting in July would be arranged.
 - ❖ Tuesday 8 September 2020, Venue tbc.

FINANCE AND GENERAL PURPOSES COMMITTEE

MINUTES: Thursday 9 July 2020

PRESENT: Jim Hannigan (in the Chair), Liz Connolly, John Leburn, Angela Wilson.

ATTENDING: David Alexander (Vice Principal Operations), Alan Ritchie (Director of Finance and Estates), Waiyin Hatton (Chair of the Board of Management), Shirley Gordon (Secretary to the Committee).

APOLOGIES No apologies were received.

FPM336 DECLARATIONS OF INTERESTS

- Jim Hannigan - NMIS Programme Manager, Skills Development Scotland.
- Liz Connolly - Trustee of the West College Scotland Foundation.
- Angela Wilson – West Dunbartonshire Council.
- David Alexander - Board member of the Scottish Funding Council and as Chair of the Scottish Funding Council Audit and Compliance Committee.
- Waiyin Hatton: Wai Beyond, People and organisational development consultancy; Harvey McMillan, People and organisational development consultancy; Action Against Stalking; Scottish Chamber of Commerce.

FPM337 2019-20 COLLEGE FINANCIAL OUTTURN FORECAST – UPDATE

The Vice Principal Operations provided the Finance and General Purposes Committee with an update on the 2019-20 College financial outturn forecast and cashflow position.

Mr Alexander explained that the Management Accounts, as at 31 March 2020, outlined that the College had been forecasting an 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.

Mr Alexander reported that the College had received updated information from the SFC, the Scottish Government and wider partners in relation to several areas since previous consideration of the 31 March 2020 Management Accounts. This had impacted 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. Mr Alexander summarised the 2019-20 financial impacts and variances arising from this updated information and highlighted that, while there had been some improvement in the College financial position for the current financial year, the overall movements still meant that an adjusted operating deficit was forecast for 2019-20.

Mr Alexander updated on the College cash-flow position explaining that the availability of cash in order to support ongoing College operations was essential. This would continue to be monitored on an ongoing basis in order to identify, mitigate and manage any risks that may emerge.

In response to a question, Mr Ritchie explained the terms and values of historical bank loan payments and added that these were manageable in terms of their continued cash / interest repayment.

The Chair, on behalf of the Committee, extended his thanks to the finance team for its outstanding work to help improve the financial outturn deficit position and the ongoing stable cash position.

The Finance and General Purposes Committee:

- **Considered and noted the revised 2019-20 College adjusted operating position;**
- **Noted the impact of the Covid 19 pandemic lockdown on the 2019-20 operations and financial position of the College; and**
- **Noted the revised 2019-20 College cashflow position.**

FPM338

BUDGET 2020-21 AND FINANCIAL FORECAST TO 2022-23

The Vice Principal Operations presented the following to the Committee:

- 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.

Mr Alexander and Mr Ritchie delivered a presentation and led the Committee through the detail of each one in turn making the following points:

- 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. In prior years, the SFC FFR guidance had requested colleges provide a financial budget and forecast to cover a five-year period, however, due to the uncertainty arising from Covid 19, a shorter three-year period had been requested. The College had applied this SFC guidance as required.
- The basis of the 2020-21 budget was 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, provided a small adjusted operating surplus (effectively a breakeven position). Given the funding realignment that West College Scotland would receive in 2020-21, as a result of agreeing a business transformation plan with the SFC (which would see funding per credit increase allied with a reduction in credit activity) the 2020-21 College budget and forecast to 2022-23 outlined plans to achieve a breakeven adjusted operating position in each of the three years covered by the FFR.
- The 2020-21 budget did not include any voluntary severance costs which may require to be met during the year, however, it currently assumed the College would require to realise staffing efficiencies and, while this may be achieved through staff turnover, vacant posts and other approaches, it was likely that part, and possibly all, of that saving may potentially be achieved through voluntary severance.
- College income was summarised. SFC income had been budgeted in line with the final SFC 2020-21 grant in aid settlement circular received on 9 June 2020 and the analysis of that was explained in detail as it related to WCS. Confirmation was awaited from the SFC in relation to funding for period poverty and mental health initiatives, but the College had assumed, within the 2020-21 budget, that this would be in line with 2019-20. SDS income in relation to modern and foundation apprenticeships was not anticipated to return to pre Covid 19 levels during 2020-21. Commercial and Tuition Fees were expected to generate an increase on 2019-20 levels, however, the level of commercial and other fee income in 2020-21 was not anticipated to grow significantly from 2019-20 levels as the market in this area

may take a year to recover. Other Income included funds arising from areas including nursery provision, catering, property rentals and staff secondments and it was noted that the income arising from College catering operations was likely 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 was currently under review, however, it was envisaged that, due to these restrictions, a limited 'grab and go' service would be made available with the impact being that an increased deficit was now expected.

- Employee and Non-staff costs were summarised. Employee costs remained the most significant element of expenditure for the College with key assumptions described. The College had attempted to maintain non-staff costs at a comparable level to the 2019-20 budgeted position where possible and key non-staff movements were highlighted.
- The Student Association budget for 2020-21 had been incorporated into the overall College budget for next year. 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.
- The Financial Plan detailed the forecasted financial position of the College for 2021-22 and 2022-23 including income, employee costs, non-staff costs and cash position.
- The Financial Plan contained an analysis of the sensitivities relating to several of the major components of the College income and expenditure account and the most significant areas of sensitivity in income, staff costs, non-staff costs and estates investment were highlighted.

The Principal confirmed that the college sector was considering the recommendations of the Advisory Group on Economic Recovery (Towards a Robust, Resilient Wellbeing Economy for Scotland: Report of the Advisory Group on Economic Recovery) published in late June 2020, the findings of the Cumberford-Little Report (One Tertiary System: Agile, Collaborative, Inclusive) published in February 2020 and the Enterprise and Skills Review recommendations and had put together a range of propositions / interventions for the sector that were all focussed on economic recovery. It was also expected that the SFC "Review of Coherent Provision and Sustainability" for higher education, further education and research would feed into this conversation.

The Committee recognised that the financial operating environment of the College would remain challenging in seeking to achieve a breakeven position, with efficiencies required. Members were reassured that the impact of Covid 19 on operations would be kept under continuous review, with further engagement being sought with the SFC and partners should there be additional significant financial implications which were not currently anticipated. Similarly, with the impact of any voluntary severance costs in calculating the breakeven annual adjusted operating position should the SFC continue to hold the position that voluntary severance costs could not be excluded in calculating the annual adjusted financial operating position.

The Committee commended the solution focussed approach being taken by the College which had flexibility and agility at its centre.

The Finance and General Purposes Committee:

- **Considered the basis upon which the 2020-21 College budget had been created;**
- **Approved the 2020-21 Student Association budget;**
- **Approved the 2020-21 College budget; and**

- **Considered the basis upon which the two-year financial forecast to 2020-23 had been created.**

FPM339

STUDENT DIGITAL POVERTY PROCUREMENT APPROVAL REQUEST

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

Mr Alexander provided the background to a proposed purchase of laptop computers which would assist the College in addressing the digital poverty challenges and enable IT equipment to be provided to students. This was particularly the case as it was expected that digital poverty would become an increasingly significant factor for the College as technology played an essential role in the provision of teaching and learning.

The Committee acknowledged the College's Digital Strategy which set 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"*. The Vice Principal Operations explained that, unfortunately the College was not currently provided with resource from the SFC to enable it to address current student digital poverty challenges in the West Region. However, on 11 June 2020 the SFC issued updated guidance on the use of Student Support Funds and, as an impact of Covid-19 had been a 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 was forecasting it would have available student support funding which, if not expended by 31 July 2020, would require to be returned to the SFC. The College had, therefore, raised this matter with the SFC and advised of the need to apply this funding in order to address student digital poverty.

The Committee discussed this investment which would enable more widespread and increased access to learning and teaching as learners would have the ability to pause, replay and progress their learning at a time and pace which suited their learning style better. The purchase of student chrome books was, therefore, considered to be a key component in addressing the digital poverty challenge.

Mr Alexander outlined the College Financial Regulation requirements for purchases of goods / services between £250,001 and £500,000 and explained that the College was proposing to use the Scottish Procurement's 'Web Based and Proprietary Client Devices' (SP-19-013) framework agreement to procure the Chrome Books.

In response to a question, Mr Alexander confirmed that, should the procurement be approved by the Committee, it would be thoroughly evaluated by the Digital Strategy Group and feedback on its effectiveness would be provided to the Committee at a later date. **{ACTION – DA}**

The Committee valued the approach being suggested to purchase student chrome books and questioned whether this was likely to include internet access packages for students. The Principal referred to an initiative being led by the Scottish Government looking at internet access provision to the wider student population and explained that it was hoped this may offer a solution in relation to connectivity.

Mr Alexander confirmed that the College would work with the Student Association to help take forward the communications around the initiative as well as their continued help and support.

The Chair thanked members for the detailed discussion and confirmed that the Committee's decision would be submitted to the Board meeting on 20 July 2020 for information and context.

The Finance and General Purposes Committee:

- **Noted the content of the paper and the rationale for the purchase; and**
- **Approved the purchase of up to £425,000 of Chrome Book 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)'.**

FPM340 ANY OTHER BUSINESS

- No other business items were raised.
- Date of next meeting - Tuesday 8 September 2020, 4pm, Venue tbc.

Finance & General Purposes Committee: Actions from the Minutes

Date of Meeting	Min Ref	Matter for Action	Responsible Person	Action Taken	Timescale (where applicable)
9 July 2020	FPM339	Student Digital Poverty Procurement Approval Request - evaluate by the Digital Strategy Group and feedback on its effectiveness to be provided to the Committee at a later date.	D Alexander	Previously the responsibility of FGPC – but the evaluation falls under the remit of the LTQ so action transferred to LTQ Action List.	Verbal item under Matters Arising will be provided at Sept 2020 FGPC meeting in relation to an update on the roll out of the chromebooks alone.
2 June 2020	FPM323	Internal Audit and Other Audit Services - agreed to circulate to members a copy of the draft internal audit plan 2020-21.	A Ritchie		COMPLETE
10 Mar 2020	FPM303	College Cleaning and Catering Services Review The Committee concluded it would be useful to have a greater understanding of the actions and associated timelines for delivery of this consistent cleaning approach and the Vice Principal Operations agreed this would be provided to the Committee's scheduled 2 June 2020 meeting.	D Alexander	Previously the responsibility of FGPC – but now falls under the remit of the new Asset and Infrastructure Committee - transferred to A&I Action List	COMPLETE FOR FGPC
“	“	College Cleaning and Catering Services Review Agreed that an update on improvement actions be provided at the next meeting.	D Alexander	Previously the responsibility of FGPC – but now falls under the remit of the new Asset and Infrastructure Committee - transferred to A&I Action List	COMPLETE FOR FGPC
“	FPM313	Scottish Government / College Cyber Resilience Framework	D Alexander	Previously the responsibility of FGPC – but	COMPLETE FOR FGPC

Date of Meeting	Min Ref	Matter for Action	Responsible Person	Action Taken	Timescale (where applicable)
		Update would be provided on progress at the next meeting of the Committee.		now falls under the remit of the new Asset and Infrastructure Committee - transferred to A&I Action List	
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	Operational Planning Vice Principal to keep the Committee apprised of progress in relation to Pentana	D Alexander		September meeting
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

Title: **COMMITTEE REMIT, MEMBERSHIP AND DATES OF MEETINGS IN 2020/2021**

Background: The Committee is asked to consider and approve the following attachments:

- Finance and General Purposes Committee Remit (appendix 1)
- Current membership list (appendix 2)
- 2020/21 meeting dates (appendix 3)

These were last approved by the Finance and General Purposes Committee at its meeting held on Tuesday 2 June 2020 (Minute Reference FPM324).

Action: The Finance and General Purposes Committee is asked to consider and approve the:

- Committee Remit (Appendix 1)
- Current membership of the Committee (Appendix 2)
- 2020/21 meeting dates (Appendix 3)

Lead: Shirley Gordon, Secretary to the Committee

Status: Open

Appendix 1

West College Scotland Board of Management Finance and General Purposes Committee

Statement of Purpose

The Board provides the principal governance mechanism through which activities are managed in accordance with legislation and regulations, as well as ensuring that systems are in place to provide efficiency, effectiveness and economy. However, the Board has delegated some of its responsibilities to certain committees.

The main purpose of the Finance and General Purposes Committee will be to approve all key decisions taken in relation to finance, procurement and matters of a general nature that do not fall to other standing Committees. The Committee will further ensure that all areas of the College's financial performance, and procurement are subject to best practice controls and review, ensuring solvency, sustainability, efficiency and innovation.

1. Remit

Finance

- To advise the Board of Management on key issues of the College's financial and resource management including:
 - solvency of the College
 - College cashflow
 - effectiveness and appropriateness of the utilisation of College resources
 - Financial Strategy
- To review and approve the Financial Regulations on an annual basis, or more frequently if required.
- To consider and advise the Board on:
 - financial forecasts and budgets in relation to the West Region Outcome Agreement.
 - any relevant taxation issues
- To consider the College's annual financial statements (at a joint meeting of the Audit and Finance and General Purposes committees).
- To monitor:
 - the College's financial performance against agreed budgets and make recommendations on major variations
 - all income
 - all material financial issues
 - the management accounts

- To advise the Board on investments and borrowing and to seek appropriate external advice.
- 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*).
- To receive a regular report on bad debt write offs.
- To consider, review and recommend to the Board, pension arrangements for College staff, in consultation with the HR and Corporate Development Committee.
- To receive an update on banking arrangements, including the Scottish Government banking arrangements and to approve the bank signatories.

Procurement

- To agree and approve financial regulations which ensure compliance with legal obligations in respect of tendering and contract procedures.
- To agree and approve procurement strategy and policies that reflect best practice, ensuring they support the priorities and outcomes of the College and the achievement of efficiencies.
- Approve the awarding of contracts between the values of £250,000 and £500,000.
- To support development of:
 - supplier management and contract monitoring
 - electronic procurement systems
 - procurement performance management systems
 - collaborative opportunities

Risk

- 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.

General Purposes

- Any other factors as required by the Board of Management

2. Membership

Membership of the Committee will comprise:

Three members of the Board of Management, one of whom will Chair, and the Principal.

Attending:

Board of Management members and officers attending Committee meetings are detailed within Appendix 2.

The Committee is empowered to invite other members of the Senior Management/Executive team to attend meetings of the Committee.

The Committee is empowered to co-opt additional members, subject to approval by the Nominations Committee.

Other Board members can attend the meetings, with the approval of the Chair of the Finance and General Purposes Committee.

Committee members will be appointed to serve a four- year term, or for the period of their term of office.

The Chair of the Board of Management will be an ex- officio member of the Committee

3. Frequency of Meetings

Normally will meet four times per year, but at least three times per year. Additional meetings will be convened as necessary.

4. Quorum

A quorum will be two members of the Board of Management.

5. Secretariat

Secretary to the Board of Management.

Papers for meetings will be sent out 7 days in advance of meeting.

The Committee will report to the Board of Management and the minutes of its meetings will be circulated to the Board for information.

6. Review

The Remit will be subject to review annually

Appendix 2 - Current membership of the Committee

F&GP Composition (Para 2 of the Remit)

Category	Name
Three members of the Board of Management, one of whom will Chair, and the Principal.	Jim Hannigan (Chair) John Leburn Angela Wilson Liz Connolly – Principal

In Attendance	Name
Vice Principal Operations	David Alexander
Director of Finance and Estates	Alan Ritchie
Head of Finance and Student Funding	Vivienne Mulholland
Secretary	Shirley Gordon
Internal Auditor	Graham Gillespie Stephen Pringle (Wylie Bisset)
External Auditor	Lucy Nutley Joanne Buchanan (Mazars)

Quorum	Two members of the Board of Management
---------------	---

Appendix 3 - 2020/21 Committee Meeting Dates

- Tuesday 8 September 2020
- Tuesday 24 November 2020
- Joint Audit and FGPC – Tuesday 24 November 2020
- Tuesday 2 March 2021
- Tuesday 1 June 2021

TITLE: MONITORING OF REGIONAL OUTCOME AGREEMENT

Background: The Board of Management have agreed that each Committee should monitor progress on areas of the Regional Outcome Agreement (ROA) for which they have responsibility and provide a report to the Board.

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

- note the background information provided in relation to the ROA process;
- note the key objectives of the West College Scotland Regional Outcome Agreement; which covers the period to 31 July 2021;
- note that further information in relation to the 2020-21 ROA process and refocused sector commitments and activity requires to be provided by the SFC, and that further updates will therefore be provided to the Committee and Board of Management on these matters; and
- consider and agree the processes in place to enable Finance and General Purposes Committee monitoring of required 2020-21 ROA outcomes and to support provision of the required report to the Board of Management. Should the further information to follow from the SFC regarding the 2020-21 ROA process require a revision of these processes then this would be able to be considered by the Committee at a future meeting.

Lead: David Alexander, Vice Principal Operations

Status: Open

Monitoring of Regional Outcome Agreement Objectives

1.0 Background

1.1 Regional Outcome Agreements (ROAs) were introduced in 2012-13. They are intended to enable the Scottish Funding Council (SFC) to demonstrate the impact of the sector and its contribution in meeting:

- Scottish Government priorities as set out in the Scottish Economic Strategy; and
- The Scottish Government programme as detailed within the document '*A Nation with Ambition: The Government's Programme for Scotland*'.

ROAs are also required by the Financial Memorandum as a term of SFC grant and are intended to build better relationships between the SFC, colleges and key stakeholders to support:

- Increased accountability and confidence in the distribution of resources, ensuring that resources are targeted where there is greater need; and
- Continuous improvement, to maximise the impact on the learner, the employer and the economy.

1.2 The Regional Outcome Agreement process is intended to enable:

- Engagement, to ensure SFC decisions account for the context within which colleges operate, so that SFC can differentiate its approach where appropriate.
- Curriculum and investment planning based on economic, industry, labour market and demographic evidence.
- Consistent methods of operating, to ensure that a fair interpretation of college impact is made, and to enable the SFC to interpret impact consistently at a regional and national level.
- A means by which college regions can discuss with SFC their broader aspirations.

1.3 Ultimately the Outcome Agreement is seen by the SFC to be a joint funding commitment, in which each college sets out:

- The regional context within which the college operates
- Outcomes and outputs a college region will deliver in response to Scottish Government priorities. In most instances these outcomes/outputs correspond to national performance measures, and include reference to a baseline position, current progress and a future ambition or target.

- 1.4 The College ROA to cover the period 2020-21 was finalised following the SFC 2020-21 final funding announcement on 9 June 2020. The annual process that has operated to date would then see formal agreement of the ROA reached with SFC by 31 July 2020. However, the College received correspondence from the SFC on 29 May 2020 (*appendix provided with this paper*) which stated:

SFC confirms the following

1. SFC will not ask governing bodies (College Boards and University Courts) to sign off the AY2020-21 Outcome Agreements in the usual way.

We recognise that most institutions produced their near final AY2020-21 OAs prior to the COVID-19 crisis. Therefore, institutions will not be in a position to sign off commitments and targets that they already know they can no longer deliver. To do so would lead to a reputational risk for the sector and for SFC. This move acknowledges the reality of the current emergency situation and the anticipated scale of the disruption to business. However, the current OAs do contain ongoing high level commitments that may still be relevant moving forward and SFC would want to recognise this.

2. SFC will not publish the AY2020-21 Outcome Agreements on our SFC website.

We will not move to publish the OAs on our website as usual, acknowledging that there will be no formal sign off of the accepted AY2020-21 OAs.

3. SFC will attach the allocation of core funding in AY2020-21 to refocused sector commitments and activity which will provide us with reassurance on use of designated funding.

Although we do not yet know exactly what those commitments will be, we are working closely with the sectors to establish a more high level set of outcomes for AY2020-21 that realign priorities with what will be needed to support economic recovery, to support those already in the education system (schools, colleges and universities) during the crisis period, and those who may be looking to re-enter employment. At the same time we expect colleges and universities to continue to widen access, deliver high quality research and ensure a high quality learning experience for all students that may be different in shape, structure and mode to previous years.

- 1.5 At this time the College awaits SFC confirmation of the refocused sector commitments and activity that are outlined under point (3). For now, the College is therefore proceeding on the basis that the key outcomes previously detailed within the final draft 2020-21 will remain and require to be delivered. It is not expected that any changes in funding will arise as a result of the SFC correspondence of 29 May 2020. Further updates on this matter will be provided to the Committee and Board of Management at future meetings.

2.0 Monitoring of Regional Outcome Agreement Objectives

2.1 As outlined above, the monitoring arrangements for the 2020-21 ROA require to be confirmed by the SFC. However, the overarching outcomes that are required to be achieved by the College through the ROA process are not expected to change, and these can be summarised as follows:

- **Outcome 1 - The Learner**

Scottish Government strategic priority: To provide the best student experience, seamlessly connected for learners of all backgrounds.

- **Outcome 2 - The System**

Scottish Government strategic priority: To provide high quality learning in a system where institutions work in partnership and demonstrate the highest standards of governance and financial accountability.

- **Outcome 3 – Innovation**

Scottish Government strategic priority: To support Scotland's global reputation as a Science and Research Nation synonymous with high quality teaching, research, knowledge exchange and innovation.

2.2 ROA guidance provided in previous years discontinued the inclusion of financial measures from the review process. However, under the outcomes associated with *The System*, colleges are required to comply with the terms of the Financial Memorandum with SFC, to meet the principles of good governance as set out in the Code of Good Governance and '*demonstrate the highest standards of...financial accountability.*' The West College Scotland ROA for 2020-21 as currently structured recognises that this will specifically be achieved through:

- a Financial Strategy which encompasses a medium-term outlook and analysis of key financial sensitivities and risks, and which assesses resource and cash levels required to fund College operations and strategies and deliver outcomes sustainably; and
- a Procurement Strategy which seeks to simplify, standardise and streamline procedures, achieve efficiencies and generate College and community benefits.

2.3 The remit of the Finance and General Purposes Committee (*Agenda Item 6*) includes responsibility for each of the ROA areas outlined above and the *Schedule of Business (Agenda item 16)* which is presented at each Committee meeting confirms these will be considered throughout 2020-21.

3.0 Conclusion

3.1 The Finance and General Purposes Committee is asked to:

- note the background information provided in relation to the ROA process;
- note the key objectives of the West College Scotland Regional Outcome Agreement; which covers the period to 31 July 2021;
- note that further information in relation to the 2020-21 ROA process and refocused sector commitments and activity requires to be provided by the SFC, and that further updates will therefore be provided to the Committee and Board of Management on these matters; and
- consider and agree the processes in place to enable Committee monitoring of required 2020-21 ROA outcomes and to support provision of the required report to the Board of Management. Should the further information to follow from the SFC regarding the 2020-21 ROA process require a revision of these processes then this would be able to be considered by the Committee at a future meeting.

29 May 2020

Dear Principal and COVID-19 Co-ordinator,

Guidance on steps to complete the Outcome Agreement cycle for AY2020-21

I am writing to provide you with further reassurance and guidance on the steps we will take to complete the Outcome Agreement (OA) cycle for AY2020-21.

We have been working closely with colleges and universities to understand the full impact of the COVID-19 crisis on the future of our institutions and how and what they deliver. We already know that rapid reprioritisation and urgent reshaping and rethinking is underway. Alongside this we are working to design a process for a comprehensive review of OAs which will impact from AY2021-22 going forward and we will provide you with an update on that soon.

Our immediate priority is to provide you with further reassurance and guidance on how we will complete the OA cycle for AY2020-21. We are now in a position to provide some clarity on the status of the OAs you submitted to SFC by 30 April 2020 and in particular to address the following:

1. Arrangements for signing off OAs (institutions and SFC) and the timing of this
2. Publication of OAs
3. Reprioritisation and establishing new commitments linked to core funding for AY2020-21
4. Next steps

SFC confirms the following

1. SFC will **not** ask governing bodies (College Boards and University Courts) to sign off the AY2020-21 Outcome Agreements in the usual way.

We recognise that most institutions produced their near final AY2020-21 OAs prior to the COVID-19 crisis. Therefore institutions will not be in a position to sign off commitments and targets that they already know they can no longer deliver. To do so would lead to a reputational risk for the sector and for SFC. This move acknowledges the reality of the current emergency situation and the anticipated scale of the disruption to business. However, the current OAs do contain ongoing high level commitments that may still be relevant moving forward and SFC would want to recognise this.

2. SFC will **not** publish the AY2020-21 Outcome Agreements on our SFC website.

We will not move to publish the OAs on our website as usual, acknowledging that there will be no formal sign off of the accepted AY2020-21 OAs.

3. SFC **will** attach the allocation of core funding in AY2020-21 to refocused sector commitments and activity which will provide us with reassurance on use of designated funding.

Although we do not yet know exactly what those commitments will be, we are working closely with the sectors to establish a more high level set of outcomes for AY2020-21 that realign priorities with what will be needed to support economic recovery, to support those already in the education system (schools, colleges and universities) during the crisis period, and those who may be looking to re-enter employment. At the same time we expect colleges and universities to continue to widen access, deliver high quality research and ensure a high quality learning experience for all students that may be different in shape, structure and mode to previous years.

We are particularly aware of the need to maintain volume of provision over the coming year when the economy will be in a recovery period, to allow students to continue to access the learning and employability skills that will ensure a pathway to employment when jobs become available. Research Excellence Grant and University Innovation Fund impacts and outcomes will also remain a priority in AY2020-21 as they contribute directly to the knowledge economy vital for economic recovery.

4. Timelines for further information

SFC will continue to engage closely with the sector over the coming weeks to reach agreement on a more general set of outcomes and provide reassurance on the shape of the commitments for future delivery. We will then seek agreement from our Board and move to confirm in more detail what the refocused sector commitments and priorities will be for AY2020-21. We will communicate with you again in July to progress this.

We already know from the soundings taking place at senior level across the sector that the immediate policy priorities for institutions are going to be in the areas of:

- Transitions and pathways for students, (from school to college or university; college to university; and into work) are supported and clearly signposted.
- A high quality learning experience for all students, no longer predicated on always being physically in a classroom/lecture space. We are already seeing a move to online learning and repurposed blended delivery.
- Delivering for economic recovery including building on the work already underway on Upskilling.

I trust that this information provides the reassurance that you need for now on AY2020-21 Outcome Agreements. During this period and beyond I would ask that you continue to communicate regularly and clearly with current and prospective students to ensure they are fully aware of plans for the 2020-21 academic year.

Once again I am grateful for your engagement on emerging priority issues, the response to requests for non-routine intelligence and information, and the on-going dialogue at all levels with key leads across both our organisations. Our Outcome Agreement Managers remain important contact points for institution-specific matters, particularly over the coming weeks, and our COVID-19 mailbox (covid19@sfc.ac.uk) helps us capture all COVID-related issues and get information to the right people.

Thank you, again, for everything you are doing for students, staff and the communities around us in these challenging times.

Kind regards



Dr Donna MacKinnon
Director of Access, Learning and Outcomes

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
- 2020-21 SFC funding
- College Voluntary Severance scheme
- Ongoing West College Scotland engagement with the SFC
- National bargaining and Job Evaluation
- West College Scotland Senior Management – Assets 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

Vice Principal Update/Overview Report

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 2020-21 West College Scotland (WCS) budget approved by the Finance and General Purposes Committee on 9 July 2020 and subsequently by the Board of Management on 20 July 2020, 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 2020-21:

- 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 2020-21 SFC Funding

2.1 The SFC issued Circular SFC/AN/06/2020 - *College outcome agreement funding allocations for Academic Year 2020-21* - on 7 April 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.

2.2 On 9 June 2020 the SFC updated the 2020-21 funding guidance previously issued to the sector on 7 April 2020. However, it should be noted that some elements of SFC funding for 2020-21 – including for initiatives such as mental health and period poverty – still require to be advised to the sector. The College budget for 2020-21 was prepared on the basis that these initiatives will continue and be funded by SFC. SFC grant funding is therefore necessary to offset costs that will be incurred in taking forward initiatives in these areas.

2.3 The SFC have made two additional announcements of funding since approval of the College 2020-21 budget on 20 July, and these are as follows:

- *SFC/AN/11/2020 - Announcement of additional capital funding for colleges and universities in Financial Year 2020-21 to support economic recovery*

This circular was issued on 4 August 2020. SFC advised this funding can be used by colleges and universities to support a range of capital projects which may have been put on hold as a result of the COVID-19 pandemic and the initial lockdown. SFC expects institutions to reassess their capital spend plans with the aim of prioritising maintenance and construction activities to ensure the provision of core business in Academic Year (AY) 2020-21 and beyond. To comply with the aims of this support package, institutions will have to use this additional funding to deliver activities during this current FY 2020-21 which meet the following two criteria:

- (i) estate maintenance and
- (ii) construction sector stimulus

with due consideration being given to wellbeing and health and safety needs. The funding will be distributed utilising SFC's capital maintenance grant allocation methodology, which is a formulaic approach, based on high priority backlog maintenance/share of student activity targets for colleges. A total of £10m was allocated to the university and college sectors for this purpose, with West College Scotland receiving £781,779 – approximately 7.8% of the overall college sector allocation and the highest amount awarded to an individual college under this Circular. The College will progress consideration of projects for delivery under this funding allocation with the Board of Management Asset and Infrastructure Committee.

- *Circular SFC/AN/12/2020 - Additional capital funding to support digital provision in AY 2020-21*

This circular was issued on 14 August 2020. This funding provides an opportunity for colleges to purchase equipment to enable students to engage in their studies, with a particular focus on meeting the needs of the most disadvantaged students. SFC expects institutions to utilise this funding to tackle digital poverty and provide fair and equitable access to remote learning for their students. These funds should only be utilised for the purchase of ICT equipment to provide access to online learning. SFC allocated £2.330m to the college sector under this Circular with West College Scotland receiving £220,506 – approximately 9.5% of the overall sector allocation and the second highest award of any individual college. The College is currently liaising with students regarding IT equipment need and progressing purchase of the necessary IT kit.

2.4 *Agenda Item 10 (2020-2023 Financial Forecast Return Update)* provides more detail on the current position relating to several key budget and forecast assumptions and sensitivities.

3.0 College Voluntary Severance Scheme

- 3.1 The College 2020-21 budget assumed that a minimum of £500,000 in staffing efficiencies will require to be achieved – with part, and possibly all, of this saving requiring to be achieved through voluntary severance (VS). The SFC FFR June 2020 guidance stated that Colleges should assume that up to 6 months of any VS costs would be supported by the SFC during 2020-21.
- 3.2 Continuing discussions since the Board of Management approved the College budget on 20 July 2020 have seen the SFC advise that their stated 6 month financial support for college voluntary severance schemes during 2020-21 as stated within the 9 June 2020 FFR guidance is only a planning assumption - and that the SFC have no budget cover to support this assumption. The assumption therefore remains that any voluntary severance costs will require to be funded by the College's own cashflow
- 3.3 The current closing date for applications to the College VS scheme is 31 August 2020 and an update will be provided at this meeting on the position arising from this.

4.0 Ongoing West College Scotland Engagement with the SFC

- 4.1 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 remained committed to working in partnership with the College to support its financial planning and future sustainability.
- 4.2 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.
- 4.3 The Finance and General Purposes meeting of 3 September 2019 and the Board of Management meeting of 7 October 2019 subsequently 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 in order to progress the Business Transformation Plan and achieve ongoing financial sustainability and asked to be kept informed of progress.

- 4.4 The SFC committed to a change in the College business model ‘in principle’ from 2020-21 and the College had been awaiting final agreement and confirmation of this decision. SFC Circular SFC/AN/06/2020 - *College outcome agreement funding allocations for Academic Year 2020-21* – issued on 7 April 2020 and confirmed on 8 June 2020 - provided this formal agreement, confirming that there is to be a reduction in credit activity of 5,000 for West College Scotland in 2020-21 – from 157,855 to 152,855 - when compared with 2019-20.
- 4.5 This change in credit activity is in line with the expectations of the Business Transformation Plan that West College Scotland previously agreed with the SFC. SFC has not consequently reduced associated teaching funding with this movement in credit activity - meaning an increase in £ per credit for West College Scotland which equates to 8.6% - from £255 in 2019-20 to £277 in 2020-21. This reflects discussions SFC has had with the College to recognise our movement towards higher cost activity over the course of previous years. As a condition of this change, the College must reduce its third-party distance learning activity.
- 4.6 The College therefore requires to ensure there is ongoing engagement with the SFC during 2020-21, regarding the revised business model that requires to be in place under the Business Transformation Plan agreement.

5.0 National Bargaining and Job Evaluation

- 5.1 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 2020-21.
- 5.2 Existing pay agreements with teaching and support staff trade unions remain in place until 1 September 2020. However the support staff trade unions have lodged a dispute procedure with the Colleges Scotland Employers Association regarding the application of the previous pay agreement for the period between April and September 2020 – the College has therefore made a prudent provision within the 2019-20 financial outturn forecast in recognition of this (see *Agenda Item 9 – 2019/20 Financial Year End Update*). Negotiations with trade unions are ongoing regarding pay awards beyond August 2020. An update will be provided at this meeting.

National Support Staff Job Evaluation

5.3 For support staff, the process of national job evaluation is progressing. The project progress at each key stage is as follows:

- Stage One – Role Outline Questionnaires
Stage One is the completion, agreement and submission of job role outline questionnaires. This stage was largely complete as at Monday 4 May 2020, with 87% of roles have all documentation returned (questionnaire, job description and signatory sheet). In roles where all the documentation is yet to be submitted, this is primarily due to long term absence, maternity leave and “failures to agree”.
- Stage Two – Role Analysis
Stage Two is the release of sector nominated Role Analysts to deliver role evaluation for a dedicated period of approximately 11 months. This commenced on Monday 6 January 2020 and a total of 21 Role Analysts (19 FTE) have been sanctioned for release, all of whom have undergone a period of training. The start date was slightly later than anticipated due to a delay in agreeing the panel protocol. Work is underway between the project leads from the staff and management side to forecast a revised timescale and budget profile. First panel scoring is currently taking place across 13 colleges with the most returned data. As at Monday 4 May 2020, over 26% of all roles have been through the “first panel” phase and four colleges are nearing completion.
- Stage Three – Implementation
Stage Three is the implementation stage. Running in parallel to the process of role analysis, considerations of the pay and grading implications of job evaluation will be discussed, developed and costed within the Employers’ Association and NJNC forum. This is projected to reach conclusion in mid to late 2021 with all pay adjustments being backdated to 1st September 2018. However, this matter cannot be progressed to the stage of any formal proposals without a significant degree of progress through the role analysis stage and complete clarity on sector pay data – with some colleges still to submit this information.
- Stage Four – Appeals
Stage Four is the appeal stage. Following implementation of pay and grade outcomes, there will be a right of appeal for employees against the outcomes of job evaluation. This is projected to run for a six-month period from the date of implementation of job evaluation outcomes and therefore likely to run into 2022 with panels consisting of members trained on the National Scheme but not having direct involvement in the previous scoring of the roles.

The impacts of the Covid10 lockdown period on the overall project timescales is currently under review.

- 5.4 The Scottish Funding Council (SFC) has set aside an allocation of £12.4 million (equivalent to six percent of the overall sector support staff salary costs) to fund any pay implications as a result of the implementation of job evaluation. Indicative allocations for individual colleges outlined at this time relate to calculations which were undertaken during 2019, and which will require revision at the point the project is concluding.
- 5.5 Further updates will be provided to the Finance and General Purposes Committee as this project progresses.

Update from Chair of Employers' Association

- 5.6 The College received a letter from the Chair of the Employers Association on 28 August 2020. The letter was to update the sector on the progress made in relation to the discussions concerning (a) National Facilities Time, and (b) the Pay Claim for 2020-21. A copy of the letter is attached at Appendix A to this report for information.

6.0 West College Scotland Senior Management – Assets and Infrastructure

- 6.1 As previously discussed at the Finance and General Purposes Committee, 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 was undertaken. Arising from this review, a new post of Director of Infrastructure was put in place to encompass responsibility for the Estates and IT Departments going forward – and Martin Joyce took up this post within the College on 24 August 2020.
- 6.2 Thus, there is currently an ongoing transition of estates responsibilities from the Director of Finance and Estates to the Director of Infrastructure during the current period. 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. Responsibility for all estates, IT and wider infrastructure will now be within the remit of the Board of Management Asset and Infrastructure Committee. The Estates Committee and the Finance and General Purposes Committee have been kept fully apprised of these changes and *Agenda Item 6 (Committee Remit)* reflects a Finance and General Purposes Committee remit which was previously agreed as being in line with these changes.

7.0 Recommendation

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

28 August 2020

Ref: AL/HS

Dear Chairs and Principals

Update from Chair of Employers' Association

As we move into what will be yet another challenging year, I wanted to write to each of you and provide an update in my capacity as Chair of the Employers' Association. I am conscious that whilst the Employers' Association representatives are a mix of Chairs, Principals and Senior Staff, some of you will hear our discussions and decisions first-hand, others may not.

I would, therefore, like to provide you an update on the following key matters:

National Facilities Time

Following the establishment of a Facility Time Working Group (FTWG), a third meeting of this group was scheduled to take place Thursday 30 July 2020 following a request from the management side for an evidence-based paper on their additional facility time requirements. This meeting, however, did not take place because we did not receive any response from the staff side regarding the date of the meeting and the proposed agenda, nor did we receive any of the paperwork and supporting documentation requested. The staff side has also failed to respond to our request for confirmation of the nominated representatives who will be involved in National Bargaining for the forthcoming year. At the most recent meeting of the Side Table (Lecturers), we have advised the staff side that there will be no further meeting of the Facilities Time Working Group scheduled until such time as the requested paperwork is received.

At the Extraordinary Meeting of the Employers' Association Executive Group held on Wednesday 5 August 2020 it was agreed to maintain the employers' position as agreed at the November 2019 meeting of the Employers' Association.

This position remains as follows:

- National representatives will receive a guaranteed set amount of 10 days per academic year national facility time per nominated national representative (excluding current job evaluation arrangements) as of 1st August 2020.
- National representatives will receive additional time off, as required, for other national working group activity to conduct the business of National Bargaining.
- Dates of national meetings and names of national representatives will be provided to relevant colleges to ensure time off is planned and facilitated.
- Colleges with nominated national representatives will receive the appropriate reimbursement from August 2020.

Pay Claims 2020/21

Discussion is ongoing regarding the Pay Claims received from EIS-FELA and the Support Staff Side with an urgent Extraordinary Meeting of the Employers' Association being held on Thursday 13 August 2020 to provide an update on the pay award, prior to the NJNC Side Tables taking place on Thursday 20 August and Wednesday 16 September 2020.

We continue to strive to work with the trade unions but acknowledge that this can be challenging at times and there is a need to manage expectations on entering into these pay discussions. At the Side Table (Lecturing) Pay Claim meeting on Thursday 20 August 2020, we made an offer of a consolidated 2% pay increase across all lecturer salary points and we await the staff side's response following a meeting of its executive.

Our discussions on the pay claims have highlighted the significant associated financial implications and the need for transformational change in the sector. Whilst we recognise the tremendous effort college sector staff at all levels have made throughout the current pandemic situation, there needs to also be a recognition and acceptance that any agreed pay increase will result in consequences for colleges and staff and we need to be clear in our messaging and communications.

We continue to face significant additional challenges from the outcome of the COVID-19 pandemic. Whilst we must not lose sight of the strong partnership that our college leaders have built with staff during this time, we must ensure that any further disruption to the learner, caused by dealing with challenging employee relations situations, is minimised. We very much value our staff and their contribution and we need to recognise that good communications and working together are crucial to colleges' continuing to be at the heart of the wider economic recovery.

I would be happy to discuss any particular concerns with you on an individual basis.

Regards



Alex Linkston
Chair
Employers' Association

TITLE: 2019-20 FINANCIAL YEAR END UPDATE

Background: The purpose of this paper is to provide the Finance and General Purposes Committee with an update in relation to the 2019-20 College financial forecast and cashflow position. This position is subject to the finalisation of the external audit work which is due to commence on 14 September 2020.

Action: The Finance and General Purposes Committee is requested to:

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

Lead: Alan Ritchie, Director of Finance

Status: Open

1. Introduction

1.1 The Finance and General Purposes Committee meeting of 9 July 2020 and Board of Management meeting of 20 July 2020 received an update on the anticipated financial forecast for the year to 31 July 2020

1.2 The College had in March 2020 been forecasting an adjusted operating surplus of £35,000 prior to the impact of COVID-19. In June 2020 the adjusted operating forecast position had deteriorated to a possible deficit of (£3.9m) as the College realised the potential impacts of the global pandemic on primarily its ESF, commercial and other income generating capacity. It was noted the forecast adjusted operating deficit of (£3.9m) was prudent and based on information available to the College at that time, with it being likely this position would change.

1.3 In July 2020 the College reported that the operating deficit had reduced to (£2.3m) mainly due to the College:

- Generating more Credit activity than expected which allowed it to claim some of the SFC ESF funding it was due - £0.9m;
- Accessing the Governments Job Retention Funding - £0.5m;
- Generating better than anticipated commercial income - £0.3; and
- Being impacted by additional costs to address the COVID-19 operational challenges – (£0.1m)

It was also advised verbally at the Board of Management meeting on 20 July 2020 that the College may in fact be in line to deliver all 2019-20 ESF credit activity, which would see the position move further to recognise an additional £0.581m of income – meaning an adjusted operating deficit of approximately (£1.7m). This movement is now confirmed below along with other areas of update in relation to the College financial position which have arisen over the recent period.

1.4 Over the course of July and August 2020 there has been further clarity provided from the SFC, Scottish Government and wider partners in relation to some of the outstanding matters which the College required to resolve in order to finalise the 31 July 2020 financial position. This report summarises the current estimated year end position which the College will be presenting the external auditors with when they commence the 2019-20 year end audit review on 14 September 2020

2. 2019-20 College Financial Outturn - 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 Management Accounts in July 2020. 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 July 2020.

2.2 The 2019-20 financial impacts and further variances arising from this updated information can be summarised as follows:

2.2.1 Income

- ESF Credit Activity - £0.581m – It had previously been assumed that the closure of on-site activities would result in the College not achieving the SFC ESF Credit target, which directly impacts the level income that can be claimed from the SFC. However, the information that the College has submitted for audit review shows that the 2019-20 ESF Credit target has been achieved, resulting in the College being able to claim all budgeted 2019-20 ESF income.
- SFC Income Deferral (£0.087m) – Due to the closure of on-site operations the recruitment of counselling staff was delayed – which means there is a need to defer the funding for this purpose to 2020-21.
- Fee and Commercial activity - £0.309m – The College managed to complete delivery of commercial activity during 2019-20 which it has been previously assumed would prove challenging to deliver. This relates particularly to:
 - training provided to apprentices recruited through managing agents such as CITB and SECCT, with all delivery being undertaken online; and
 - completion of two major contracts with a long serving customer through on-line delivery of the course.
- UK Government Job Retention Scheme - £0.104m – Income continues to be received as a result of staff being placed on the UK Government Job Retention Scheme, in accordance with SFC guidance.
- Other income - £0.108m – Further income was received from local authorities for school / college programmes and other general sources.

2.2.2 Expenditure

- Staff costs – (£0.3m) – The increased level of SFC, commercial and other income resulted in an increased level of staff expenditure to deliver the additional provision.
- Other staff costs – (£0.129m) - The College has provided for potential costs to be incurred in relation to the current support staff national pay dispute relating to the application of the 2019-20 pay agreement and for the cost of home working.
- Other non-staff costs – £0.238m – The College has seen a reduction in estate related costs with the closure of all campuses since March 2020. This saving has been supplemented with a saving in departmental consumable costs as most of the teaching was transferred to on-line materials rather than physical purchases. The overall savings in consumables has been reduced by the increased cost of innovative delivery (online learning) in order to deliver required College teaching and learning activity. Additional costs have been incurred in relation to health and safety, related primarily to addressing the impact of COVID-19 – including occupational health referrals, cost of signage and cleaning products.

The table below presents a summary of the above movements:

	Variances £'000
July 2020 adjusted operating deficit for the year 2019-20	(2,257)
Income variances	
ESF activity recovered as College has met SFC Credit target	581
SFC counselling income deferral as staff not able to be employed before the year end	(87)
Improved level of fee and commercial income in relation to apprenticeships and completion of course on-line	309
Continued support from UK Government Job Retention scheme	104
Improved recovery of other income from local councils in support of school / college programmes and nursery provision	108
	1,015
Expenditure variances	
Increased staff costs in relation to increased income and year end temporary hour claims	(300)

	Variations £'000
Provision for potential staff costs re pay dispute and working at home allowances	(129)
Overall decrease in other non-staff costs including estate savings from closure of buildings, reduced consumable expenditure, reduced support costs such as travel / printing and increased health and safety costs related to Covid-19	238
	(191)
Overall movement on variances	824
2019-20 forecasted adjusted operating position	(1,433)

2.2 As outlined in the above table, the impact of these changes is that the previous 2019-20 forecast adjusted operating deficit for the College has been revised from (£2.3m) to a forecast adjusted operating deficit of (£1.4m), an overall movement of £0.9m – almost £0.6m of which relates to delivery of ESF credit activity.

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 £25,000, 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.

3.2 Based on the 31 July 2020 Management Accounts, the College is now forecasting an overall financial accounting deficit of (£3.586m) – a decrease of (£0.590m) against the Board of Management approved 2019-20 budgeted financial deficit of (£2.996m).

3.3 The decrease of (£0.590m) is due to:

- a) The review of the useful economic life of College revalued assets. This review resulted in a reduction in the forecasted net depreciation charge of £0.893m. As previously noted, this movement does not impact the College cash position and addresses a recommendation from the external auditors.

- b) The inclusion of the accounting loss on the sale of the Drumry Road property- (£0.025m).
- c) The revised adjusted operating deficit of (£1.433m) compared to the budgeted operating surplus of £0.035m which represents a movement of (£1.458m).

3.3 It should be noted that the overall financial deficit of (£3.586m) 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 table below shows the movement in the College cash position since it was last reported to the Board of Management on 20 July 2020:

	Report to BoM 20 July 2020	Report to F&GP 8 September 2020
Cash balance as at 31 July 2020	£5.6m	£6.9m
Cash days	37	46

4.2 The movement in the year end cash position has been impacted by two main factors:

- The improved adjusted operating position noted in section 2.2 of £0.824m has increased the amount of cash held by the College; and
- In July the College transferred £0.425m from student support funding to the College to provide budget cover towards the purchase of student Chromebook laptops.

These adjustments resulted in the actual cash balance as at 31 July 2020 increasing to £6.9m from the previously reported forecast of £5.6m.

4.3 The College cash position continues to include amounts relating to:

- SFC estates maintenance funding for committed projects - £1.6m
- SFC Flexible Workforce Development Fund (FWDF) - £0.3m
- SFC support for digital poverty £0.4m
- SFC counselling support £0.1m

4.2 If the College cash position was adjusted to account for the above amounts, this would result in an underlying College cash balance to fund ongoing operations of £4.5m as at 31 July 2020 – which is the equivalent of approximately 30 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. Conclusion

5.1 The Finance and General Purposes Committee is requested to:

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

TITLE: 2020-23 FINANCIAL FORECAST RETURN UPDATE

Background: The purpose of this paper is to update the Finance and General Purposes Committee on key assumptions and sensitivities relating to the 2020-21 College budget and financial forecast to 2022-23 as approved by the Board of Management on 20 July 2020.

Action: The Finance and General Purposes Committee is requested to note the content of the paper.

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

Status: Open

1. Introduction and Background

- 1.1 The Board of Management considered the 2020-21 College budget and financial forecast to 2022-23 at a meeting on 20 July 2020 (Appendix A and Appendix B to this paper). Following review of the basis upon which the 2020-21 College budget and 2022-23 financial forecast had been created the Board of Management:
- approved the 2020-21 Student Association budget;
 - approved the 2020-21 College budget; and
 - considered the basis upon which the two-year financial forecast to 2020-23 had been created.
- 1.2 The key assumptions contained within the College 2020-21 budget and 2022-23 financial forecast were based on direction provided within the Scottish Funding Council (SFC) Financial Forecast Return (FFR) guidance issued to the sector on 9 June 2020
- 1.3 The College has continued to engage with the SFC during August in seeking clarification in relation to several matters contained within the FFR guidance and this paper provides an update in relation to the following key assumptions and sensitivities including:

2020-21 Budget:

- Flexible Workforce Development Income;
- Other SFC Income – mental health and period poverty; financial support for voluntary severance;
- Definition of College adjusted operating calculation – accounting for voluntary severance;
- Further SFC 2020-21 funding announcements
- UK Government Job Retention Scheme and Job Retention Bonus Scheme;
- Catering operations;
- National pay bargaining; and
- Employee costs – wider considerations

Financial Forecast to 2022-23 (Years 2 and 3)

- the future of European Social Fund (ESF) activity/income;
- SFC financial support for any College voluntary severance scheme which requires to be progressed due to a reduction in ESF activity/income; and
- National pay bargaining

2. 2020-21 Budget – Key Considerations

2.1 Flexible Workforce Development Funding (FWDF)

- 2.1.1 The Scottish Government has announced a further £10m of FWDF funding for 2020-21 to supplement the £10m already announced in the 2020-21 Scottish budget. Eligible employers can use the FWDF to address priority skills gaps in their organisation by accessing up to £15,000 in funding to create tailored training programmes with their local college.
- 2.1.2 To date £3m of the additional £10m has been allocated to College sector – however the detail of how this will be allocated to individual colleges is awaited from the SFC. Should the entire £10m of additional FWDF funding be allocated in line with the 2019-20 contract award proportion, the College could expect to see an additional £830,000 of income, taking the potential FWDF contract value to £1.6m in 2020-21.
- 2.1.3 The College is continuing to engage with the SFC on both the confirmation of the allocation of the core £10m of funding and the additional £3m. The FE sector is as a matter of urgency seeking clarification on how the remaining £7m of funding is to be distributed.

2.2 Other SFC Income

- 2.2.1 The College is still awaiting confirmation from SFC in relation to 2020-21 funding for period poverty (2018-19: £90k) and mental health initiatives (2019-20: £122k) – the SFC FFR guidance of 9 June 2020 indicated that confirmation of these funding streams would follow shortly. The College has employed four cleaning staff to support period poverty initiatives and has employed three counsellors who have recently started with the College. This funding is therefore required in order to support approximately £200,000 of costs that the College will incur in relation to these initiatives.

2.3 SFC Support for Voluntary Severance and Adjusted Operating Position

- 2.3.1 The approved College 2020-21 budget assumed that £500,000 in staffing efficiencies would require to be achieved. It is likely that part, and possibly all, of this saving may require to be achieved through voluntary severance (VS). The SFC FFR June 2020 guidance stated Colleges should assume that up to 6 months of any VS costs would be supported by the SFC during 2020-21.

- 2.3.2 However, continuing discussions since the Board of Management approved the College budget on 20 July 2020 have seen the SFC advise that their stated 6 month financial support for college voluntary severance schemes during 2020-21 is only an FFR planning assumption - and that the SFC have no budget cover to support this. The assumption therefore remains that any voluntary severance costs will require to be fully funded by the College's own cashflow.
- 2.3.3 The College 2020-21 budget as approved by the Board of Management on 20 July 2020 did not include any VS costs in calculating the adjusted breakeven operating position. This approach had been adopted by the College due to the fact 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.
- 2.3.4 However, the current SFC position remains that any VS costs 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. As discussed at the Board of Management meeting on 20 July 2020 which approved the College 2020-21 budget, the approach advocated by the SFC would see the College post an adjusted operating deficit based on the impact of one-off voluntary severance restructuring costs.
- 2.3.5 The College is therefore continuing to engage with the SFC regarding the impact of any voluntary severance costs in calculating the breakeven annual adjusted operating position and is currently considering further steps as to how to address this issue, including dialogue through the College Finance Directors Network and engagement with Audit Scotland.

2.4 **Further SFC 2020-21 Funding Announcements**

- 2.4.1 Since the Board of Management approved the 2020-21 budget on 20 July 2020, the SFC have made two subsequent announcements of further funding for the college sector.

- 2.4.2 The first of these was issued on 4 August 2020 and relates to additional capital funding for colleges and universities in Financial Year 2020-21 to support economic recovery. The funding can be used by colleges and universities to support a range of capital projects which may have been put on hold as a result of the COVID-19 pandemic and the initial lockdown. A total of £10m was allocated to the university and college sectors for this purpose, with £781,779 being allocated to West College Scotland. The College will progress consideration of projects for delivery under this funding allocation with the Asset and Infrastructure Committee.
- 2.4.3 The second announcement was issued on the 14 August 2020 and concerned the allocation of £5m of funding to support digital provision in academic year 2020-21. The funding provides an opportunity for colleges to purchase equipment to enable students to engage in their studies, with a focus on meeting the needs of the most disadvantaged students. The SFC allocated £2.330m to the college sector with West College Scotland receiving £220,506. The College is currently liaising with students regarding IT equipment need and progressing purchase of the necessary IT kit. The College will keep the Asset and Infrastructure Committee updated on how this additional funding is expended.

2.5 UK Government Job Retention Scheme and Job Retention Bonus Scheme

- 2.5.1 The College has continued to retain staff on furlough into 2020-21 (July: 151; August: 110 and September: 63). It is therefore estimated the College may recover approximately £100,000 of additional income in the period to the end of October 2020 from the furlough scheme. This is based on the current estimated return to work date of the staff on furlough. The Board of Management approved 2020-21 budget did not assume any funding from the Job Retention Scheme.
- 2.5.2 In addition to the Job Retention Scheme, the UK Government announced the introduction of the Job Retention Bonus to provide additional support to employers who keep on their furloughed employees in meaningful employment, after the government's Coronavirus Job Retention Scheme ends on 31 October 2020. The Job Retention Bonus is a one-off payment to employers of £1,000 for every employee who they previously claimed for under the scheme, and who remains continuously employed through to 31 January 2021. Eligible employees must earn at least £520 a month on average between the 1 November 2020 and 31 January 2021. Employers will be able to claim the Job Retention Bonus after they have filed PAYE for January and payments will be made to employers from February 2021.

2.5.3 This Job Retention Bonus scheme would allow the College to claim £150,000 of funding in February 2021. The college sector is currently awaiting further guidance from the SFC in relation to the process to be adopted in seeking to secure this funding.

2.6 Catering Operations

2.6.1 As previously reported to the Board of Management and Finance and General Purposes Committee 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. Due to the limited number of students and staff who are expected to attend College campuses, the decision was taken not to reopen the refectory service prior to 21 September 2020.

2.6.2 The College is currently considering the introduction of a limited 'Grab and Go' option as from 21 September and is reviewing the staffing arrangements required to support this service model. The delivery of the 2020-21 budgeted deficit of (£250,000) for catering will be challenging during 2020-21. A review of the anticipated number of staff and students on each campus shows that the expected numbers are likely to be less than 50% of those attending during 2019-20 from 21 September 2020 onwards.

2.6.3 The College is therefore continuing to undertake a review of the catering delivery model and will ensure the Committee and Board of Management are kept updated.

2.7 National Pay Bargaining

2.7.1 Employee costs remain the most significant element of expenditure for the College and are budgeted to total £43m for 2020-21.

2.7.2 Current national pay negotiations are ongoing with both the teaching and support staff unions. The outcome of these negotiations is not yet known nor is there a timescale for the matter to be concluded.

2.7.3 As previously advised to the Finance and General Purposes Committee and Board of Management, if the college sector was to apply the Scottish Government Public Sector Pay Policy, this may require approximately £400,000 of additional efficiencies to be achieved by West College Scotland in addition to those already identified.

2.7.4 The Finance and General Purposes Committee and Board of Management will be kept updated on the outcome of national pay negotiations.

2.8 Employee Costs – Wider Considerations

2.8.1 The College currently has no further clarity regarding:

- The anticipated costs and associated income relating to support staff job evaluation. Although these are not included within the 2020-21 budget - they form a significant consideration for College finances going forward. Colleges Scotland estimate implementation of this project will cost £934,000 for West College Scotland – although this is based on a 2019 calculation which requires to be updated. Following on from Covid-19 lockdown period, the timing of the implementation of the job evaluation scheme requires to be reviewed and confirmed to the sector.
- The review of employer contribution levels in relation to the support staff pension fund which is due to take effect from 1 April 2021.

These matters continue to be reviewed and the Committee will be updated on any changes.

3.0 Financial Forecast to 2022-23: Years 2 and 3

Noted below are the potential amendments to the assumptions utilised to compile the forecast for 2021-22 (year 2) and 2022-23 (year 3).

3.1 The future of European Social Fund (ESF) Activity/Income

3.1.1 The College had interpreted the SFC June 2020 FFR guidance on the basis that that a reduction in ESF activity in 2022-21 (Year 3) would result in a loss of associated ESF income - which was assumed to be at the 2020-21 level of £1.6m. The FFR guidance of 9 June 2020 does not ask that colleges assume any replacement of ESF activity in Year 3.

3.1.2 As a consequence of this the College had assumed that during year 2021-22 (Year 2) there would require to be a voluntary severance programme undertaken to prepare for the loss of ESF activity in Year 3. The College assumed that it would therefore require to remove primarily staff costs equivalent to the loss of ESF income (£1.6m) and would do this through a programme of voluntary severance to be undertaken in the latter part of 2021-22 in preparation for the loss of ESF activity/income in 2022-23. The College forecast for 2021-22 assumed any VS costs associated with the loss of ESF activity (£1.6m) would require to be fully funded by the SFC as this was a sector structural change rather than a college induced change.

- 3.1.3 Given the significant impact on learning and teaching that would arise from the loss of ESF activity and income in 2022-23, the College has continued to engage with the SFC regarding this matter. Through discussion with the SFC they have confirmed their expectation is that the College will not lose ESF funding in Year 3, but rather will retain this – and see a reduction in the level of SFC ESF credit activity of 6,469 (4% of current activity). This would mean the College requiring to fund any VS costs arising from this structural change through retention of the SFC income previously associated with ESF credit activity in Year 3
- 3.1.4 This means the future planning assumption is now that the College retains the same level of SFC income in Year 3 as in Year 2, but reduce the level of teaching activity by 4%, resulting in a growth in the core unit of funding being made available to the College. However, on this basis it remains the case that the College will still require to review the level of staffing that is currently required to deliver this reduced level of activity and how it would anticipate implementing this change.
- 3.1.5 The Finance and General Purposes Committee and Board of Management will be kept updated as discussions progress with the SFC as to what support may be available to assist with this review.

3.2 National Pay Bargaining

- 3.2.1 For employee costs an annual salary uplift in line with the SFC FFR guidance had been assumed in 2021-22 and 2022-23. Should the college sector require to comply with the Scottish Governments Public Sector Pay Policy a further £400,000 of efficiencies may require be identified in both years 2 and 3.

4. Conclusion

- 4.1 As noted above the College financial operating environment continues to prove challenging and requires to be kept under continuous review. There are several potential changes that are likely to impact upon the baseline assumptions and key sensitivities applied within the 2020-21 budget and financial forecast to 2022-23, which can be summarised as follows:
- Potentially increased funding arising in relation to the Flexible Workforce Development Fund;
 - Confirmation of funding from the SFC for period poverty and counselling support is outstanding;
 - Confirmation of additional funding from SFC for estates investment and the purchase of digital equipment for learners;
 - The SFC definition of the adjusted operating position;

- Additional financial support claimable from the Government under the Job Retention Support Scheme;
 - Further financial support potentially available to the College from the Job Retention Bonus Scheme in February 2021;
 - A potential requirement to identify further efficiencies in relation to settlement of teaching / support staff pay claims;
 - The potential impact from increased staff costs relating to support staff pension increases, which is still unclear; and
 - The outcome of the support staff job evaluation exercise still unknown regarding timing and ultimate impact on the College adjusted operating position.
- 4.2 The College will continue to keep the matters outlined above under review on an ongoing basis to ensure financial stability and sustainability. As previously advised to the Committee, it remains the case that the College currently has sufficient cash in place to support ongoing operations.
- 4.3 The Finance and General Purposes will be kept updated on the impact of the above items through the Management Accounts which will be presented to each Committee meeting.
- 4.4 The Finance and General Purposes Committee is requested to note the contents of this report.

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 *Appendix 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:

- Property costs 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.

Supplies and Services costs - 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
- Other Operating costs 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.
 - Finance Charges – 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

Teaching Activity

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.

SFC Income

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.

Fees

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 known 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	Year 1	Year 2	Year 3
	2020-21	2021-22	2022-23	
	£'000	£'000	£'000	£'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 depreciation 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.			
--	--	--	--

TITLE: REVIEW OF FINANCIAL REGULATIONS

Background: The Finance and General Purposes Committee remit includes the requirement to *'advise the Board of Management on key issues of the College's financial and resource management including regular review of finance policies, procedures and regulations'*

The College has undertaken a review of the Financial Regulations based upon current operations and best practice. This report presents an updated set of College Financial Regulations which have been revised on this basis for consideration by the Finance and General Purposes Committee.

Action: The Finance and General Purposes Committee are requested to consider the revised College Finance Regulations and approve the document to the Board of Management.

Lead: Alan Ritchie, Director of Finance

Status: Open

1. The Financial Regulations

- 1.1 The College has undertaken a review of the Financial Regulations based upon current operations and best practice.
- 1.2 The annual review has not resulted in a change to any of the procurement thresholds contained in the Regulations and the majority of proposed updates relate to changes in the Board of Management Committee structure; changes in title/responsibilities; matters of administration; and/or inserting links to enable direct accessibility to other documents which are referenced.
- 1.3 The following section outline the proposed changes.

2. Proposed Amendments

Overall

- Page, section and paragraph numbering will be updated once the document revisions have been concluded.
- The revision to the Board Committee structure has been updated throughout the document.
- The change in Senior Management Team members remits has been reflected in the regulations
 - Director of Finance and Estates to Director of Finance
 - Inclusion of new Director of Infrastructure as required.

Relevant Documents and Organisations

- This section has been updated to reflect the current relevant documents referred to throughout the Regulations.

Section 2 – Status and Context

- Section 2.6 referenced that a Board Committee could authorise a departure from a detailed provision within the Financial Regulations. This has been amended to allow only the Finance and General Purposes Committee, as the Committee with oversight of the Financial Regulations, to authorise any departure.

Section 5 – Committee Structure

- This section has been updated to reflect the new Board Committee structure.

Section 10 – Financial Planning

- This section has been updated to reflect the role of the new Director of Infrastructure will have in relation to capital and estate planning.

Section 12 – Accounting Arrangements

- The requirement for the College to prepare notional accounts to the 31 March each year has been removed. The SFC will prepare this information from their data and thus this is no longer a requirement placed upon the College.
- The impairment section has been updated to ensure that any impairment valuation is undertaken by a qualified valuer.

Section 13 – Audit Requirements

- Where a fraud with a loss of greater than £5,000 has been perpetrated on the College, the Regulations now require this to be reported to the SFC immediately rather than annually in line with best practice.
- Access to documentation rights for the external auditors has been inserted.

Section 16 – Other Income-Generating Activity

- Donations to any Arms Length Foundation must take place within the relevant fiscal year not financial year and this has been clarified in the Regulations.

Section 17 - Expenditure

- Voluntary Severance
 - Voluntary severance payments to Vice Principals now require to be authorised by the Chair to the Board of Management.
 - This section has been updated to incorporate the latest direction from the Scottish Government on voluntary severance payments including the maximum payment of £95,000 and revised maximum pay back period of 2 years. These updates were previously considered by the Board of Management in approving the current College Voluntary Severance Policy.
- Receipt of goods at a stated point in the College has been removed to reflect the operational arrangement of delivery to desk or department.
- Late payment rules have been summarised.

Section 18 – Petty Cash, Floats and Project Advances

- The operational procedure for cash requests has been updated to reflect the use of digital requests and the removal of paper records.
- The requirement to take account of the 2013 Audit Scotland report on '*Managing early departure from the Public Sector*' has been removed as the content of the Audit Scotland report is now included in the SPFM.

Section 21 – Assets

- The section on lease/rental of property has been updated to reflect the requirement for any lease/rental values in excess of £250,000 to be approved by the Asset and Infrastructure & Finance and General Purposes Committee. Agreements in excess of £500,000 will require Board of Management approval. The wording reflects the level of procurement thresholds already approved by the Board of Management and which are in operation.

Equality Impact Assessment

- This will be completed following the review by the Finance and General Purposes Committee.

3. Conclusion and Next Steps

- 3.1 The Finance and General Purposes Committee are requested to consider the revised College Finance Regulations and approve the document to the Board of Management.

Policy & Procedure	Financial Regulations
Policy Area	Finance
Version Number	12 <u>1</u>
Approving Committee	Board of Management
Date of Approval	November 2019 <u>September 2020</u>
Date of Equality Impact Assessment	September 2018
Date of Next Review	November 2021 <u>September 2021</u>
Responsible Senior Manager	Director of Finance and Estates <u>Finance</u>

History of Amendments

Date	Version	Summary of changes
	4	Changes to reflect revised college sector status arising from ONS reclassification of Colleges.
	5	Revisions to take account of Internal Audit report June 2015 ' <i>Review of Financial Regulations and Audit Committee Remit</i> '.
	6	Several changes to reflect revised Finance Department structure and a new Head of Service.
February 2017	7	Changes reflecting impact of revised procurement legislation, banking arrangements and minor administrative changes.
February 2018	8	Changes to reflect revised EU Procurement threshold values.
September 2018	9/10	Changes based on updated guidance and rationalisation of document content.
November 2019	11	Updated to current operating procedures and clarification of procurement operations.
<u>August 2020</u>	<u>12</u>	<u>Changes to reflecting new structure and updated guidance operating procedures</u>

Policy Statement

The current approved version of the College Financial regulations is published on the West College Scotland staff intranet. Any revised version becomes effective as soon as it is published on the staff intranet.

Template documents and procedures associated with [these Regulations](#) ~~this policy~~ can be accessed through the Staff Intranet.

Equality Statement

The College is committed to providing equal opportunities to ensure students, staff, customers and visitors are treated equally regardless of gender reassignment, race, religion or belief; disability; age; marriage and civil partnerships; pregnancy and maternity; sexual orientation; sex.

Please note this document is available in other formats, which can be requested by sending an email to finance@wcs.ac.uk info@wcs.ac.uk

Contents

A	GENERAL PROVISIONS	9
1	<i>Introduction</i>	9
2	<i>Financial Regulations – Status and Context</i>	10
B	CORPORATE GOVERNANCE	12
3	<i>The Board of Management.....</i>	12
4	<i>The Principal and Chief Executive</i>	14
5	<i>Committee Structure</i>	15
6	<i>Financial Responsibility of Staff.....</i>	16
6.1	Executive Team	16
6.2	Vice Principal Operations	16
6.3	Director of Finance	16
6.4	Assistant Principals and Directors.....	17
6.5	All members of staff	17
7	<i>Risk Management.....</i>	18
8	<i>Whistleblowing.....</i>	20
9	<i>Code of Conduct.....</i>	21
9.1	Receiving and Making of Gifts or Hospitality.....	21
C	FINANCIAL MANAGEMENT AND CONTROL	23
10	<i>Financial Planning.....</i>	23
10.1	Responsibility.....	23
10.2	Budget Objectives.....	23
10.3	Resource Allocation	23
10.4	Budget Process	23
10.5	Budget Review	24
10.6	Capital Expenditure	24

10.7	Estate Development Programme.....	25
10.8	Other Major Developments Including Overseas Activity	25
11	<i>Financial Control</i>	26
11.1	Budgetary control.....	26
11.2	Financial information.....	26
11.3	Changes to the approved budget.....	26
11.4	Virement.....	27
11.5	Carry forward of budgets	27
12	<i>Accounting Arrangements</i>.....	28
12.1	Financial Year	28
12.2	Basis of accounting	28
12.3	Format of the financial statements.....	28
12.4	Capitalisation and depreciation.....	29
12.5	Accounting Records	30
12.6	Public Access	31
12.7	European Structural Funds Funded Projects.....	31
12.8	Taxation	31
13	<i>Audit Requirements</i>	33
13.1	General	33
13.2	SFC.....	33
13.3	External audit.....	33
13.4	Internal audit	34
13.5	Other audit services.....	36
13.6	Fraud, Bribery and Corruption.....	36
13.7	Value for Money.....	38
13.8	Other Auditors.....	39
14	<i>Cash Management</i>.....	40

14.1	Cash Management Policy	40
14.2	Borrowing	40
14.3	Banking Arrangements.....	40
14.5	Investments	41
15	<i>Income</i>.....	42
15.1	General	42
15.2	Repayment of SFC Grant	42
15.3	Maximisation of Income	43
15.4	Tuition Fees.....	43
15.5	Receipt of Cash and Cheques	43
15.6	Receipts by credit or debit card	43
15.7	Collection of Debts	44
15.8	Student Fees.....	45
16	<i>Other Income-Generating Activity</i>	46
16.1	Private Consultancies and Other Paid Work.....	46
16.2	Off-Site Collaborative Provision	46
16.3	European Union (EU) and other Matched Funding	47
16.4	Profitability and Recovery of Overheads.....	47
16.5	Donation of surplus funds to arms-length foundations	48
16.6	Deficits.....	48
16.7	Additional Payments to Staff.....	48
17	<i>Expenditure</i>	49
17.1	General	49
17.2	Scheme of Delegation/Financial Authorities	49
17.4	Credit Cards.....	52
17.5	Procurement	53
17.6	Scottish and EU Procurement Regulations	54

17.7	Quotations and Tenders.....	55
17.8	Building Contracts.....	58
17.9	Receipt of Goods and Services.....	59
17.10	Payment of invoices	59
17.11	Staff Reimbursement.....	60
17.12	Late Payment Rules	61
17.13	Losses and Special Payments	61
17.14	Bankruptcy / Liquidation / Receivership.....	63
18	<i>Petty Cash, Floats and Project Advances.....</i>	64
18.1	Cash Requests	64
18.2	Floats	64
18.2	Project Advances	65
19	<i>Checking Financial Transactions</i>	66
20	<i>Pay Expenditure</i>	67
20.1	Remuneration Policy.....	67
20.2	Appointment of Staff	67
20.3	Salaries and Wages	67
20.4	Pension Schemes	68
20.5	Travel, subsistence and Other Allowances	69
20.6	Non-salary Rewards.....	69
20.7	Overseas Travel	70
20.8	Travel and Expenses for Members of the Board of Management.....	70
20.9	Severance and Other Non-Recurring Payments.....	70
21	<i>Assets</i>	72
21.1	Overall Responsibility	72
21.2	Land, buildings, fixed plant and machinery	72
21.3	Fixed Asset Register	72

21.4	Inventories	73
21.5	Stocks and Stores.....	73
21.6	Safeguarding Assets.....	74
21.7	Personal Use.....	74
21.8	Asset Disposal	74
21.9	Impairments, Provisions and Write-Offs	75
21.10	All Other Assets.....	75
22	<i>Funds Held on Trust.....</i>	76
22.1	Gifts, Benefactions and Donations.....	76
22.2	Student Support Funds	76
23	<i>Other</i>	77
23.1	Maladministration.....	77
23.2	Insurance	77
23.3	Companies and Joint Ventures	78
23.4	Security.....	79
23.5	Contingent Commitments	80
23.6	Students' Association.....	80
23.7	Provision of Indemnities	81
24	<i>Intellectual Property Rights and Patents.....</i>	82
24.1	General	82
24.2	Patents.....	82
24.3	Intellectual Property Rights.....	82
24.4	Intellectual Property Rights by Students.....	83
Appendix 1: The Seven Principles of Public Life.....		84
Appendix 2: Summary of Protocols for Proposed Projects.....		85
Equality Impact Assessment.....		86

Relevant Documents and Organisations

Noted below are several documents and organisations referred to throughout the Financial Regulations. The relevant weblink is also included to ensure the most up to date documents are available to the users of these Regulations.

Relevant Documents	
FM	SFC Financial Memorandum with Fundable Bodies in the College Sector http://www.sfc.ac.uk/web/FILES/Guidance_Governance/Financial_Memorandum_with_the_College_Sector_-_1_December_2014.pdf
FReM	Financial Reporting Manual https://www.gov.uk/government/publications/government-financial-reporting-manual-2018-to-2019 https://www.gov.uk/government/publications/government-financial-reporting-manual-2020-21
SPFM	Scottish Public Finance Manual https://www.gov.scot/Topics/Government/Finance/spfm/Intro
Audit Code	Audit Scotland Code of Audit Practice https://www.audit-scotland.gov.uk/docs/corp/2011/110520_codeofauditpractice_bw.pdf https://www.nao.org.uk/code-audit-practice/wp-content/uploads/sites/29/2020/01/Code_of_audit_practice_2020.pdf
SORP	Statement of Recommended Practice (SORP): Accounting for Further and Higher Educational Institutions https://www.universitiesuk.ac.uk/policy-and-analysis/reports/Pages/statement-of-recommended-practice-2019.aspx
Risk Management Strategy	College Risk Management Strategy https://www.westcollegescotland.ac.uk/college/about-us/publication-policies/
Whistleblowing Policy	Public Interest Disclosure (Whistleblowing) Policy and Procedure https://www.westcollegescotland.ac.uk/media/151856/public-interest-disclosure-policy-and-procedure-approved-sept-2017.pdf
Procurement Journey	Scottish Government Procurement Journey https://www.procurementjourney.scot/
Procurement Thresholds	Procurement Thresholds https://www.gov.scot/publications/eu-procurement-thresholds/ https://www.gov.scot/publications/new-eu-procurement-thresholds-from-1-january-2020/
Relevant Organisations	
SFC	Scottish Further and Higher Education Funding Council http://www.sfc.ac.uk/
ONS	UK Office of National Statistics https://www.ons.gov.uk/
SG	Scottish Government https://www.gov.scot/
OSCR	Office of Scottish Charity Regulator https://www.oscr.org.uk/

A GENERAL PROVISIONS

1 Introduction

- 1.1 The College was created under the provisions of the Further and Higher Education Act (Scotland) 1992 and was designated a Regional College under the Post-16 Education (Scotland) Act 2013. The College structure of governance is laid down in the instrument and articles of government, which may only be amended by application to the First Minister for Scotland. The College is accountable through its Board of Management which has ultimate responsibility for the effectiveness of its management and administration.
- 1.2 The College is an exempt charity by virtue of the Charities and Trustees Investment (Scotland) Act 2005. [The College](#) with charity number is SCO21185 as registered with the Office of the Scottish Charity Regulator (OSCR).
- 1.3 The Scottish Funding Council (SFC) is the national strategic body which is responsible for funding teaching and learning provision, research and other activities in Scotland's colleges, universities and higher education institutions.
- 1.4 The Financial Memorandum between the SFC and the College sets out the terms and conditions [under](#) which grant funding is made available. The Board of Management is responsible for ensuring that SFC conditions of grant are met. As part of this process, the College must adhere to the SFC's [Regional](#) Outcome Agreement ([ROA](#)); the SFC Financial Memorandum (FM); the Scottish Government's Scottish Public Finance Manual (SPFM) (except where any special actions or derogations have been agreed with Scottish Ministers) and the SFC's Audit Code of Practice, which requires sound systems of financial and management control. The Financial Regulations of the College form part of this overall system of accountability and control and more information on wider regulatory documents is contained in Section 2.7.

2 Financial Regulations – Status and Context

- 2.1 To conduct business effectively, the College needs to ensure that it has sound financial management systems in place and that these systems are strictly adhered to. Part of this process is the establishment of Financial Regulations which set out the financial policies of the College.
- 2.2 The purpose of the Financial Regulations is to provide control over the totality of College resources and provide management with assurances that these are being properly applied in an accountable manner which:
- Maintains financial sustainability;
 - Achieves value for money;
 - Fulfils the responsibility for the provision of effective financial controls over the use of public funds;
 - Ensures compliance with all relevant legislation; and
 - Safeguards the assets of the College.
- 2.3 The Financial Regulations of the College form part of the overall organisational system of accountability and are subordinate to the College’s instruments and articles of government and to any restrictions contained within the SFC FM. The SFC’s interpretation of the FM will be final.
- 2.4 Compliance with College Financial Regulations is compulsory for all College staff, members of the Board of Management and members of Board of Management Committees. Any non-compliance with the Financial Regulations may be subject to disciplinary action. The Board of Management will be notified of such breaches as required through the Audit Committee.
- 2.5 The Finance and General Purposes Committee is responsible for reviewing the College Financial Regulations, through the ~~Director of Finance and Director of Finance-Estates~~, and for advising the Board of Management of any ~~additions or~~ changes necessary.

2.6 In exceptional circumstances the Finance and General Purposes Committee ~~Board of Management Committee~~ may authorise a departure from the detailed provisions herein. Such departure must be reported to the Board of Management at the earliest opportunity.

2.7 The Financial Regulations should be read in conjunction with relevant guidance on accountability and propriety issued by the following bodies:

- The SFC – Financial Memorandum; Regional Outcome Agreement and wider funding guidance
- Audit Scotland – Audit Code of Practice; Internal Audit Manual
- National Audit Office or the Scottish Parliament Public Audit and Post-legislative Scrutiny Committee
- The UK Government - Financial Reporting Manual
- SORP Board - Statement of Recommended Practice (SORP): Accounting for Further and Higher Educational Institutions
- Scottish Government – Scottish Public Finance Manual.

[Page 8 of this document provides links to the relevant guidance issued by these bodies.](#)

B CORPORATE GOVERNANCE

3 The Board of Management

3.1 The Board of Management will meet the principles of good governance set out in the Good Governance Code for [Scotland's Scottish](#) Colleges, and the wider principles identified within these Financial Regulations.

3.2 The Board of Management is responsible for the management and administration of the College to ensure the provision of education that meets the needs of students, communities and partners. College financial responsibilities are to ensure that:

- Public funds are used in accordance with relevant legislation, the requirements of the SFC Financial Memorandum and for the purpose(s) which they are intended. Strategic, capital and other grant funding should only be used for the purposes for which it is provided by SFC;
- Subject to any legal requirement to observe confidentiality, the College will be open and transparent with the SFC and other stakeholders, and will give, or be prepared to give, a public justification of its decisions in relation to the use of public funds.
- The College strives to achieve best value and is economical, efficient and effective in the use of public funding;
- There is effective planning and delivery of the institution's activities in accordance with its mission and its [Regional](#) Outcome Agreement agreed with SFC;
- The College plans and manages its activities to remain sustainable and financially viable. A College is being managed on a sustainable basis if, year on year, it generates enough income to cover its costs and allow for maintenance of and investment in its infrastructure (physical, human and intellectual) at a level which enables it to maintain adaptive capacity necessary to meet future demands.
- The College has a sound system of internal management and control, including an audit committee, an effective internal audit service, and adequate procedures to prevent fraud or bribery;
- The College has an effective policy of risk management and risk management arrangements;

- The College has regular, timely, accurate and adequate information to monitor performance and account for the use of public funds. Such information will be made available to SFC on request, as necessary, for the exercise of its functions and to gain assurance;
- The College is engaged actively in continuously enhancing the quality of its activities and involves students and other stakeholders in these processes.

3.3 The Board of Management's financial responsibilities are also to:

- approve the [College](#) strategic plan and SFC Regional Outcome Agreement;
- approve the annual audit report and financial statements;
- appoint, grade and determine the pay and conditions of service of the Principal;
- approve the appointment of the internal audit service;
- approve an annual budget, financial plans and regulations;
- approve the acquisition and disposal of property, subject the SFC approval; and
- determine tuition fees.

4 The Principal and Chief Executive

- 4.1 The Principal is accountable directly to the Board of Management for the proper conduct of the College's affairs. The Principal is also accountable directly to the SFC's Accountable Officer for the College's proper use of funds deriving from Scottish Ministers and compliance with the requirements of the SFC's Financial Memorandum. The Principal may be required to justify any of the College's financial matters to the Scottish Parliament Public Audit and Post-Legislative Scrutiny Committee. In particular, the College Articles of Governance charge the Principal with responsibility:
- for ensuring the proper and effective operation of financial, planning and management controls, and for giving effect to the Board's policies for securing the efficient, economical and effective management of all the College's income, assets and expenditure;
 - arranging for presentation to the Board for approval an Annual Budget of income and expenditure, and to give regular updates on income and expenditure account, balance sheet and cash flow statements; and
 - arranging for the preparation, audit and presentation to the Board the Accounts following the end of each financial year in compliance with the requirements of the Accounts Direction and encompassing Audit Scotland and the Scottish Funding Council direction.
- 4.2 The Principal shall demonstrate oversight of financial matters by signing the Statement of Corporate Governance, ~~and Balance Sheet within~~ the College Annual Report and Financial Statements, and the declaration pages of the Financial Forecast Return (FFR) and Financial Statement Return submitted to the SFC.
- 4.3 The Principal must inform the SFC's Accountable Officer without delay of any circumstance that is having, or is likely to have, a significant adverse effect on the ability of the College to deliver its education programmes, and other related activity, including delivery of the Regional Outcome Agreement with the SFC. The Principal must also notify SFC's Accountable Officer of any serious weakness, such as a significant and immediate threat to the institution's financial position, significant fraud or major accounting breakdown or any material non-compliance with any requirement of the SFC's Financial Memorandum.

5 Committee Structure

5.1 The Board of Management has ultimate responsibility for College financial matters but has delegated specific powers and processes to College Committees as detailed below. These Committees are accountable to the Board of Management and are as follows:

- Audit Committee
- Human Resources and Corporate Development Committee
- Asset and Infrastructure ~~Estates~~ Committee
- Finance and General Purposes Committee
- Learning, Teaching and Quality Committee
- ~~Organisational Development and Human Resource Committee~~
- Nominations Committee
- Remuneration Committee

5.2 The College Articles of Governance outline the purpose and scope of these Committees. A full listing of these Board Committees, their remits and respective delegated authority is available on the College intranet (<https://www.westcollegescotland.ac.uk/college/about-us/board-of-management/>) or from the Secretary to the Board who can be contacted at Shirley.gordon@wcs.ac.uk

6 Financial Responsibility of Staff

6.1 Executive Team

The Executive Team of the College – which incorporates the Principal and Vice Principals - is responsible for the operational and financial management of the areas and activities they manage and control. They are advised by the ~~Director of Finance and~~ Director of Finance Estates on financial matters. The Executive Team is ultimately responsible for establishing and maintaining clear lines of responsibility within the areas they manage for all operational and financial matters including the delegation of day to day budget control to other budget managers and team leaders. The Executive Team shall provide the Director of Finance ~~and~~ Estates Planning with such information as may be required to enable:

- compilation of the College's financial statements;
- implementation of financial planning and budgeting; and
- implementation of audit and financial reviews, projects and value for money

6.2 Vice Principal Operations

The Vice Principal Operations is responsible for strategic financial management and direction and advice to the Board, Principal and the Senior Management Team.

6.3 ~~Director of Finance and~~ Director of Finance Estates

Day-to-day financial administration is managed and controlled by the ~~Director of Finance and~~ Director of Finance Estates, who is responsible to the Vice Principal Operations for:

- preparing annual revenue and capital budgets and financial plans;
- preparing monthly and/or quarterly accounts, management information, monitoring and control of expenditure against budgets and all financial operations;
- preparing the College's annual accounts and other financial statements which the College is required to submit to other authorities;
- ensuring that the College maintains satisfactory financial systems;
- providing professional advice on all matters relating to financial strategy and planning,
- providing cash and resource returns to the SFC; and
- liaising with the internal and external auditors to implement audit strategies.

The ~~Director of Finance and Director of Finance Estates~~ will be assisted in carrying out these duties by the Head of Finance and Student Funding.

6.4 Assistant Principals and Directors

These budget holders are responsible to the Vice Principals or Principal (depending on the reporting structure of their roles) for the financial management of the areas and activities they manage and control. They are advised by the ~~Director of Finance and Director of Finance Estates~~ in executing their financial duties. The Director of ~~Finance and Estates~~ Finance will also supervise and approve the financial systems operating within their departments, including the form in which accounts and financial records are kept. Assistant Principals and Directors are responsible for establishing and maintaining clear lines of responsibility within their departments for all financial matters. Where resources are devolved to other budget holders, they are accountable to their Director or Manager for their own budget.

6.5 All members of staff

All members of staff should:

- be aware of and have a general responsibility for the security of College property, for avoiding loss and for due economy and best value in the use of resources.
- ensure they are aware of the College's delegated authority limits, the value of purchases for which quotations and tenders are required and the associated procurement procedures;
- make available any relevant records or information to the Director of ~~Finance and Estates~~ Finance or their authorised representative in connection with the implementation of College financial policies, these Financial Regulations and the system of financial control;
- provide the Director of ~~Finance and Estates~~ Finance and/or Vice Principal Operations with such financial and other information as they may deem necessary, from time to time, to carry out the requirements of the Board of Management; and
- immediately notify the Director of ~~Finance and Estates~~ Finance whenever any matter arises which involves, or is thought to involve, irregularities concerning, *inter alia*, cash or property of the College. The Director of ~~Finance and Estates~~ Finance shall take such steps as ~~they~~ they considered necessary by way of investigation and report.

7 Risk Management

7.1 The delivery of College objectives is surrounded by uncertainty which poses both threats to success and offers opportunity for improved outcomes. Risk is defined as uncertainty of outcome, whether positive opportunity or negative threat of actions and events.

7.2 In considering risk, the College must recognise the environment within which it operates as a non-departmental public body. This environment includes compliance with the Scottish Public Finance Manual which requires that it is *“...necessary to develop a framework for assessing risks that evaluates both the likelihood of the risk being realised, and of the impact if the risk is realised. Risk assessment should be recorded in a way that demonstrates clearly the key stages of the process.”*

7.3 The SFC Financial Memorandum requires that the Board of Management complies with the principles of good governance set out in the Code of Good Governance for Scotland’s Colleges. The SFC also requires the governing body to ensure that:

- The College has an effective policy of risk management and risk management arrangements;
- Internal audit must provide the governing body and senior management of the College with an objective assessment of adequacy and effectiveness of risk management, internal control, governance and value-for- money; and
- The College undertakes careful appraisal of ~~the~~ risks before accepting any contingent liability.

7.4 The College Risk Management Strategy therefore takes account of the requirements of the SFC Financial Memorandum and SPFM and is subject to independent review by auditors.

7.5 A detailed College risk register is maintained to record risks and how they may be mitigated. In line with the College Corporate Strategy, the Board of Management requires that the Risk Management Strategy and supporting documentation include:

- the adoption of common terminology in relation to the definition of risk and risk management;

- the establishment of College-wide criteria for the measurement of risk, linking the threats to their potential impact and the likelihood of their occurrence, together with a sensitivity analysis;
- a decision on the level of risk to be accepted (risk appetite), together with tolerance levels expressed in terms of measurable outcomes;
- a decision on the level of risk to be covered by insurance;
- regular review at Teaching and Support Department level to identify significant risks associated with the achievement of key objectives and other relevant areas;
- development of risk management and mitigation plans for all significant risks, to include a designated 'risk owner' who will be responsible and accountable for managing the risk in question;
- regular reporting to the Board of Management of all identified risks; and
- an annual review of the implementation of risk management arrangements.

8 Whistleblowing

- 8.1 Whistleblowing in the context of the Public Interest Disclosure Act is the disclosure by an employee (or other party) about malpractice or potential instances of malpractice in the workplace. An individual can raise matters about a crime, civil offences (including negligence and breach of contract), miscarriage of justice, danger to health and safety or the environment, breach of the financial regulations and/or the cover-up of any of these matters. It does not matter whether the information is confidential, and the whistleblowing can extend to malpractice occurring in the United Kingdom and any other country or territory.
- 8.2 Normally, any concern about a workplace matter at the College should be raised by a member of staff with their line manager(s). However, the College recognises that the seriousness or sensitivity of some issues, together with the identity of the person the member of staff thinks may be involved, may make this difficult. If the member of staff does not wish to raise the matter in this way, it may be raised with a member of the SMT. If the concern relates to a member of the SMT the concern can be reported to the Principal. Any concerns that relate to the Principal can be raised with the Chair of the Board of Management via the Secretary to the Board [who can be contacted via email at shirley.gordon@wcs.ac.uk](mailto:shirley.gordon@wcs.ac.uk).
- 8.3 Detailed guidance on this is provided by the College Public Interest Disclosure (Whistleblowing) Policy and Procedure <https://www.westcollegescotland.ac.uk/media/151856/public-interest-disclosure-policy-and-procedure-approved-sept-2017.pdf>

9 Code of Conduct

The College is committed to the highest standards of openness, integrity and accountability. It seeks to conduct affairs in a responsible manner, having regard to the principles established by the Committee on Standards in Public Life adopted and advocated by the Scottish Government. All Governing Body members and members of staff are expected to observe these principles as set out at Appendix 1.

Board members are also charity trustees and as such are subject to obligations imposed by charity legislation and Office of Scottish Charity Regulator (OSCR).

Members of the Board of Management and all staff members are also required to disclose interests in the College Register of Interests maintained by the Secretary to the Board and the Director of ~~Finance and Estates~~Finance. It is the responsibility of individual Board of Management members and staff to ensure that entries in the register relating to them are kept up to date regularly and promptly as required.

No person shall participate in a College procurement or be a signatory to a College contract where they have an interest in the activities of the other party.

9.1 Receiving and Making of Gifts or Hospitality

A gift is something voluntarily given or donated without the expectation of receiving anything in return and generally without preconditions. In the context of this guidance gifts received can be defined as the donation of cash or other resources or invitations to events with a current market value.

It is an offence under the Prevention of Corruption Act 1906 and the Bribery Act 2010 for Board members, members of Board Committees and members of staff to accept any gift or consideration as an inducement or reward for doing, or refraining from doing, anything in an official capacity or showing favour or disfavour to any person in an official capacity.

The guiding principles to be followed by Board members, members of Board Committees and all members of staff are:

- the conduct of individuals should not create suspicion of any conflict between their official duty and their private interest; and

- the action of individuals acting in an official capacity should not give the impression to any member of the public, to any organisation with whom they deal or to their colleagues - that they have been, or may have been, influenced by a benefit to show favour or disfavour to any person or organisation.

Thus, Board of Management members, Board of Management Committee members and staff should not accept any gifts, rewards or hospitality - or have them given to members of their families - from any organisation or individual with whom they have contact in the course of their work that would cause them to reach a position whereby they might be, or might be deemed by others to have been, influenced in making a business decision as a consequence of accepting such gifts, rewards and/or hospitality. When it is not easy to decide between what is and what is not acceptable in terms of gifts or hospitality, the offer should be declined, or advice sought from the Director of ~~Finance and Estates~~Finance.

All Board of Management members, Board of Management Committee members and staff in receipt of gifts or hospitality are obliged to promptly notify, by email, the Director of ~~Finance and Estates~~Finance where the value of any gift or hospitality is in excess of £25.

Before any gifts with a value over £25 are made by the College or members of College staff, prior written approval requires to be obtained from the Principal or a Vice Principal.

C FINANCIAL MANAGEMENT AND CONTROL

10 Financial Planning

10.1 Responsibility

The Director of ~~Finance and Estates~~Finance is responsible for preparing annually a rolling ~~threefive-year~~ medium term strategic financial forecast for approval by the Board of Management and for submitting a financial forecast return and cash forecast to the SFC. Financial plans should be consistent with the strategic plans approved by the Board of Management.

10.2 Budget Objectives

The Board of Management will from time to time, set budget objectives for the College. These will assist the Vice Principal Operations and the Director of ~~Finance and Estates~~Finance in preparing the financial plans for the College.

10.3 Resource Allocation

Resources are allocated annually by the Board of Management on the recommendation of the Finance and General Purposes Committee and based on the above objectives (10.2). The Senior Management Team is responsible for the economic, effective and efficient use of resources allocated to them.

10.4 Budget Process

The Director of ~~Finance and Estates~~Finance is responsible for preparing annually:

- a detailed budget for the forthcoming financial year, for approval by the Board of Management on the recommendation of the Finance and General Purposes Committee;
- a 12-month cash flow forecast, and balance sheet based on the annual SFC funding allocation and the 12-month budget;
- a list of major assumptions used in arriving at the budget and forecast;
- scenario plans to address potential material movements in the above assumptions and how the College would respond to these movements;
- a Financial Forecast Return (FFR) for submission to the SFC; and
- a medium term ~~threefive-year~~ financial forecast.

Financial plans should be consistent with the SFC Regional Outcome Agreement, the

College Corporate Plan and any other relevant College strategy documents as approved by the Board of Management. Following approval by the Board of Management the budget will be communicated to budget holders as soon as possible.

10.5 Budget Review

During the year the Director ~~Finance and Estates~~ of Finance is responsible for submitting a revised Statement of Comprehensive Income and Expenditure Profit and Loss account forecast, cash flow forecast and projected year-end balance sheet to the Finance and General Purposes Committee for consideration before submission to the Board of Management for approval as required.

10.6 Capital Expenditure

Capital expenditure includes all expenditure on land, buildings, equipment, furniture and associated costs, whether they are funded from capital grants or capitalised for inclusion in the College's financial statements.

Where the College receives capital grant funding from the SFC, the Director of Infrastructure in conjunction with the Director of Finance ~~Finance and Estates~~ will establish protocols with the College Executive for the inclusion of capital projects in a capital programme for approval by the Board of Management. These protocols will set out the information that is required for each proposed capital project as well as the financial criteria that they are required to meet.

The Director of Infrastructure ~~Finance and Estates~~ will also establish procedures for the approval of any variations arising in relation to capital projects, including the notification of variations to the Scottish Funding Council, as laid down in Scottish Funding Council guidelines. The Director of Infrastructure ~~Finance and Estates~~ is responsible for providing regular statements concerning all capital expenditure to the Board of Management for monitoring purposes.

Following completion of any major capital project with a value in excess of £500,000, a post-project evaluation requires to be submitted to the Board of Management including the actual expenditure against budget and reconciling funding arrangements where a variance has occurred as well as any other issues affecting completion of the project.

Where a project has a value in excess of £3m the SFC requires a formal post occupancy evaluation to be undertaken and submitted for review. Further guidance on the form and content of this type of review can be found at:

<http://www.sfc.ac.uk/web/FILES/Guidance/Post-Occupancy-Evaluation-Guidance.pdf>

10.7 Estate Development Programme

The estate development programme includes all expenditure on land, buildings, equipment, furniture and associated costs normally funded by SFC maintenance grants or from College funds. Expenditure of this type is approved by the Senior Management Team normally at the start of each year.

The Director of ~~Infrastructure Finance and Estates~~ will establish protocols with the College Executive for the creation of the estate development programme. These will set out the information that is required for each proposed project as well as the financial criteria that they are required to meet. The Director of ~~Infrastructure Finance and Estates~~ is responsible for providing regular statements concerning all estate development expenditure to the Senior Management Team, for monitoring purposes.

10.8 Other Major Developments Including Overseas Activity

Any new aspect of business, or proposed establishment of a company or joint venture, which will require an investment of more than £250,000 must be presented for approval to the Finance and General Purposes Committee. The College must have due regard to the relevant guidelines issued by the SFC.

The Director of ~~Finance and Estates~~Finance will establish protocols for any such major developments proposed, to enable them to be considered for approval. These will set out the information that is required for each proposed development including a business plan, using a risk-based approach which considers matters of ownership, accountability and governance, as well as the financial criteria that requires to be met.

11 Financial Control

11.1 Budgetary control

The control of income and expenditure within an agreed budget is the responsibility of the budget holder, who must ensure that monitoring is undertaken effectively. Budget holders are responsible to their Director/Assistant Principal for the income and expenditure appropriate to their budget. The Accountant allocated to the budget holder will ensure that they receive training in the use of the [College](#) finance system to allow them to actively monitor income and expenditure. Significant variances from agreed budgetary targets must be reported immediately to the Director of ~~Finance and Estates~~[Finance](#) by the budget holder concerned and, if necessary, corrective action taken.

A budget holder may delegate their overall budget or a proportion of it to delegated budget holders, subject to the approval of the Director of ~~Finance and Estates~~[Finance](#). In this situation the budget holder and the delegated budget holder are both responsible for ensuring they have awareness of the requirements of the Financial Regulations.

11.2 Financial information

Budget holders are assisted in their duties by management information provided by the Finance Department. The Vice Principal Operations is responsible for supplying budgetary reports on all aspects of College finances to the Finance and General Purposes Committee. These reports are then presented to the Board of Management as required, which has overall responsibility for College finances.

11.3 Changes to the approved budget

Changes proposed to the approved overall College budget surplus / (deficit) will be first considered by the Finance and General Purposes Committee, which will make proposals to the Board of Management as required.

11.4 Virement

The virement of budgets must not lead to any net change in the overall annual budget for the College. Virement between budgets is permitted as set out below:

Movement	Authority
Between staff and non-staff budgets	Director Finance and Estates <u>of Finance</u> and or Head of Finance and Student Funding.
Non-staff budgets under a budget holder	Accountant
Between non-staff budgets <£25,000	Principal Accountant
Between non-staff budgets >£25,000 to £100,000	Principal Accountant and Head of Finance and Student Funding
Between non-staff budgets >£100,001	Director of Finance and Estates <u>Finance</u> and Head of Finance and Student Funding

11.5 Carry forward of budgets

The carry forward of balances of any budget from one year to another is not permitted.

12 Accounting Arrangements

12.1 Financial Year

The College financial year will run from 1 August until 31 July the following year. ~~Although there is also a requirement, under government accounting, to prepare notional accounts for the SFC covering the period 1 April until 31 March.~~

12.2 Basis of accounting

The annual consolidated College financial statements are prepared on the historical cost basis of accounting modified by the revaluation of certain fixed assets, and in accordance with applicable accounting standards, the SFC Annual Accounts Directions and the Scottish Government SPFM.

The Accounts Direction issued by the Scottish Ministers via the SFC require that the annual accounts for a financial year shall:

- comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FRM), as approved by the Financial Reporting Advisory Board, which is in force for the financial year for which the accounts are prepared; and
- give a true and fair view of the state of the affairs of the College as at the end of the financial year, and of the net resource outturn, resources applied to objectives, recognised gains and losses, and cash flow.

12.3 Format of the financial statements

The financial statements are prepared in accordance with the current Statement of Recommended Practice (SORP): *Accounting for Further and Higher Education* and in accordance with applicable Accounting Standards, subject to any specific requirements of the SFC, and in accordance with the provisions of the Companies Act, as if that is appropriate.

12.4 Capitalisation and depreciation

Assets are recorded in the Balance Sheet at Ddepreciated rReplacement cCost for Land and bBuildings and at hHistoric cCost less depreciation for eEquipment in accordance with the Financial Reporting Manual. Buildings will be depreciated in equal instalments over their estimated remaining useful life, but subject to periodic revaluation. Land will not be depreciated.

Expenditure incurred on repair, refurbishment or extension of existing buildings will not be capitalised unless it can be demonstrated that the resultant value of the building, based on depreciated replacement value, is greater than the current book value.

Expenditure incurred on the acquisition of assets other than land and buildings will be recorded in the balance sheet where the acquisition cost including VAT per item is £5,000 or more. Ggrouped items - (for example e.g. a suite of computers -) with a group value of £5,000 or more, will also be capitalised. Capitalised assets other than land and buildings will be depreciated in accordance with the College's accounting financial policy on capitalised assets and depreciation.

Certain tangible assets will be revalued normally land and buildings. Where such a policy is adopted it will be applied consistently to all tangible fixed assets of the same class, and the carrying amount should be the current asset value. A full valuation of land and buildings will take place at least every 5 years with an interim valuation in year 3.

Where an asset is found to have suffered impairment, the prospective impairment and background must be communicated to the SFC at the earliest opportunity. Valuation advice as to the amount of the prospective impairment must be obtained from a suitably qualified Valuer who has enough current local and national knowledge of the market and the skills and understanding to undertake the valuation competently. In all cases, the Valuer used must be a professional member of an appropriate body, such as the Royal Institution of Chartered Surveyors or the Institute of Revenues Rating and Valuation.

Depreciation periods will be set as follows:

Asset Class	Depreciation period
Land	Nil
Buildings	5 to 50 years
Leasehold property	Length of lease
Plant and equipment	3 to 10 years
Computers	3 years
Motor vehicles	3 years

12.5 Accounting Records

The Director of ~~Finance and Estates~~Finance is responsible for the retention of financial records. These should be kept in a form that is acceptable to the relevant authorities. Guidance on the retention of financial records which may be required in connection with the preparation and audit of accounts is set out in the SPFM.

The College is required by law to retain certain key documents for six years plus [the](#) current years. This list is not exhaustive but includes:

- official purchase orders
- paid invoices /cheques
- accounts raised
- bank statements
- copies of receipts
- payroll records

The Director of ~~Finance and Estates~~Finance will make appropriate arrangements for the retention of electronic financial records. Staff should ensure that retention arrangements comply with any specific requirements of external funding organisations. For auditing and other purposes, all financial documents should be retained for at least three years.

12.6 Public Access

Under the terms of the Freedom of Information (Scotland) Act 2002, the Board of Management is required to supply any person with a copy of the College's most recent financial statements within twenty working days of a request after such date as which the financial statements have been laid before and approved by the Scottish Parliament. The College will also make available the Annual Report and Financial Statements on the College's website. A printed copy will be available on request to the College. Previous annual financial statements are also available on the College website or by request [to the Secretary to the Board who can be contacted via email at Shirley.gordon@wcs.ac.uk-](mailto:Shirley.gordon@wcs.ac.uk)

12.7 European Structural Funds Funded Projects

An important aspect of European Structural Funds is the retention of all project records, in order to demonstrate a clear and transparent audit and procurement trail. Documentation relating to ESF funded projects will be retained by the relevant [College](#) department for the prescribed period.

12.8 Taxation

The activities of government and public bodies can give rise to tax liabilities, either directly on their own account or through contracts with other bodies where the tax system influences the terms of contracts. In assessing cost effectiveness in activities where tax considerations might be important, it should be borne in mind that savings arising from tax mitigation may arise at the expense of other taxpayers, or other parts of the public sector.

All individuals who qualify as employees for tax purposes must be paid through the [College](#) payroll system with tax deducted at source. No payment arrangements should be put in place that could be perceived, reasonably, as seeking to minimise the tax liability of either the individual or the paying organisation concerned.

Proposals to put in place non-standard tax management arrangements must be approved in advance by the SFC. The Director of ~~Finance and Estates~~[Finance](#) is responsible for advising managers, in the light of guidance issued by the appropriate bodies and relevant legislation as it applies, on all taxation issues, to the College.

Therefore, the Director of ~~Finance and Estates~~[Finance](#) will issue guidance and

instructions to departments as required on compliance with statutory requirements, including those concerning VAT and other corporate taxes. The Director of Organisational Development and HR is responsible for guidance on PAYE and National Insurance.

The Director of ~~Finance and Estates~~Finance is responsible for maintaining College tax records, making all tax payments, receiving tax credits and submitting tax returns by their due date as appropriate.

13 Audit Requirements

13.1 General

External auditors and internal auditors have authority to:

- access College premises at reasonable times;
- access all assets, records, documents and correspondence relating to any financial and other transactions of the College;
- require and receive such explanations as are necessary concerning any matter under examination;
- require any employee of the College to account for cash, stores or any other College property under [their](#) ~~his or her~~ control; and
- access records belonging to third parties, such as contractors, when required.

The Director of ~~Finance and Estates~~[Finance](#) is responsible for drawing up a timetable for the audit of the financial accounts and will advise the staff and the external auditors accordingly. A joint meeting of the Audit and Finance and General Purposes Committees, chaired by the Chair of the Audit Committee, will review the annual College Financial Statements. On their recommendation, the annual College Financial Statements will be submitted to the Board of Management for approval.

13.2 SFC

Where appropriate, the College must provide data returns requested by the SFC in accordance with the deadlines and standards specified.

13.3 External audit

Under the terms of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland is responsible for the appointment of the external auditors for the College. The primary role of external audit is to report on the institution's financial statements and to carry out such examination of the statements and underlying records and control systems as are necessary to reach their opinion on the statements and to report on the appropriate use of funds.

The external auditor is entitled to receive all notices of and other communications relating to any meeting of the governing body which any member of the governing body is entitled to receive. They are also entitled to attend any such meeting and to be heard at any meeting which they attend, on any part of the business which concerns them as auditors.

The external auditor must also be entitled to attend the meeting of the governing body or other appropriate committee at which the College annual report and financial statements are presented. The College's appointed external auditor has the right of direct access to the Principal, /Chair of the Board of Management and the Audit Committee.

The external auditor is expected to attend, as a minimum, any meetings of the Audit Committee where relevant matters are being considered, such as planned audit coverage, the audit report on the financial statements and the audit management letter. It is the responsibility of the Secretary to the Board of Management to notify the external auditor of such meetings.

The external auditors, notwithstanding responsibilities to their clients, are expected to co-operate fully with any enquiries or routine monitoring that the SFC undertakes. The College must not in any way limit SFC's access to the College's external auditors.

13.4 Internal audit

The internal auditor is appointed by the Board of Management on the recommendation of the Audit Committee.

Internal audit provides an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. Internal audit provides an appraisal of the College's internal control system and takes the actions required to provide the Principal with a continuing assurance that College risk management, control and governance arrangements are adequate and effective. Internal audit assists the College accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. The operation and conduct of the internal auditors require to comply with Public Sector Internal Audit standards.

The Principal is responsible for ensuring that appropriate internal control systems exist within the College, and for deciding whether to accept and implement internal audit findings and recommendations. The Principal has overall responsibility for ensuring that prompt and effective action is taken on audit recommendations, and that the risks resulting from any inaction are recognised and accepted. The College's appointed internal auditor has the right of direct access to the Principal, Chair of the Board of Management and the Audit Committee.

Internal audit evaluates compliance with the College's internal control system - including relevant regulations, guidance and procedures - as part of the review process. However, the primary responsibility for monitoring compliance rests with operational areas and their line management, up to and including the Principal.

Entities or individuals involved in the external audit of the College should undertake non-external audit related work for the College only in exceptional circumstances.

The College must have in place an effective internal audit service. The operation and conduct of the internal audit service must conform to the professional standards of the Chartered Institute of Internal Auditors. For incorporated colleges and Regional Boards, the operation and conduct of internal audit must comply with Public Sector Internal Audit Standards and, where relevant, the SPFM.

The College must inform the SFC when an internal auditor is appointed and must inform SFC immediately if the internal auditor is removed or departs before the end of their term of office.

The internal audit service must provide the governing body and senior management of the College with an objective assessment of adequacy and effectiveness of risk management, internal control, governance, and value-for-money.

The internal audit service must extend its review over all financial and other management control systems, identified by the audit needs assessment process. Internal audit must cover all activities in which the College has a financial interest, including those not funded by SFC. It must include review of controls that protect the College in dealings with organisations such as subsidiaries or associated companies, ~~a~~Arms-length ~~f~~Foundations, the Students Association, collaborative ventures and/or joint ventures with third parties.

The College appointed internal auditor will produce an annual report for the governing body on its' activities during the year. The report must include an opinion on the adequacy and effectiveness of the College's risk management, internal control, and governance. The report must be presented to the College's Audit Committee and subsequently to the Board of Management, and a copy sent to the SFC.

[The internal auditor is expected to attend, as a minimum, any meetings of the Audit Committee where relevant matters of internal reporting and control are being considered.](#)

13.5 Other audit services

The College, subject to the prior approval of the Audit Committee, can procure other audit services as required to comply with external funding or other stakeholder audit requirements.

13.6 Fraud, Bribery and Corruption

The College has made a clear commitment to ethical standards in public life through its ~~Anti-Bribery, Fraud~~ and Corruption Policy. A copy of this policy can be found on the College intranet: [-https://intranet.westcollegescotland.ac.uk/reference/policiesprocedures/Anti-Bribery%20and%20Corruption%20Policy.pdf-](https://intranet.westcollegescotland.ac.uk/reference/policiesprocedures/Anti-Bribery%20and%20Corruption%20Policy.pdf)

Fraud can be perpetrated by persons outside as well as inside an organisation and by collusion. The term fraud is commonly used to describe a wide variety of dishonest behaviour such as deception, forgery, false representation, and concealment of material facts. It is usually used to describe the act of depriving a person of something by deceit, which may involve the misuse of funds or other resources, or the supply of false information.

Computer fraud covers the use of information technology equipment to manipulate programs or data dishonestly – for example by altering, substituting or destroying records, or creating spurious records - or where the use of an IT system was a material factor in the perpetration of a fraud. The fraudulent use of computer time and resources is included in this definition.

All staff have a responsibility in relation to the prevention and detection of fraud, but the prime responsibility for designing, operating and reviewing control systems rests with the managers involved. Managers should consult the College finance function and internal audit where new control procedures are being set up or significant changes to existing procedures are being proposed.

Procedures set up to prevent and detect fraud must be carefully followed and monitored. Many frauds are due to failure to comply with existing control systems.

It is the duty of the Board of Management, Senior Management and all members of staff to notify the Director of ~~Finance and Estates~~Finance immediately whenever any matter arises which involves, or is thought to involve, irregularity, including fraud, corruption or any other impropriety. Further details can be found in the Anti-Fraud and Corruption Policy and Procedure and the Public Interest Disclosure (Whistleblowing) Policy and Procedure.

The ~~Director of Finance~~Director of Finance shall immediately invoke the fraud response plan, which incorporates the following key elements:

- the Principal and the Audit Committee (through its Chair) will be notified of the suspected irregularity and shall take such steps as considered necessary by way of investigation and report;
- the Principal shall inform the police if a criminal offence is suspected of having been committed;
- any significant cases of fraud or irregularity shall be reported to the Scottish Funding Council in accordance with their requirements as set out in the audit code of practice;
- the Audit Committee shall commission any such investigation as may be necessary of

the suspected irregularity, by the College, internal audit service or others, as appropriate; and

- the internal audit service, or others commissioned to carry out an investigation, shall prepare a report for the Audit Committee on the suspected irregularity. Such report shall include advice on preventative measures.

If the suspected fraud is thought to involve the Principal, Vice Principal ~~and/or the~~ Director of ~~Finance and Estates~~ Finance and/or the Principal, the member of staff shall notify the Chair of the Audit Committee directly of their concerns regarding irregularities.

Under the terms of the SFC FM, the College is required to submit ~~an annual~~ report to SFC of each incidence of fraud loss that exceeds £5,000. ~~The report should describe the number of instances and total cost.~~

13.7 Value for Money

Value for Money provides a common framework for continuous improvement in public services in Scotland and is a key foundation of the Scottish Government's Public Service Reform agenda. The Principal has a specific responsibility to ensure that arrangements have been made to secure Value for Money. In addition, the Board of Management has a corporate responsibility for promoting the efficient and effective use of staff and other resources by the College in accordance with the principles of Value for Money. Under the terms of the Public Finance and Accountability (Scotland) Act 2000 the implementation of the Value for Money duty by relevant public service organisations is subject to scrutiny by the Auditor General for Scotland.

Guidance for Accountable Officers on Value for Money is available on the Scottish Government website. The guidance identifies the themes which an organisation needs to focus on in order to deliver the duty of Value for Money and provides detail on what organisations should be aiming for and points to related support and guidance material. Value for Money should be appropriate to, and proportionate to, an organisation's priorities, operating environments and scale ~~—/—~~ nature of business and should be implemented accordingly.

It is a requirement of the FM between the SFC and the College that the Board of Management is responsible for delivering value for money from public funds. [The Board of Management](#) should keep under review arrangements for managing all the resources under its control, considering guidance on good practice issued from time to time by the SFC or other relevant bodies. The College has a Value for Money Policy which sets out the arrangements in place.

The College, as part of its internal audit arrangements, must obtain a comprehensive appraisal of management arrangements for achieving value for money. This forms part of the Audit Committee annual report.

13.8 Other Auditors

The College may, from time to time, be subject to audit or investigation by external bodies such as the SFC, Accounts Commission, European Court of Auditors, HM Revenue and Customs. They have the same rights of access as external and internal auditors.

14 Cash Management

14.1 Cash Management Policy

All bodies to which the SPFM is directly applicable are required to have their core bank accounts with the Government Banking Service (GBS).

The College should take appropriate steps to prevent bank account fraud. Banking operations should be annually reviewed.

Cash on site should be kept to minimum levels agreed by the Head of Finance and Student Support Funding. Cash reserves held during the year should be kept to the minimum level consistent with the efficient operation of the College and the level of funds required to meet any relevant liabilities at the year-end. Grant-in-aid shall not be paid into any restricted reserve held by the College. Transfers to arms-length-foundations are permitted and will require the agreement of the SFC.

14.2 Borrowing

All borrowing will require the approval of the Scottish Ministers. Requests to borrow must be submitted to the SFC for consideration in the first instance.

14.3 Banking Arrangements

The Director of ~~Finance and Estates~~Finance is responsible, on behalf of the Board of Management Finance and General Purposes Committee, for liaising with the College's bankers in relation to bank accounts and the issuing of cheques. All cheques shall be ordered on the authority of the Director of ~~Finance and Estates~~Finance, who shall make proper arrangements for their safe custody.

The following conditions will apply to the operation of the College banking arrangements:

- Only a combination of two from the Principal, Vice Principals and/or the Director of ~~Finance and Estates~~Finance may open or close a bank account for dealing with College funds. All bank accounts shall be in the name of the College.
- All automated transfers on behalf of the College, such as BACS or CHAPS, must be authorised by two persons drawn from the Principal, Vice Principals, the Director of ~~Finance and Estates~~Finance, Head of Finance and Student Funding, Finance Manager,

Principal Accountant and/or Accountant/System Accountant.

- All BACS payment reports must be approved for payment by either the Head of Finance and Student Funding, Finance Manager, Student Funding Manager and/or the Principal Accountant.
- All cheques drawn on behalf of the College must be signed by two authorised persons.
- Details of authorised persons and limits shall be provided for in the College's banking mandates, copies of which are available from the Finance Department and will be reported annually to the Finance and General Purposes Committee.

14.4 The Head of Finance and Student Funding is responsible for ensuring that all bank accounts are subject to regular reconciliation and that large or unusual items are investigated as appropriate.

14.5 Investments

The College must not make any investments without the prior written approval of the SFC.

15 Income

15.1 General

The Director of ~~Finance and Estates~~Finance is responsible for ensuring that appropriate procedures are in operation to enable the College to receive all income to which it is entitled. All receipt forms, invoices, tickets or other official documents in use and electronic collection systems must have the prior approval of the Director of ~~Finance and Estates~~Finance.

The Director of ~~Finance and Estates~~Finance is responsible for:

- the prompt collection, security and banking of all income received;
- ensuring that all grants notified by funding bodies are received and appropriately recorded in the College accounts; and
- ensuring that all claims for funds are made by the due date.

15.2 Repayment of SFC Grant

If the College fails to comply with the requirements of the SFC FM, ~~grant~~ any other specific terms and conditions attached to the payment of grant from the SFC, it may be required to repay the SFC any sums received from it and to pay interest in respect of any period during which a sum due to the SFC remains unpaid. If, in the reasonable opinion of the SFC, any provision set out in the FM is not observed by the College, the SFC will be entitled to take the following action:

- In the case of funding by way of SFC grant: to require immediate repayment of any and all grants or any part or parts of any grants at any time after the SFC becomes aware of such failure to observe (without prejudice to further demands until the whole of all sums made available by way of grant shall have been paid in full); and
- In the case of funding by way of loan (notwithstanding the terms of any agreement attached to the same): to require immediate repayment of the whole or part of each such loan at any time after SFC becomes aware of such failure to observe (without prejudice to further demands until the whole of all sums made available by way of loan shall have been repaid in full).

15.3 Maximisation of Income

It is the responsibility of all staff to ensure that revenue to the College is maximised by the efficient application of agreed procedures for the identification, collection and banking of income. This requires the prompt notification to the Finance Department of sums due so that collection can be initiated.

15.4 Tuition Fees

Except for those which are set by SFC or Student Awards Agency for Scotland (SAAS) the College must charge student tuition fees at the levels prescribed within the Fee Policy document. A copy of the Fee Policy can be found on the College internet.

15.5 Receipt of Cash and Cheques

All monies received within departments from whatever source must be recorded by the department daily together with the form in which they were received, for example cash, debit/credit cards, cheques, and other negotiable instruments.

All monies received must be paid to the Finance Department promptly, and in accordance with any timetable stipulated by the Finance Manager. The custody and transit of all monies received must comply with the requirements of College insurers.

All sums received must be paid in and accounted for in full and must not be used to meet miscellaneous departmental expenses or be paid into the departmental petty cash float. Personal or other cheques must not be cashed out of money received on behalf of the College.

15.6 Receipts by credit or debit card

The College can receive payments by debit or credit card in person, over the telephone using merchant terminals or through a hosted payment facility. The terminals support primary account number (PAN) truncation where the card number is partially obscured on the customer receipt. A copy of the receipt should be retained to support evidence of payment.

In operating this facility, the College is bound by the Payment Card Industry Data Security Standard (PCI DSS), which is designed to ensure cardholder information is stored, processed

and transmitted securely.

The Director of ~~Finance and Estates~~Finance is responsible for ensuring the College maintains PCI DSS compliance, which is monitored by the merchant services unit.

15.7 Collection of Debts

The Head of Finance and Student Funding should ensure that:

- debtor's invoices are raised promptly on official invoices, in respect of all income due to the College
- invoices are prepared with care, recorded in the ledger, show the correct amount due and are credited to the appropriate income account
- any credits granted are valid, properly authorised and completely recorded
- VAT is correctly charged where appropriate, and accounted for
- monies received are posted to the correct debtors account
- swift and effective action is taken in collecting overdue debts, in accordance with the protocols noted in the financial procedures
- outstanding debts are monitored, and reports prepared for management
- correction of an error using a credit note requires Finance Manager approval i.e. posting/text/coding/amount/VAT/withdrawal of student

The Director of ~~Finance and Estates~~Finance will implement procedures for the collection of debts including any instalment arrangements the periods in which different types of invoice must be paid.

A bad debt is a debt that is not collectable. A bad debt can also arise where the cost of pursuing the debtor is more than the amount that can be collected. Debt write off must be carried out in line with the authorisation levels stated below:

Value of Debt	Authorising Official
Up to £1,000	Finance Manager
£1,001 to £5,000	Head of Finance and Student Funding
£5,001 to £50,000	Director of Finance and Estates <u>Finance</u> or Vice Principal Operations
Over £50,000	Finance and General Purposes Committee

15.8 Student Fees

The Policy for collecting tuition fees must be approved annually by the Senior Management Team. The Director of ~~Finance and Estates~~ Finance is delegated to ensure that all student fees due to the College are received.

Any student who has not paid an account for fees or any other item owing to the College may not receive the certificate for any degree, diploma or other qualification awarded by the College until all outstanding debts have been cleared. Such students may be prevented from re-enrolling at the College and from using any College facilities until appropriate arrangements have been made.

The College seeks to minimise ~~any possibility of the opportunities for~~ money laundering in accordance with the Money Laundering Regulations. For further advice and guidance see <https://www.gov.uk/topic/business-tax/money-laundering-regulations>. Where refunds are required, they should be made to the original payer and follow the method by which the money was received.

16 Other Income-Generating Activity

16.1 Private Consultancies and Other Paid Work

Unless otherwise stated in the contract of employment of a staff member:

- outside consultancies or other paid work may not be accepted without the consent of the Principal and Chief Executive.
- outside consultancies must not conflict with the work of the College.
- applications for permission to undertake work as a purely private activity must be submitted to the Principal, as appropriate, and include the following information:
 - the name of the member(s) of staff concerned;
 - the title of the project and a brief description of the work involved;
 - the proposed start date and duration of the work;
 - any remuneration received for the outside consultancy or paid work;
 - full details of any College resources required (for the calculation of the full economic cost); and
 - an undertaking that the work will not interfere with the teaching and normal College duties of the member(s) of staff concerned.
- any outside consultancy or other paid work may require to be listed in the College Register of Interest.

16.2 Off-Site Collaborative Provision

If the off-site collaborative arrangement goes beyond the provision of premises, physical resources and administrative support a formal partnership and course delivery agreement may be required. This is especially relevant for any arrangement whereby the College provides education to students away from College premises with the assistance of persons other than the College's own staff or with independent contractors/partner organisations. The following procedure must be followed:

- There shall be a signed contract in place setting out the responsibilities of each party to the agreement before any educational provision is delivered.
- The impact of any collaborative contract shall be subject to scrutiny and considered by the appropriate College Committee. They shall consider the risk factors associated with the proposed partnership.

- Where the partnership would represent a significant departure from the College strategic plan, the Board of Management shall approve the departure and the Principal shall inform the SFC and seek their view.

16.3 European Union (EU) and other Matched Funding

Any such project requires the approval of the appropriate Vice Principal or member of SMT prior to any commitment being entered. Such approval shall be dependent upon the relevant Manager being able to demonstrate that eligible matching funds are available and that the project is financially viable by the application of the College's costing and pricing policy.

Individual applications for funds in excess of £250,000 shall be the subject of a report to the [HR and Corporate Development Committee](#) which will set out the potential risks and opportunities generated by the project. If the College agrees such EU contacts for provision the relevant member of SMT shall ensure that:

- this is based on a written contract which allows for full audit access to detailed records;
- appropriate monitoring procedures are in place to ensure that the outputs are achieved, and the provision is of suitable quality; and
- payments are only made against detailed invoices.

The SPFM also provides guidance on funding from the European Union (EU) and related expenditure and the College requires to take cognisance of this.

16.4 Profitability and Recovery of Overheads

All other income-generating activities must be self-financing or surplus-generating unless it is intended that a new course is to be launched as a loss leader. If that is the case, the reason for it must be specified and agreed by the relevant Assistant Principal / Director.

Other income-generating activities organised by members of staff must be costed and agreed with the relevant Assistant Principal / Director and the Director of ~~Finance and Estates~~[Finance](#) before any commitments are made. Provision must be made for charging both direct and indirect costs, for the recovery of overheads.

16.5 Donation of surplus funds to arms-length foundations

The College may donate any surplus on its income and expenditure account as at 31 March each year to an arms-length foundation. The donation must take place in the ~~fiscal~~ ~~financial~~ year in which it arises and is subject to sufficient cash and resource cover being available. Authorisation for any donation to a Foundation requires the approval of the Board of Management and the SFC.

16.6 Deficits

Any unplanned deficits incurred on other income-generating activities will be charged against the respective departmental budget.

16.7 Additional Payments to Staff

Any proposal which involves additional College payments to members of staff should be supported by a schedule of names and values and must be approved by the appropriate Assistant Principal / Director [/Vice Principal and the Director of OD and HR](#). Any payment to a Vice Principal or the Principal must be approved by the Chair of the Board of Management. The tax treatment of such proposals must be confirmed with the Finance Department in advance of the agreement being signed off.

17 Expenditure

17.1 General

The Director of ~~Finance and Estates~~Finance is responsible for making payments to suppliers for goods and services supplied to the College. External business and Management Consultancies greater than £100,000 and operating leases (non-property) greater than £250,000 require SFC approval.

17.2 Scheme of Delegation/Financial Authorities

Budget holders are responsible for purchases within their department. In exercising this delegated authority, budget holders are required to observe these Financial Regulations.

The Director of ~~Finance and Estates~~Finance shall maintain a register of authorised signatories. Under procedures agreed by the Director of ~~Finance and Estates~~Finance, central control shall be exercised over the creation of requisitioners and authorisers and their respective limits (for electronic systems). Any changes to the authorities to commit expenditure must be notified to the Head of Finance and Student Funding immediately.

The Head of Finance and Student Funding is authorised to approve payments, regardless of value, in respect of:

- payroll and VAT returns, this includes payments to HMRC, pension funds and other outside bodies in respect of deductions made from employees' pay;
- capital and interest repayments made to financial institutions in respect of loan agreements taken out by the College; and
- transfers between College bank accounts and investment accounts.

These payments will be validated and authorised by the Finance Manager or Principal Accountant before seeking the Head of Finance and Student Funding authorisation.

The SPFM requires the College to seek prior approval from the SFC for:

- Any new voluntary severance scheme;
- Any change to a previously approved voluntary severance scheme;
- Any payment, forming part of any scheme, considered to be sensitive or high profile;
- Any use of settlement agreements; and

- Any payment to an individual in excess of contractual entitlement out with an approved voluntary severance scheme.

Subject to the payments being made in relation to an approved voluntary severance scheme, the Director of Organisational Development and HR is authorised to approve severance payments made to employees, except for the Principal and Vice Principals. Any severance payment to the Principal or Vice Principals must be authorised by the Chair of the Board of Management and approved by the SFC. There is a delegated limit of up to £1,000 for special severance payments and any value above £1,000 requires prior SFC approval.

The Scottish Government have placed a £95,000 limit cap on termination payments of £95,000. This limit cap includes both contractual and non-contractual elements of any settlement agreed. Where the proposed payment exceeds £95,000, it must be capped at £95,000. Where this is not possible, a business case will require to be discussed with the SFC. The approval of the SFC must be obtained before any agreement in excess of £95,000 is finalised. The view of the Scottish Government must also be obtained as and when appropriate, including in relation to any potentially high profile/high value cases or where it is proposed that the £95,000 limit cap is not applied.

In addition to the above limit cap of £95,000 the Scottish Government have also stipulated that:

- where appropriate, it is expected that notice should be worked rather than a payment being made in lieu of notice;
- a maximum payback period of 24 months will apply in all cases (i.e. the time taken to recover the compensation costs against normal salary costs). This will be applied at an individual rather than scheme level; and
- an individual leaving as a result of a voluntary severance resignation secured by a financial consideration may not return to employment within the same employer for a period of at least 12 months, including as a temporary agency worker or via a procurement route.

17.3 Purchase Orders

College orders must be placed for the purchase of all goods or services. Only in exceptional circumstances should petty cash be used to purchase goods or services.

Purchase orders may not be split to lower the value per order with a view to reducing the authorisation level required.

Budget holders are not authorised to commit the College to expenditure without first reserving enough funds to meet the purchase cost.

Purchasing directly from online sites is not advised as the College has limited protection when purchasing from this source. Purchasing from eBay and Amazon is prohibited unless authorised in advance by either the Head of Finance and Student Funding or the Director of Finance.

The following purchase order approval limits for individual items of expenditure will be applied within the Finance System:

Expenditure	Authoriser
£0 to £250	Budget Holder/delegated budget holder
£251 to £10,000	Principal Accountant
£10,001 to £50,000	Director of Finance and Estates Finance/Head of Finance and Student Funding
£50,001 to £250,000	Vice Principal Operations / Principal
£250,001 to £500,000	Finance and General Purposes Committee
➤ £500,000	Board of Management

A request for a special payment is used to make payments to suppliers without the requirement to set up full supplier details on the finance system, and may only be used under the following conditions:

- ~~To make a foreign payment;~~
- For non-recurring purchases up to £1,000 (including VAT) where the supplier does not accept bank or credit card payments; or

- For ~~regular~~ payments to groups of individuals, who may only ever be paid once. This includes nursery or specific membership refunds.

It is the responsibility of the Director of ~~Finance and Estates~~Finance to ensure that all purchase orders refer to the College's conditions of contract.

The College will not utilise on-line payment transaction systems – such as PayPal - for payment of on-line goods and services as there is limited recourse against the provider of the goods/services.

17.4 Credit Cards

Where appropriate, the Principal and the Vice Principal Operations may approve the issuing of College credit cards to senior staff. The operation and control of the College's credit cards is the responsibility of the Director of ~~Finance and Estates~~Finance. There will be appropriate oversight of the distribution of such cards and the associated card limits provided by the Vice Principal Operations.

Holders of credit cards must use them only for the purposes for which they have been issued and within the authorised purchase limits. Such cards shall be used for the payment of valid business expenses only, and the misuse of such cards shall be grounds for disciplinary action. Cards must not be loaned to another person, nor should they be used for personal or private purchases.

Cardholders should obtain approval to purchase from the relevant budget holder and should ensure that there is ~~sufficient~~enough budget available to meet the costs. The Director of ~~Finance and Estates~~Finance shall determine what information is required on purchases made with cards from cardholders and deadlines for receipt in the ~~F~~finance ~~D~~epartment to enable financial control to be maintained. There should be appropriate segregation of duties, with those reviewing and reconciling cards not holding and using those cards.

All items purchased on the College credit card must have an approved purchase order before the goods or services are procured. The Director of ~~Finance and Estates~~Finance/Head of Finance and Student Funding will approve and sign credit card

reconciliations at least quarterly.

17.5 Procurement

The College requires all budget holders, irrespective of the source of funds, to obtain supplies, equipment and services at the most economically advantageous cost (MEAT). This should be consistent with quality, delivery requirements, sustainability and equalities legislation and in accordance with the College's Procurement Strategy considering procurement framework agreements as appropriate. Budget holders should engage with the [College](#) procurement function at the earliest possible opportunity.

The Director of ~~Finance and Estates~~[Finance](#) is responsible for:

- ensuring that the College procurement procedures and requirements are known and observed by all involved in purchasing for the College;
- advising all stakeholders on matters of College procurement process and practice;
- advising and assisting departments on specific departmental purchases;
- developing appropriate standing supply arrangements on behalf of the College to assist budget holders in meeting their value for money obligations;
- the drafting and negotiation of all large-scale purchase contracts undertaken by the College, in collaboration with the responsible department; and
- ensuring that the College complies with all relevant public procurement policies.

Guidance on procurement matters is available on the procurement area of the College intranet:

<https://intranet.westcollegescotland.ac.uk/teams/procurement/SitePages/Home.aspx>.

College procurement processes reflect the relevant guidance issued by Advanced Procurement for Universities and Colleges (APUC); relevant policy and advice issued by the Scottish Procurement and Commercial Directorate; and European Union directives

Any proposal to award a contract without competition (non-competitive action) at a level above £25,000 must be approved in advance by SFC.

Goods and services should firstly be sourced through APUC and Government framework agreements, prior to any alternative procurement route being taken.

Strategy Development and Authorisation

The Procurement Department will create a procurement strategy for all tendering activities above £25,000 total contract value in line with best practice. This procurement strategy will detail the methodologies applied when tendering a commodity or category including the suggested route to procurement and tendering approach.

Procurement strategies will be authorised by the following staff for estimated contract values of:

Estimated Contract Value	Authorised By
£25,000 to £50,000	Budget Holder and Head of Finance and Student Funding
£50,001 to £100,000	SMT Member and Director of Finance and Estates Finance
>£100,000	SMT Member and Vice Principal Operations

17.6 Scottish and EU Procurement Regulations

The Director of ~~Finance and Estates~~Finance is responsible for ensuring that the College complies with its legal obligations concerning Scottish and EU procurement legislation. Scottish and EU procurement regulations apply to written contracts for all forms of procurement, purchase or hire with a total value exceeding the EU threshold value.

The Director of ~~Finance and Estates~~Finance will advise Senior Management Team on the financial thresholds that are currently in operation. Any breach of these Scottish and EU regulations could be liable to action by a supplier or potential supplier.

It is the responsibility of Senior Management Team to ensure that their members of staff comply with the Scottish and EU procurement regulations by notifying the Director of ~~Finance and Estates~~Finance of any purchase that is likely to exceed the thresholds. This will need to be done well in advance where tenders are of a higher value in order to permit advertisements in journals such as the Official Journal of the European Union (OJEU) if this is required.

17.7 Quotations and Tenders

Delegated budget holders must comply with the College's Procurement Policy and the Scottish Government Procurement Journey. Tendering procedures as follows for the contract values of:

Goods and Services

Total Contact Value	Action	Responsibility / Notes	Contract Authorisation
<£5,000	At least 2 written quotations where no current contract / framework is in place.	<u>Department</u> A balanced approach being undertaken based on the nature and level of the transaction involved. Value for money must always be achieved.	The Budget Holder
£5,001 to £25,000	Endeavour to obtain at a minimum 3 written quotations where no current contract / framework is in place.	<u>Department</u> The procurement must demonstrate best value, due diligence and transparency in the selection process in line with corporate and statutory regulations.	A member of SMT and Head of Finance and Student Funding
£25,001 to £50,000	At a minimum 3 quotes via PCS 'quick quote' require to be obtained where no current contract / framework is in place.	<u>Procurement</u> The procurement must demonstrate best value, due diligence and transparency in the selection process in line with corporate and statutory regulations.	A member of SMT and Director of Finance and Estates Finance and / or Head of Finance and Student Funding
£50,001 to £250,000	Open tender via PCS / PCS-T endeavouring to obtain at least 3 responses.	<u>Procurement</u> Where a suitable procurement framework exists, a mini competition or direct award may be carried out. If no suitable framework is available, it will be necessary to carry out an open tender exercise. The exercise should also be carried out in a manner that will allow any resulting contract to be formed on the Colleges' terms and conditions.	Director of Finance and Estates Finance and Vice Principal Operations / Principal
£250,001 to £500,000	Open tender via PCS-T	<u>Procurement</u> Where a suitable framework exists, a mini competition or direct award may be carried out. If no suitable	Finance and General Purposes Committee

Total Contact Value	Action	Responsibility / Notes	Contract Authorisation
		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.	
>£500,000	Open tender via PCS-T	<u>Procurement</u> Where a suitable framework exists, a mini competition or direct award may be carried out. 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.	Board of Management

The College is required to include a Community benefits clause where the contract value is in excess of £4m as per the current procurement regulations. For all contracts above the OJEU limit the College will seek to a community benefits clause where considered relevant and appropriate.

For Works

Works are defined as under Schedule 2 of the Public Contracts (Scotland) Regulations 2015.

Total Contact Value	Action	Responsibility / Notes	Contract Authorisation
<£25,000	Endeavour to obtain at least 3 written quotations where no current contract / framework is in place.	<u>Department</u> A balanced approach being undertaken based on the nature and level of the transaction involved. Value for money must always be achieved.	The Head of Estates
£25,001 to £250,000	Written quotations require to be obtained via PCS / PCS-T where no current contract / framework is in place. Where an open tender is not conducted a minimum of 5 suppliers will be invited to respond and it is expected that a minimum of three bids will be assessed.	<u>Procurement</u> The procurement must demonstrate best value, due diligence and transparency in the selection process in line with corporate and statutory regulations.	<u>Director of Infrastructure,</u> Director of Finance <u>Finance and Estates</u> and / or Vice Principal Operations
£250,001 to £500,000	Open tender via PCS / PCS-T	<u>Procurement</u> If no suitable framework is available, it will be necessary to carry out a competitive exercise. The exercise should also be carried out in a manner that will allow any resulting contract to be formed on the Colleges' terms and conditions. Advertising for procurements falling into this category is compulsory except when using a framework.	Finance and General Purposes Committee

Total Contact Value	Action	Responsibility / Notes	Contract Authorisation
>£500,001	Open tender via PCS-T	<u>Procurement</u> An open tender exercise must be carried out if a framework is not available. Where a suitable framework does exist, a mini competition or direct award may be carried out in accordance with the framework rules. Advertising for procurements falling into this category is compulsory except when using a framework. Tenders for works above a total contract value of £4m must include provision for achieving Community Benefits as part of their outcomes.	Board of Management

The College is required to include a Community benefits clause where the contract value is in excess of £4m as per the current procurement regulations. For all contracts above the OJEU limit the College will look to include a community benefits clause where considered relevant and appropriate.

17.8 Building Contracts

Building contracts in excess of £250,000 are the [approval](#) responsibility of the Finance and General Purposes Committee, [with contracts above £500,000 requiring](#) ~~and the~~ Board of Management [approval](#), with advice provided by the Vice Principal Operations, ~~and~~ Director of [Infrastructure and Director of Finance and Estates](#) ~~Finance~~ and where necessary external professional advisors.

Proposals will be initiated as a result of required and planned capital developments.

Managing consultants may be appointed if the project is of a scale or specialism that requires this. All such appointments shall be subject to tendering and other procurement procedures as appropriate.

Proposals for building contracts that require Board of Management approval shall be presented in the form of an options appraisal including relevant costings as appropriate, prepared by the Vice Principal Operations and Director of ~~Infrastructure Finance and Estates~~. Option appraisals should comply with Scottish Funding Council guidance.

Following consideration, and approval by the Board of Management, option appraisals should be forwarded to the Scottish Funding Council where appropriate. If the required agreement is secured from the Scottish Funding Council, the relevant procedural rules should be followed. Scottish Funding Council guidance on best practice should be followed even when Scottish Funding Council approval is not required.

The achievement of value for money will be an objective in the awarding of all contracts.

17.9 Receipt of Goods and Services

~~All goods shall be received at designated receipt and distribution points.~~ All goods received shall be checked for quantity and/or weight and inspected for quality and specification. A delivery note shall be obtained from the supplier at the time of delivery and signed by the person receiving the goods. All persons receiving goods on behalf of the College must be independent of those who negotiated prices, its terms and placed the official order.

All goods and services received shall be entered onto the finance system as soon as practicable after receipt or delivery. If goods are deemed to be unsatisfactory, the record shall be marked accordingly, and the supplier immediately notified so that they can be collected for return as soon as possible. Where goods are short on delivery, the record should be marked accordingly, and the supplier immediately notified.

17.10 Payment of invoices

The procedures for making all payments shall be in a form specified by the Director of ~~Finance and Estates~~Finance.

Payments to UK suppliers will normally be made by BACS transfer and will only be varied after consulting with the Head of Finance and Student Funding.

Budget Holders are responsible for ensuring that expenditure within their departments does not exceed funds available.

Suppliers should be instructed by the budget holder to submit invoices for goods or services directly to the Finance Department by electronic means where possible.

Care must be taken by the budget holder to ensure that discounts receivable are obtained.

Payments will only be made by the Finance Manager against invoices that have been certified for payment by the appropriate budget holder and that can be matched to a receipted order. Certification ~~can either be paper based or should be~~ done electronically through the finance system.

Certification of an invoice or receipting of an electronic order will ensure that:

- the goods have been received, examined and approved for quality and quantity, or those services rendered, or work done is satisfactory;
- where appropriate, it is matched to the order;
- invoice details (quantity, price discount) are correct;
- the invoice is arithmetically correct;
- the invoice has not previously been passed for payment;
- where appropriate, an entry has been made on a stores record or departmental inventory; and
- an appropriate cost centre is quoted; this must be one of the cost centre codes included in the budget holder's area(s) of responsibility and must correspond with the types of goods or service described on the invoice.

17.11 Staff Reimbursement

The College's purchasing and payments procedures are in place to enable most non-pay supplies to be procured through the purchase ledger system without staff having to incur any personal expense. However, on occasion, staff may incur expenses, most often in relation to travel, and are entitled to reimbursement. Where such purchases by staff are planned, Senior Management Team members may approve advances to staff that are going to incur expenditure on the College's behalf. Advances by bank transfer may be requested from the Finance Team.

Upon completion of the travel or project to which the advance relates, a staff expenses claim must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid and returned to the Finance team. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to an individual is still outstanding.

For all other expense reimbursement, the College Travel and Subsistence Procedure applies, and this document is available on the College staff intranet page -

<https://intranet.westcollegescotland.ac.uk/reference/policiesprocedures/Travel%20and%20Subsistence%20Procedure.pdf>

17.12 Late Payment Rules

The Late Payment of Commercial Debts (Interest) Act 1998 ~~as amended by the and~~ Late Payment of Commercial Debts Regulations 2002 gives businesses the statutory right to claim interest on late payments from large organisations and public authorities, including the College. Key points in relation to this are:

- small businesses can charge interest on overdue invoices
- ~~interest is chargeable on sales made after 1 November 1998~~
- the rate of interest is currently 8% per annum above the official daily rate of the Bank of England
- late payment compensation of £40 per invoice
- ~~the Act also applies to overseas organisations~~
- ~~the College can be sued for non-payment~~

In view of the penalties in this Act, the Board of Management requires that invoices must be passed for payment when received, and payment made in accordance with the Prompt Payment Code (<http://www.promptpaymentcode.org.uk/>).

17.13 Losses and Special Payments

In principle, the College will always attempt to pursue the recovery of overpayments, irrespective of how they came to be made. In practice, however, there will be both practical and legal limits to how cases should be handled. Each case will therefore be dealt with on its individual merits.

The College will only take a decision not to seek recovery of an overpayment based on a cost benefit analysis of the options. A decision not to pursue recovery will be exceptional and will only be taken after a careful appraisal of the relevant facts. A Vice Principal or the Director of ~~Finance and Estates~~Finance must authorise the non-pursuance of an overpayment. The decision not to pursue an overpayment must consider the guidance in the section of the SPFM on Losses and Special Payments. Any decision not to pursue recovery, or not to pursue recovery in full, should be defensible in the public interest.

Losses should only be written off after careful appraisal of the facts. All reasonable action must have been taken to affect the recovery of losses. Where there is a request to write off a loss or make a special payment exceeding £250,000 this will require to be authorised by the SFC prior to instigating the write off or making the payment.

Losses and special payments have been grouped into several different categories and include the following:

- Cash and bookkeeping losses
- Losses of assets, stores and equipment
- Extra-contractual payments.

These are payments which, although not legally due under the original contract or subsequent amendments, appear to place an obligation on a public sector organisation which the courts might uphold. Such obligations will usually arise from administrative action or inaction in relation to the contract. A payment is regarded as extra-contractual even where there is doubt whether the organisation is liable to make it, for example, where the contract provided for arbitration, but a settlement is reached without recourse to arbitration. A payment made as a result of an arbitration award is contractual. Compensation payments are ones made in respect of unfair dismissal or in respect of personal injuries, traffic accidents, and damage to property suffered by staff. Ex gratia payments are payments made where there is no legal obligation to pay.

There must always be good public policy grounds for making such payments. Within this category may fall out of court settlements, such as cases where the pursuer has no legal case, but the College wishes to stop the litigation because it may be costly in time and resources. Other examples of ex gratia payments would be payments as compensation for distress or loss arising from a perceived failure of the College but where there was no legal obligation to pay, or awarding a dismissed office holder a gratuity, that goes beyond any legal entitlement by virtue of his/her employment.

Losses incurred by the College in excess of £3,000 each year should be reported annually to the SFC. The report should detail the number of such losses and the total cost.

17.14 Bankruptcy / Liquidation / Receivership

When the College learns of a bankruptcy / liquidation or receivership, it will stop all payments pending confirmation of the individual / organisation status. Once the bankruptcy / liquidation or receivership has been confirmed it is essential for the College to ensure that any payment due by them is made only to the proper person, and that any claim by them is properly lodged. The College should also consider, in consultation with legal advisers as required, whether any contract should be terminated. Any amounts to be written off as a result of bankruptcies will be subject to the SPFM guidance on Losses and Special Payments.

18 Petty Cash, Floats and Project Advances

18.1 Cash Requests

Where a single item is for less than £25 and is not an existing supplier it should be paid from petty cash if possible. The reimbursement must be supported by receipts or vouchers.

~~A College petty cash claim form is available on the College intranet - <http://intranet.westcollegescotland.ac.uk/request/finance/SitePages/Home.aspx> sheets are supplied by the Finance Department and available on the intranet~~ and must be used for recording all petty cash transactions. The Director of ~~Finance and Estates~~ Finance shall make available to departments float imprests as considered necessary for the disbursements of incidental expenses. However, it is important for security purposes that imprest floats are kept to a minimum. All expenses must be supported by receipts and vouchers.

Requisitions for reimbursements must be sent to the Finance Department, together with appropriate receipts or vouchers, before the total amount held has been expended, in order to retain a working balance pending receipt of the amount claimed.

18.2 Floats

The member of staff granted a float is personally responsible for its' safe keeping. The petty cash box must be kept locked in a secure place in compliance with the requirements of College insurers when not in use and will be subject to periodic checks by the Finance Manager or another person nominated.

College float reconciliation sheets are supplied by the Finance Department and must be used for recording all imprest accounts.

Interim annual audits will be undertaken by the Finance Department of floats and certificate of the balances held should be completed by the member of staff responsible for the float and counter-signed by the budget holder. At the end of the financial year all floats must be returned to Finance and requested again at the start of the new financial year.

18.2 Project Advances

The Head of Finance and Student Funding and the relevant budget holder may jointly approve project cash advances where projects are carried out away from the College. These specifically relate to situations where cash expenditure may be unavoidable, especially in relation to student day trips.

Other forms of payment will be expected to be used wherever possible, such as an official purchase order and subsequent payment or a College credit card. College purchasing and payments procedures are in place to enable most non-pay supplies to be procured through the finance system without staff having to incur any personal expense.

Advances will not be issued to cover normal staff expenditure incurred in relation to travel and subsistence. Reimbursement for this will be sought in accordance with the College Travel and Subsistence Procedure with reimbursement through payroll.

Receipts or paid invoices will be retained for all sums expended in this way. Upon completion of the project to which the advance relates, within one month a final account must be prepared to demonstrate how the advance was disbursed and any unspent balance repaid. Under no circumstances will a second advance be approved when the final accounting for an earlier advance to a project or individual is outstanding.

Where cash advances in excess of £250 are requested, then these require to be further approved by a member of SMT. If a member of SMT is making the request the approval should be sought from their line manager.

19 Checking Financial Transactions

The responsibility for the propriety, regularity and accuracy of financial transactions cannot be avoided by relying on the work of internal or external auditors. The College will carry out appropriate reviews at operational area level as/if required. This includes checking the arithmetical accuracy of invoices raised / received; claims or other vouchers; fulfilment of the terms of a contract; professional verification for validity; physical checking of goods invoiced; checking of invoices against orders; and application of VAT. Any reviews will be undertaken by finance staff who will have no direct involvement in entering into commitments for related goods and services.

In order to ensure that the review/checking procedures are both effective and economical they must be monitored. At operational area level records should be analysed regularly in order to identify the underlying reasons for any errors - such as the need for improvements in form design or training - and to take remedial action as necessary. In addition, internal audit should report on cases of excessive or ineffective financial checking and where appropriate checking procedures should be adjusted considering any findings. Reviews will consider the extent of and the need for checks carried out in operational areas. Analysis of the results may suggest underlying inadequacies in the procedures or supporting systems which need to be addressed separately.

20 Pay Expenditure

20.1 Remuneration Policy

All College staff will be appointed to College salary scales in accordance with appropriate conditions of service. All letters of appointment must be issued by the Organisational Development and HR Department.

The salary and other benefits for the Principal and Vice Principals will be determined by the Remuneration Committee set up by the Board of Management but will have due regard to Public Sector Pay Policy. The salary and other benefits for Assistant Principals, Directors and Heads will be determined by the Principal but will have due regard to Public Sector Pay Policy.

20.2 Appointment of Staff

All contracts of service shall be concluded in accordance with College approved HR practices and procedures. All offers of employment with the College shall be made in writing by the Director of Organisational Development and HR. Budget holders shall ensure that the Director of ~~Finance and Estates~~Finance and the Head of Organisational Development and Human Resources are provided promptly with all information they may require in connection with the appointment, resignation or dismissal of employees.

All permanent posts/contracts require to be authorised by a Vice Principal and then by the Director of Organisational Development and HR prior to the position being advertised.

20.3 Salaries and Wages

The College must have regard to Public Sector Pay Policy set by the Scottish Ministers. The Director of Organisational Development and HR is responsible for all payments of salaries and wages to all staff including payments for overtime or services rendered. All timesheets and other pay documents, including those relating to fees payable to external examiners and visiting lecturers. will be in a form prescribed or approved by the Head of Organisational Development and HR.

The Director of Organisational Development and HR will also be responsible for keeping the Director of ~~Finance and Estates~~[Finance](#) informed of all matters relating to personnel for budgeting and forecasting purposes. These include:

- appointments, resignations, dismissals, supervisions, secondments and transfers;
- absences from duty for sickness or other reason, apart from approved leave;
- changes in remuneration other than normal increments and pay awards; and
- information necessary to maintain records of service for superannuation, income tax and national insurance.

The ~~Director of Organisational Development and HR~~ ~~Director of Finance and Estates~~ is responsible for the monthly BAC's payments to employees and non-employees (pay over of payroll deductions). The Director of Organisational Development and HR is responsible for informing the appropriate authorities of such payments.

All employees will be included on the [College](#) payroll.

The Director of Organisational Development and HR shall be responsible for keeping all records relating to payroll including those of a statutory nature. All payments must be made in accordance with the College's detailed payroll financial procedures and comply with HMRC regulations.

20.4 Pension Schemes

The Board of Management is responsible for undertaking the role of employer in relation to appropriate pension arrangements for employees. The College provides access to two defined benefit pension schemes. Support staff are eligible to join the Local Government Pension Scheme administered by the Strathclyde Pension Fund. Teaching staff are eligible to join the Scottish Teachers Superannuation Scheme administered by the Scottish Public Pensions Agency.

The Director of Organisational Development and HR is responsible for day-to-day superannuation matters, including:

- paying contributions to various authorised superannuation schemes;

- preparing the annual return to various superannuation schemes; and
- administering the College's pension fund.

The Director of Organisational Development and HR is responsible for administering eligibility to pension arrangements and for deciding when deductions should begin or cease for staff.

20.5 Travel, subsistence and Other Allowances

All claims for payment of subsistence allowances, traveling and incidental expenses shall be completed and submitted electronically ~~or~~ in exceptional circumstances – for example e.g. a failure of the IT system – on ~~paper on~~ the forms available on the HR system. These claims must be made in accordance with the requirements of the College Travel and Subsistence Procedure at:

<http://intranet.westcollegescotland.ac.uk/reference/SitePages/Policies%20and%20Procedures.aspx>

~~Claims by members of staff must be authorised by their line manager or Director (or Principal in the case of Vice Principals) through the HR system. The certification by the line manager shall be taken to mean that:~~

- ~~• the journeys were authorised;~~
- ~~• the expenses were properly and necessarily incurred;~~
- ~~• the allowances are properly payable by the College; and~~
- consideration has been given to best value in choosing the mode of transport.

20.6 Non-salary Rewards

The College may make non-salary rewards.

When making such awards care will be taken to avoid any criticism of unfair preference being given. The recipient of the reward will be given some choice or third-party suppliers will be used where, for example, voucher schemes are introduced.

In making the award the College will actively consider whether the non-salary reward

schemes represent an appropriate use of public funds.

The College will be open and transparent in the way it deals with non-salary rewards. Should the College introduce such awards, a clear policy on disclosure of information about the awards which have been made and the procedures adopted for making those awards will be approved and widely disseminated.

20.7 Overseas Travel

All arrangements for overseas travel must be approved by a Vice Principal in advance of committing the College to those arrangements or confirmation of any travel bookings. Arrangements for overseas travel by Vice Principals will require to be approved by the Principal. Arrangements for overseas travel by the Principal or members of the Board of Management shall be approved by the Chair of the Board of Management. Arrangements for travel by the Chair of the Board of Management shall be approved by the Finance and General Purposes Committee.

Where spouses, partners or other persons unconnected with the College intend to participate in a trip, this must be clearly identified in the approval request. The College must receive reimbursement for the expected costs it may be asked to cover for those persons in advance of confirming travel bookings.

20.8 Travel and Expenses for Members of the Board of Management

Claims for members of the Board of Management will be authorised by the Secretary to the Board. Claims for the Chairperson will be authorised by the Chair of the Remuneration Committee. Only reasonable expenses can be reimbursed for attending meetings.

20.9 Severance and Other Non-Recurring Payments

In considering terms for severance, early retirement or redundancy packages - whether compulsory or voluntary - public bodies to which the SPFM is directly applicable – including the College - should ensure that issues of legal and regulatory compliance, propriety and value for money are fully considered, alongside employee relations issues. Specifically:

- public funds must not be used wastefully or to underwrite inequitable or over- generous

conditions of service, including severance;

- notice of termination of appointments should not be delayed in order to generate compensation payments in lieu of notice;
- where appropriate, ex-gratia severance or redundancy packages should be based on the arrangements set out within relevant extant terms and conditions of employment. Prior consideration should be given to the availability of pension and compensation benefits within these conditions;
- [any](#) special payments should be transparent and negotiated in such a way as to avoid conflicts of interest;
- offers of subsequent employment or consultancy work should be exceptional and only made where they represent value for money; and
- any undertakings about confidentiality should leave transactions open to proper public scrutiny.

In line with the requirements of the SPFM, the College's severance scheme must be approved by SFC. The SFC issued 'Guidance on seeking approval for severance schemes and settlement agreements' (SFC/GD/01/2016) which incorporates the SPFM requirements. Provided a severance payment is within the parameters of a scheme, which has been approved by the SFC, there will be no need for the College to seek approval to the individual payment from SFC. Approval lasts for the duration of the scheme.

The College must follow the requirements of the SPFM and the SFC in determining settlement agreements, severance, early retirement and redundancy arrangements and payments. ~~In addition, the College must have regard to the principles of good practice in managing early departures of staff contained in Audit Scotland's May 2013 report: *Managing early departures from the Scottish public sector.*~~

Special severance payments in excess of £1,000 must be approved by SFC, except where provision for such payments has been included in a severance scheme approved by SFC.

Under the terms of the FM, the College is required to submit an annual report to SFC of any compensation payments that exceed £5,000 or ex-gratia payments that exceed £1,000. The report should describe the number of instances and total cost.

21 Assets

21.1 Overall Responsibility

The Board of Management has a duty to ensure that the assets for which they are responsible such as land, buildings or other property - including stores and equipment - are properly and well managed. Robust systems should be put in place to ensure that the accuracy and integrity of information held on registers, databases and inventories is safeguarded and readily available for inspection.

21.2 Land, buildings, fixed plant and machinery

The purchase, ~~lease or rent~~ of land, buildings or fixed plant can only be undertaken with authority from the Board of Management and with reference to SFC requirements where exchequer-funded assets or exchequer funds are involved. Lease or rental agreements with a total agreement value of £250,000 or more must be approved by the Asset and Infrastructure Committee and the Finance and General Purposes Committee. Lease or rental agreements with a total agreement value of £500,000 or more will require the approval of the Board of Management.

Expenditure should be incurred in a way which represents value for money, considering potential risks to regularity and propriety. Effective control over payments must be maintained at all stages. Expenditure should be authorised in the operational area which entered into the commitment, with due consideration to separation of duties.

21.3 Fixed Asset Register

The Director of ~~Finance and Estates~~Finance is responsible for maintaining the College register of land, buildings, fixed plant and machinery. Managers will provide the Director of ~~Finance and Estates~~Finance with any information required to maintain the register.

Under resource accounting and budgeting, asset registers are a key part of financial management systems and must be capable of delivering the accounting requirements of the Government Financial Reporting Manual. The registers should

contain details of all assets (both current and non-current) owned, whose value or original purchase price is in excess of the College's capitalisation threshold. The College Asset registers ~~is are~~ computerised ~~and the widespread use of commercial asset management software packages means that the structure and~~ the minimum detail held ~~will be dictated by the software but, as a minimum, information held should cover~~ is:

- purchase price and date;
- asset accounting code;
- asset identification number;
- a physical description of the asset (where appropriate) together with details of serial or registration number;
- locations;
- ~~regular~~ evidence of physical verification of the asset's existence; and
- a depreciation profiles.

21.4 Inventories

Managers are responsible for maintaining inventories, in a form prescribed by the Director of ~~Finance and Estates~~Finance, for all plant, equipment, furniture and stores in their departments. The inventory must include items donated or held on trust and must be checked at least annually.

The ICT department must maintain an inventory register of all ICT equipment.

When transferring equipment and plant, etc. between departments, a transfer record must be kept, and the inventories amended accordingly.

21.5 Stocks and Stores

Managers are responsible for establishing adequate arrangements for the custody and control of stocks within their departments. The systems used for stock accounting in departments must have the approval of the Director of ~~Finance and Estates~~Finance.

Managers are responsible for ensuring that regular inspections and stock checks are

carried out. Stocks and stores of a hazardous nature should be subject to appropriate security checks.

Those Managers whose stocks require valuation in the balance sheet must ensure that the stock-taking procedures in place have the approval of the Director of ~~Finance and Estates~~Finance and those instructions to appropriate staff within their departments are issued in accordance with advice contained in the College's detailed financial procedures.

21.6 Safeguarding Assets

Managers are responsible for the care, custody and security of the buildings, stock, stores, furniture, ~~and cash, etc.~~ under their control. They will consult the Director of ~~Finance and Estates~~Finance in any case where security is thought to be defective or where it is considered that special security arrangements may be needed.

High value assets owned by the College shall, so far as is practical, be effectively marked to identify them as College property.

21.7 Personal Use

Assets owned or leased by the College shall not be subject to personal use without proper authorisation.

21.8 Asset Disposal

Holdings of property, plant and equipment should be kept under constant review with a view to disposing of surplus assets as quickly as possible.

Disposal of equipment and furniture must be in accordance with procedures agreed by the Director of ~~Finance and Estates~~Finance. In disposing of plant and equipment assets which is surplus to requirements due consideration should be given to value for money. Payment should normally be required to be made before goods are released for collection or delivery. The law implies that any goods sold are of merchantable quality and fit for the purpose for which they are sold. If there is any reason to believe that goods are faulty or sub-standard, it should be made clear that they are sold as seen and without any implied

warranties as to quality or fitness.

Disposal of land and buildings must only take place with the authorisation of the Board of Management. SFC consent may also be required if exchequer funds were involved in the acquisition of the asset. Holdings of land and buildings should be limited to the minimum needed to meet present and planned future requirements.

Land and buildings identified for disposal should be valued professionally. The District Valuer or suitably qualified private sector valuers - and in some exceptional cases in-house valuers - may be used. Advice should also be sought on development potential where required.

In disposing of exchequer funded assets, the College must follow the guidance contained within the SPFM and the relevant procedure notes issued by the SFC website.

21.9 Impairments, Provisions and Write-Offs

Assets must be recorded in the Balance Sheet at Depreciated Replacement Cost for Land and Buildings and at Historic Cost less depreciation for Equipment in accordance with the Financial Reporting Manual (FRM). Where an asset, including investments, suffers impairment, it is important that the prospective impairment and background is communicated to the SFC at the earliest possible point in the financial year to determine the budget implications. Any significant movement in existing provisions or the creation of new provisions must be discussed with the SFC.

21.10 All Other Assets

Managers are responsible for establishing adequate arrangements for the custody and control of all other assets owned by the College, whether tangible, such as stock, or intangible, such as intellectual property, including electronic data.

22 Funds Held on Trust

22.1 Gifts, Benefactions and Donations

The Director of ~~Finance and Estates~~Finance is responsible for maintaining financial records in respect of gifts, benefactions and donations made to the College and initiating claims for recovery of tax where appropriate.

22.2 Student Support Funds

The Director of ~~Finance and Estates~~Finance will prescribe the format for recording the use of student support funds. Records of support funds will be maintained according to funding body requirements. The College must follow SFC's Student Support Guidance.

23 Other

23.1 Maladministration

The College has a set of clear standards and an accessible complaints procedure which can be found at <https://www.westcollegescotland.ac.uk/college/about-us/complaints/>. If

College services have been found to be deficient the College has a clearly defined procedure in place to ensure that, so far as reasonably practicable, the identified deficiencies are addressed to prevent recurrence.

Any payments of financial redress qualify as ex gratia payments and are therefore subject to the guidance on Losses and Special Payments. Any such payment will require to be authorised in advance by either the Principal or a Vice Principal. Payment on grounds other than actual financial loss or costs should only arise in exceptional circumstances.

23.2 Insurance

Insurance arrangements of all bodies to which the SPFM is applicable should be reviewed from time to time in the context of Risk Management. However, under the Scottish Ministerial policy of self-insurance constituent parts of the Scottish Administration and self-insuring SG sponsored bodies would be justified in taking out commercial insurance only in specified circumstances or if the cost of claims, including in-house and contracted-out administration costs, was calculated as likely to exceed the cost of insurance premiums. All the expected costs and benefits should be ~~taken into account~~ considered in establishing a value for money case for commercial insurance. Detailed guidance on conducting a cost-benefit analysis is provided in the Green Book. In order to show that commercial insurance provides value for money the cost-benefit analysis must show a positive net benefit. Commercial insurance must be taken out by SG sponsored bodies where there is a legal requirement to do so. The Scottish Ministers have agreed a derogation whereby Colleges can extend their current commercial insurance arrangements for three years to 31 July 2021.

The Director of ~~Finance and Estates~~ Finance is responsible for College insurance arrangements, including the provision of advice on the types of cover available. As part of the overall risk management strategy, all risks will have been considered and those most effectively dealt with by insurance cover will have been identified. This is likely to include

important potential liabilities and provide enough cover to meet any potential risk to all assets.

The Director of ~~Finance and Estates~~Finance is responsible for effecting insurance cover as determined by the Finance and General Purposes Committee. He or she is therefore responsible for obtaining quotes, negotiating claims and maintaining the necessary records. The Director of ~~Finance and Estates~~Finance will keep a register of all insurances effected by the College and the property and risks covered and will also liaise with College insurers and advisers about specific insurance matters.

Managers must ensure that any agreements negotiated within their departments with external bodies cover any legal liabilities to which the College may be exposed. The Director of ~~Finance and Estates~~Finance advice should be sought to ensure that this is the case. Directors and Managers must give prompt notification to the Director of ~~Finance and Estates~~Finance of any potential new risks and additional property and equipment that may require insurance and of any alterations affecting existing risks. Managers must advise the Director of ~~Finance and Estates~~Finance immediately of any event that may give rise to an insurance claim. The Director of ~~Finance and Estates~~Finance will notify the College's insurers and, if appropriate, prepare a claim in conjunction with the head of department for transmission to the insurers.

The Director of Finance and Estates~~Planning~~ is responsible for keeping suitable records of plant which is subject to inspection by an insurance company and for ensuring that inspection is carried out in the periods prescribed.

All staff using their own vehicles on behalf of the College shall maintain appropriate insurance in accordance with the requirements of the College Travel and Subsistence Procedure.

23.3 Companies and Joint Ventures

In certain circumstances it may be advantageous to the College to establish a company or a joint venture to undertake services on behalf of the College. Any member of staff considering the use of a company or a joint venture should first seek the approval of the

Director of ~~Finance and Estates~~Finance who will consult and seek approval from the Board of Management. Approval from the SFC will also be required.

It is the responsibility of the Board of Management to establish the shareholding arrangements and appoint directors of companies wholly or partly owned by the College. These and other arrangements will be set out in a memorandum of understanding. The directors of companies where the College is a the majority shareholder must submit, via the Finance and General Purposes Committee, an annual report to the Board of Management. They will also submit business plans or budgets as requested to enable the Committee to assess the risk to the College.

Where the College is the majority shareholder in a company, the SFC requires that the company's financial year must be consistent with that of the College.

23.4 Security

Keys to safes or other similar containers are to be retained securely~~always to be carried on the person of those responsible~~. The loss of such keys must be reported to the Director of ~~Finance and Estates~~Finance immediately.

The Director of Infrastructure shall be responsible for maintaining proper security and privacy of information held on the College's computer network. Appropriate levels of security will be provided, such as passwords for networked personal computers together with restricted physical access for network servers. Information relating to individuals held on computer will be subject to the provisions of the relevant data protection legislation. A College Data Protection Officer shall be nominated to ensure compliance with relevant ~~legislation and~~legislation and the safety of documents.

The Principal's Office is responsible for the safekeeping of official and legal documents relating to the College. The Principal's Office will make the necessary arrangements to ensure the safe keeping of such documents as copies of deeds, leases, agreements and contracts. All such official and legal documents shall be held in an appropriately secure location.

23.5 Contingent Commitments

The College must seek SFC's prior written consent if it intends to lend or give a guarantee, indemnity or letter of comfort. The value of the guarantee should be equal to the total contingent liability over the term of the guarantee. In all cases, the College must take steps to restrict the contingent liability to a minimum and should undertake a careful appraisal of the risks before accepting any contingent liability.

The College should also provide assurance that, in the event of the contingent liability arising, it can be met from College resources, or that appropriate insurance cover has been arranged.

SFC written consent is not required for such arrangements if the indemnity is of a standard type contained in contracts and agreements for day-to-day procurement of goods and services in the normal course of business.

23.6 Students' Association

The Students' Association is a separate legal entity from the College and is recognised as fulfilling a valuable role in supporting and representing the student community. Subject to any constraints imposed by the SFC, the Board of Management shall determine the level of grant to be paid annually to the Students' Association.

The Board of Management requires the Students' Association to provide for information including details of its' proposed budget to assist in determining the appropriate level of grant in accordance with an agreement between the College and the Students' Association. The College's internal /external-auditor shall have access to records, assets and personnel within the Students' Association in the same way as other areas of the College. At the year end the Students' Association financial statements will be independently examined by an appropriately qualified member of staff or firm of auditors and will be presented to the Board of Management for information.

The College will assist the Students' Association by maintaining its financial records and

assisting in preparing its annual financial report to the Board of Management.

23.7 Provision of Indemnities

Any member of staff asked to give an indemnity, for whatever purpose, should consult the Director of ~~Finance and Estates~~Finance before any such indemnity is given.

24 Intellectual Property Rights and Patents

24.1 General

Certain activities undertaken including research and consultancy may give rise to ideas, designs and inventions which may be patentable. These are collectively known as intellectual property.

24.2 Patents

The Board of Management is responsible for establishing procedures to deal with any patents accruing from inventions and discoveries made by staff ~~in the course of~~during their research. ~~Initial guidance should be sought from the SFC should this situation arise.~~

24.3 Intellectual Property Rights

Intellectual Property is the product of thought, creativity, and intellectual effort. ~~In the course of~~During their studies at the College, students may generate Intellectual Property which is of some commercial value. A variety of legal rights protect applications of ideas and information that may be of commercial value. Those most relevant to the College's activities include patents, registered designs, copyright and 'know how'. The law is clear that intellectual property created by staff 'in the course of their employment' belongs to the College. Students are not normally employees of the College. Any assignment of student Intellectual Property must be done by a specific contract. Colleges must seek to strike a balance between a duty of care to the student and a duty not to exploit (e.g. sell, transfer, assign or license) Intellectual Property for the College's good, this balance being best achieved by selective assignment arising out of a specific contract in cases where the College's input in the creation of the Intellectual Property is very clear.

In the event of the College deciding to become involved in the commercial exploitation of inventions and research, guidance should be sought from the College legal advisors. The Director of ~~Finance and Estates~~Finance requires to authorise any agreement between the College and the students concerned.

24.4 Intellectual Property Rights by Students

Where a student generates Intellectual Property, the student has a duty to promptly inform the College of the Intellectual Property. The College will explain to the Student the matter of ownership in respect of all types of Intellectual Property through the development of appropriate documentation. When considering any Intellectual Property generated by one of its students, the College will seek to strike a balance between fulfilling its duty of care to the student and exploiting intellectual property for the good of the College. In each case the College will be mindful of protecting any third-party rights that may be relevant in the generation of the Intellectual Property.

Appendix 1: The Seven Principles of Public Life

Selflessness

Holders of public office should take decisions solely in terms of public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, or their friends.

Integrity

Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holder of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Openness

Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

Leadership

Holders of public office should promote and support these principles by leadership and example.

Appendix 2: Summary of Protocols for Proposed Projects

The proposal should be supported by a plan for a period relevant to the size of the project which sets out:

- a demonstration of the proposal's consistency with the strategic plans approved by the Board of Management and with the College's powers under current legislation
- details of the market need and the assumptions (based on reference data) of the level of business available
- details of the business and what product or service will be delivered
- an outline plan for promoting the business to the identified market and achieving planned levels of business
- details of the staff required to deliver, promote and manage the business, together with any re-skilling or recruitment issues
- details of any premises and other resources required
- a financial evaluation of the proposal together with its impact on revenue and surplus, plus advice on the impact of possible alternative plans and sensitivity analyses in respect of key assumptions
- contingency plans for managing adverse sensitivities
- consideration of taxation and other legislative or regulatory issues
- a financial forecast for the proposal including a monthly cash flow forecast and details of the impact on the College cash flow forecast for the financial years in question.

Name of policy/procedure/decision:

Financial Regulations

Provide a brief summary of the aims of the policy/procedure/decision and main activities:

The overall aim of this Policy is to ensure that West College Scotland has sound financial management systems in place and that these systems are strictly adhered to. This should lead to effective control over the totality of the College's resources and provide management with assurances that the resources are being properly applied for the achievement of the College's strategic plan and business objectives, namely:

- financial viability
- achieving value for money
- fulfilling its responsibility for the provision of effective financial controls over the use of public funds
- ensuring that the College complies with all relevant legislation
- safeguarding the assets of the College.

Assessed By:

Clare Fraser

Date: 13 September 2018

This stage establishes whether a policy, procedure or decision will have a differential impact from an equality perspective on people who share protected characteristics or whether it is "equality neutral" (i.e. have no effect either positive or negative).

The protected characteristics are: age, disability, gender reassignment, pregnancy or maternity, race, religion or belief, sex and sexual orientation.

1. Who will benefit from this (students/staff/stakeholders)? Is there likely to be a positive impact on people who share protected characteristics, and if so, how? Or is it clear at this stage that it will be equality “neutral”? i.e. will not have a differential impact on any equality group/s?

Ultimately all stakeholders – students, staff, partners and the general public will benefit from these Regulations given that they provide for good financial management and proper use of public funds. It is not anticipated that there will be any differential positive impact, that is, each group should benefit equally.

2. Is there likely to be an adverse impact on people who share protected characteristics? If so, who may be affected and why? Or is it clear at this stage that it will be equality “neutral”? There is little likelihood that this Policy will have an adverse impact on people who share protected characteristics. In fact, the policy itself could advance equality and prevent discrimination due to the fact that it focuses on robust and transparent systems and processes. Such transparency and openness could reduce the risk of unfairness.

It is also noted that the policy refers to ethical standards which are synonymous with good practice in equality, diversity and inclusion. Additionally, given that the nine Principles of Public Life include specific reference to integrity, objectivity, openness, and respect, and the fact that equal opportunity arrangements are a characteristic of Best Value, there is evidence that this Policy mainstreams good practice in equality.

Finally, this Policy sets out responsibility for ensuring that the College complies with legislation, which includes the Equality Act 2015 and the Specific Equality Duties. This should also reduce the risk of unfairness or discrimination taking place.

3. What action will you take to ensure that you are monitoring the impact of this policy?

Any complaints about the implementation of this Policy will be monitored, and we will also review monitoring information relevant to each of the separate activities/areas referred to within this Policy.

TITLE: RISK MANAGEMENT STRATEGY AND STRATEGIC RISK REGISTER

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 provides:

- an update on the actions taken by the College to develop the College Risk Management Strategy;
- the next steps in the development of the College Risk Management Strategy; and
- presents the current College Strategic Risk Register for the consideration of the Finance and General Purposes Committee.

Action: The Finance and General Purposes Committee is requested to:

- note the update on the actions taken to embed risk across the College;
- consider and comment upon the revised format for the Risk Register report;
- note the next steps in the development of the College Risk Management Strategy; and
- review the current 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; and
 - Whether any new risks should be considered for inclusion.

Lead: Alan Ritchie, Director of Finance

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. Development of the College Risk Management Framework

- 2.1 The 15 June 2020 Board of Management meeting approved revisions to the College Risk Management Strategy which recognised the agreed College risk appetite categories, the College risk appetite statement and associated amendments to the ten risk categories. These revisions were the result of a significant piece of work with the Board of Management to review the overall risk categories and the risk appetite that the College was willing to tolerate.
- 2.2 The proposed next steps in the development of the Strategic Risk Framework are as noted below:
- Consideration by the September 2020 Audit Committee of a revised format of the Strategic Risk Register – further details on the proposed changes are noted below.
 - Consideration and comment by other Board Committees of the content and format of the revised risk register;
 - Based on feedback from the Audit and other Committees a revised format for the Strategic Risk Register will be updated and presented to the Board of Management for consideration in October.
 - Should the revised risk register reporting format be approved by the Board of Management in October, the College Risk Management Strategy will be updated and presented to the December Audit Committee meeting for review before being presented to the December Board of Management for approval.
 - The revised risk register will be uploaded onto the College's Pentana Risk system which will then allow College users to input and update the risk controls and mitigating actions in real time.
- 2.3 The College is currently reviewing and updating how it intends to develop the 2021-22 operational planning regime. As part of this review process the further integration of risk management into the operational planning cycle is a key component of the development of the overall College approach to risk management.

3. College Strategic Risk Register Update and Considerations

- 3.1 The current version of the College Strategic Risk Register is provided at Appendix A for consideration.
- 3.2 The Board of Management approved the risk register ratings contained within the register at its meeting on 15 June 2020. Due to the summer recess the only Committee business since the June Board meeting was a specially convened Finance and General Purposes Committee and Board of Management meeting to consider the 2020-21 Budget and financial forecast; and a Nominations Committee.
- 3.3 Based on the considerations of these Committees there are no changes proposed to the risk ratings at this time as a result of Board meetings since June 2020. The Nominations Committee meeting of 23 June did however consider some areas for possible review in relation to the risk register – these are outlined below and have been proposed for discussion at the Board of Management meeting on 5 October 2020.
- 3.4 The Senior Management Team (SMT) has continued to review the Strategic Risk Register. The mitigating controls have been updated to take account of the outcomes of internal audit reports and any relevant Scottish Government/Scottish Funding Council announcements.

Details of Risk for Consideration by the Board of Management

- 3.5 Noted below is a summary of potential changes to the risk register for consideration by the Board of Management. These have been noted here to allow the Finance and General Purposes Committee to be aware of the considerations of the other Board of Management Committees.

a) Covid-19 Risk

- 3.3.1 The Covid-19 health crisis continues to be the most significant challenge the College has faced to date, and this has resulted in a level of uncertainty the organisation has not experienced before. The College implemented its Business Continuity Planning arrangements and has formed a Covid-19 Incident Response Team comprising of members of the Executive, SMT and other operational staff as required. The work of the Incident Response Team has been supplemented by a Mobilisation Group being formed to address the issues relating to the commencement of on-site activities at all campuses. This Group is led by the Director of Organisational Development & HR and meets weekly. It is composed of staff, trade unions and Student Association representatives, and reports to the Covid-19 Incident Response Team.
- 3.3.2 Despite there being several mitigating controls in place the Senior Management Team believes that the level of uncertainty remains high around the actions that the College can take to influence the impact of the Covid-19 pandemic.

- 3.3.3 The Board of Management has been kept updated by the Principal as to the continued actions that the College has taken to address the impacts of the pandemic. The risk will continue to be reviewed as further information and clarity of direction become available and should any further amendments to the risk register be required to reflect ongoing considerations then these will be presented at the Board of Management meeting on 5 October 2020.

b) Nominations Committee

- 3.3.4 The Nominations Committee meeting of 23 June 2020 considered risk in relation to the activities within its remit. The Committee agreed to raise the following points at the October 2020 Board meeting:
- The risk register includes risks associated with staff and students throughout. The Committee wishes consideration to be given to whether a risk/risks relating to the Board of Management / Board members / Committee / governance associated risks should be included, with reference to business continuity and succession planning in support of Board activity.
 - Contingency plans for the Board Secretary role.

Finance and General Purposes Committee Considerations

- 3.4 A copy of the current College Strategic Risk Register is enclosed with this report (Appendix A) and the Finance and General Purposes 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.

4. Proposed Amendments to the Format of the Strategic Risk Register

- 4.1 It is proposed to amend the format of the current College Strategic Risk Register report so that a revised layout captures and presents the content in a user-friendly way. Appendix B provides an exemplar of the proposed revised format of the College Strategic Risk Register report. The primary changes to the Register report proposed include the following:
- Definition pages are now at the front of the Register to allow readers to fully understand the contents. These definitions include:
 - Proximity – as to when the risk might occur
 - Impact – the estimated effect of the risk on the College strategic priorities
 - Probability – the estimated chance of the risk occurring
 - Risk Score – a RAG analysis of overall risk scoring
 - Trend – indication of how the risk has moved since last reviewed
 - Risk Appetite – pictorial representation of the Board approved risk appetite per category of risk

- College Strategy 2019-25 – a summary of the College priorities and objectives
- Summary of top 5 risks
- The format of the risk register has changed to present each risk with the associated information on a separate page.
- Apart from proximity - which is an addition to the risk information - the above information was included within the previous risk register – it is changes to the format of presentation that are proposed in capturing this.

5 Conclusion

5.1 The Finance and General Purposes Committee is requested to:

- note the update on the actions taken to embed risk across the College;
- consider and comment on the revised format for the Risk Register report;
- note the next steps in the development of the College Risk Management Strategy; and
- review the current 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; and
 - Whether any new risks should be considered for inclusion.



Strategic Risk Register

Strategic Risk Register Dashboard Report

Risk register review period:
Board / Committee review period:

Sep-20
Oct-20

Top 5 Risks Post Mitigation						
Ref	Risk	Movement since previous register	Probability	Impact	Score Sept 20	Score May 20
WCS 7 Reputational / External	Inadequate business continuity / cyber resilience planning leading to material interruptions to service delivery primarily resulting from Coronavirus epidemic.	↔	6	4	24	24
WCS 1 Finance	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	24
WCS 3 Infrastructure	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	20
WCS 2 Infrastructure	Failure to secure adequate estates maintenance / capital funding for future investment or refurbishment of IT and physical infrastructure.	↔	4	4	16	16
WCS 16 Governance	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	15

Risk Score	Sep-20	May-20
24	2	2
20	1	1
16	1	1
15	1	1
12	4	4
9	1	1
6	4	4

The most significant risk faced by the College continues to be the business continuity challenges caused by the corona virus outbreak. The College successfully closed down the physical campuses and transferred most activity to online learning. The College is now in the process of implementing a staged reopening of all campuses in advance of the start of term on 21 September 2020. This will present a number of operational and teaching challenges due to the changing guidance from the Scottish Government.

The next most significant risk continues to be the financial volatility faced by the College. This was previously the most significant risk faced by the College and continues to have the same post mitigation score as Business Continuity Planning. The ongoing impact of Covid-19 has only heightened this risk as the future College financial position is further challenged due to the potential loss of commercial income as the economy recovers from the impact of the outbreak.

WEST COLLEGE SCOTLAND STRATEGIC RISK REGISTER

Risk No.	Risk Reference / Category	Strategic Objective	Risk	Assessment pre mitigation			Mitigating Controls and Actions	Assessment post mitigation				Movement since last review	Executive Responsible
				Risk Probability	Risk Impact	Risk Score		Risk Probability	Risk Impact	Risk Score	Previous Score		
1	WCS 7 Reputational / External	1.2 3.4	Inadequate business continuity / cyber resilience planning leading to material interruptions to service delivery primarily resulting from Coronavirus epidemic.	6	4	24	1) Business Continuity Plans available to relevant staff along with associated documents to assist during any incident. 2) 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. 3) Closure of College campus undertaken successfully in March and planning has commenced to enable remobilisation. 4) Good interaction with staff, unions and Student Associations with information being supplied to all parties on a timely basis. 5) Continued engagement with Scottish Funding Council, Skills Development Scotland and other funding bodies to gain clarity on future funding which is resulting in an inability to take effective decisions. 6) Staff planning for return to the 'new normal' way of working include: - the development of online materials; - estate adaptations including mobilisation for home working; - increased reliance on technology which will require funding; - monitoring of supply chains; - a need for all operations to understand and operate within the new health and safety requirements; - governance updates regarding implications of deficit budgets; and - consideration given to starting the 2020-21 academic year later to assist with the planning process. Students for 2019-20 will continue to receive teaching through us of on-line delivery methods 7) Financial and staffing implications not fully understood at the moment due to lack of clarity of information from central government and in a number of cases receipt of conflicting information.	6	4	24	24	↔	Principal
2	WCS 1 Finance	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 2020-21 indicative SFC funding confirmed and shows a level of core funding which is not greater than in 2019-20; additional funding will be received for inflationary pressures, pension costs and estate maintenance. The College will continue to face a number of financial challenges arising from this settlement during 2020-21 and beyond. 2) 2020-21 budget currently being compiled for approval by College Board in conjunction with 5 year future financial scenario planning and detailed 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

Risk No.	Risk Reference / Category	Strategic Objective	Risk	Assessment pre mitigation			Mitigating Controls and Actions	Assessment post mitigation				Movement since last review	Executive Responsible
				Risk Probability	Risk Impact	Risk Score		Risk Probability	Risk Impact	Risk Score	Previous Score		
3	WCS 3 Infrastructure	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
4	WCS 2 Infrastructure	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
5	WCS 16 Governance	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

Risk No.	Risk Reference / Category	Strategic Objective	Risk	Assessment pre mitigation			Mitigating Controls and Actions	Assessment post mitigation				Movement since last review	Executive Responsible
				Risk Probability	Risk Impact	Risk Score		Risk Probability	Risk Impact	Risk Score	Previous Score		
6	WCS 4 Learning and Teaching	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
7	WCS 5 Staffing and HR	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
8	WCS 6 Digital	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

Risk No.	Risk Reference / Category	Strategic Objective	Risk	Assessment pre mitigation			Mitigating Controls and Actions	Assessment post mitigation				Movement since last review	Executive Responsible
				Risk Probability	Risk Impact	Risk Score		Risk Probability	Risk Impact	Risk Score	Previous Score		
9	WCS 15 Governance	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
10	WCS 9 Staffing and HR	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
11	WCS 11 Competitive Environment	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	9	↔	VP Educational Leadership
12	WCS 10 Staffing and HR	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

Risk No.	Risk Reference / Category	Strategic Objective	Risk	Assessment pre mitigation			Mitigating Controls and Actions	Assessment post mitigation				Movement since last review	Executive Responsible
				Risk Probability	Risk Impact	Risk Score		Risk Probability	Risk Impact	Risk Score	Previous Score		
13	WCS 13 Governance	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 Learning and Teaching	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.



Strategic Risk Register

Proximity: when might the risk occur.

Description	Timing
Immediate	Now
Medium-term	Within the next three months
Longer-term	Within three to six months

Impact: this is the estimated effect of the risk on the Strategic Priorities.

Impact		Criteria
Catastrophic	4	Significant and unacceptable impact on objectives that would require a material change to approach, procedure or process.
Critical	3	Moderate impact on Priorities that may require minor changes in approach, procedure or process.
Marginal	2	Minor impact on Priorities, which requires little overall change in approach.
Negligible	1	No real impact on achieving Priorities.

Probability: this is the estimated chance of the risk occurring.

Likelihood		Criteria
Almost certain	6	Extremely likely to occur
Very likely	5	Almost certain to occur
Likely	4	Most likely to occur than not
Possible	3	May occur
Very unlikely	2	Unlikely to occur
Remote chance	1	Extremely unlikely to occur

Risk Score: Impact x Probability

Impact		Result			
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
		1	2	3	4
Probability		Negligible	Marginal	Critical	Catastrophic

Risk Score: the overall risk level.

Risk level	Score	Description
Very high	20-24	Unacceptable level of risk exposure that requires a review of controls and immediate mitigating action
High	10-19	Unacceptable level of risk which requires a review of controls and mitigating actions
Medium	4-9	Acceptable level of risk exposure subject to regular monitoring
Low	1-3	Acceptable level of risk exposure subject to periodic monitoring

Net Risk Score: the overall risk level after controls and mitigating actions are put in place

Trend: after controls and mitigating actions are considered

↑	New or increasing risk
↔	No change to risk
↓	Declining risk

Risk Appetite

	Averse	Minimalist	Cautious	Open	Hungry
Finance					
Political					
Governance					
Competitive Environment					
Staffing and HR					
Student					
Reputational / External					
Infrastructure					
Learning and Teaching					
Digital					

Classification	Description
AVERSE	Avoidance of risk and uncertainty is a key organisational objective.
MINIMALIST	Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.
CAUTIOUS	Preference for safe delivery options that have a low degree of residual risk and may only have limited potential for reward.
OPEN	Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.).
HUNGRY	Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.

College 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, in a way that suits individual students.	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 customers and stakeholders by creating learning pathways, developing new delivery partnerships and integrating learning into wider local strategies.	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

Risk Register: Summary of Top 5 Risks

Risk No.	Risk Description	Gross	Net	Prior	Trend
1	<u>Business / Cyber Resilience Planning</u> Inadequate business continuity / cyber resilience planning leading to material interruptions to service delivery primarily resulting from Coronavirus epidemic.	24	24	24	↔
2	<u>SFC Funding and Funding Methodology</u> 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.	24	24	24	↔
3	<u>Estate Strategy</u> 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.	24	20	20	↔
4	<u>Estates maintenance / capital funding</u> Failure to secure adequate estates maintenance / capital funding for future investment or refurbishment of IT and physical infrastructure.	20	16	16	↔
5	<u>Brexit</u> 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.	15	15	15	↔

Risk number	1	WCS 7
Risk description	<u>Business / Cyber Resilience Planning</u> Inadequate business continuity / cyber resilience planning leading to material interruptions to service delivery primarily resulting from Coronavirus epidemic.	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	1.2 3.4	
Risk category / appetite	Reputational/External	Open
Proximity	Medium-term	
Impact/Likelihood	6 x 4	
Gross Risk Score	24	
Controls <i>A control is a framework in place to mitigate the risk.</i>	<p>1) Business Continuity Plans available to relevant staff along with associated documents to assist during any incident.</p> <p>2) 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.</p> <p>3) Closure of College campus undertaken successfully in March and planning has commenced to enable remobilisation.</p> <p>4) Good interaction with staff, unions and Student Associations with information being supplied to all parties on a timely basis.</p> <p>5) Continued engagement with Scottish Funding Council, Skills Development Scotland and other funding bodies to gain clarity on future funding which is resulting in an inability to take effective decisions.</p> <p>6) Staff planning for return to the 'new normal' way of working include: - the development of online materials; - estate adaptations including mobilisation for home working; - increased reliance on technology which will require funding; - monitoring of supply chains; - a need for all operations to understand and operate within the new health and safety requirements; - governance updates regarding implications of deficit budgets; and - consideration given to starting the 2020-21 academic year later to assist with the planning process. Students for 2019-20 will continue to receive teaching through us of on-line delivery methods</p>	

	7) Financial and staffing implications not fully understood at the moment due to lack of clarity of information from central government and in a number of cases receipt of conflicting information.
Probability/Impact	6 x 4
Net Risk Score	24
Trend	↔
Risk Owner	VP Operations

Risk number / Reference	2	WCS1
Risk description	<u>SFC Funding and Funding Methodology</u> 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.	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority</i>	1.1 1.3 3.1 3.4	
Risk category / appetite	Finance	Minimalist
Proximity	Immediate	
Probability/Impact	6 x 4	
Gross Risk Score	24	
Controls <i>A control is a framework in place to mitigate the risk.</i>	<ol style="list-style-type: none"> 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.
Probability/Impact	6 x 4
Net Risk Score	24
Trend	↔
Risk Owner	VP Operations / VP Educational Leadership

Risk number	3	WCS 3
Risk description	<u>Estate Strategy</u> 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.	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	1.2 3.1 3.3 3.4	
Risk category / appetite	Infrastructure	Open
Proximity	Long-term	
Impact/Likelihood	6 x 4	
Gross Risk Score	24	
Controls <i>A control is a framework in place to mitigate the risk.</i>	<ol style="list-style-type: none"> 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. 	
Probability/Impact	5 x 4	
Net Risk Score	20	
Trend	↔	
Risk Owner	VP Operations	

Risk number	4	WCS 2
Risk description	Estates maintenance / capital funding Failure to secure adequate estates maintenance / capital funding for future investment or refurbishment of IT and physical infrastructure.	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	1.1 1.2 2.3 4.1	
Risk category / appetite	Infrastructure	Open
Proximity	Medium-term	
Impact/Likelihood	5 x 4	
Gross Risk Score	20	
Controls <i>A control is a framework in place to mitigate the risk.</i>	<ol style="list-style-type: none"> 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. 	
Probability/Impact	4 x 4	

Net Risk Score	16
Trend	↔
Risk Owner	VP Operations

Risk number	5	WCS 16
Risk description	Brexit 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.	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	1.3 2.2 3.1 3.4	
Risk category / appetite	Governance	Cautious
Proximity	Medium-term	
Impact/Likelihood	5 x 3	
Gross Risk Score	15	
Controls <i>A control is a framework in place to mitigate the risk.</i>	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.	
Probability/Impact	5 x 3	
Net Risk Score	15	
Trend	↔	
Risk Owner	Principal	

Risk number	6	WCS 4
Risk description	SFC Regional Outcome Agreement Failure to deliver SFC Regional Outcome Agreement targets at a time of limited resource results in future credit and/or funding adjustments.	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	1.2 2.1 3.2 3.4	
Risk category / appetite	Learning and Teaching	Open
Proximity	Long-term	
Impact/Likelihood	5 x 4	
Gross Risk Score	20	
Controls <i>A control is a framework in place to mitigate the risk.</i>	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.	
Probability/Impact	4 x 3	
Net Risk Score	12	
Trend	↔	
Risk Owner	Principal	

Risk number	7	WCS 5
Risk description	<u>National Pay Bargaining</u> Impact and outcome of National Pay Bargaining for both teaching and support staff.	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	1.1 1.2 1.3 3.4	
Risk category / appetite	Staffing and HR	Open
Proximity	Medium-term	
Impact/Likelihood	6 x 3	
Gross Risk Score	18	
Controls <i>A control is a framework in place to mitigate the risk.</i>	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.	
Probability/Impact	4 x 3	
Net Risk Score	12	
Trend	↔	
Risk Owner	Principal	

Risk number	8	WCS 6
Risk description	<u>IT Systems and Infrastructure</u> Failure to maintain or acquire and use IT systems and infrastructure to support the digital ambitions of the College.	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	11 2.1 3.3 4.2	
Risk category / appetite	Digital	Hungry
Proximity	Medium-term	
Impact/Likelihood	4 x 4	
Gross Risk Score	16	
Controls <i>A control is a framework in place to mitigate the risk.</i>	<p>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.</p> <p>2) Staff and student feedback and evaluation procedures in place.</p> <p>3) IT Contingency Plan in place with regular review.</p> <p>4) College has renewed its Cyber Essentials Plus accreditation as required. Work commencing on updating the Scottish Government Cyber Resilience Framework.</p> <p>5) College Digital Strategy which sets out digital ambitions for the College, presented and approved by the Board of Management.</p> <p>6) Discussions remain ongoing with the SFC on IT condition survey and College offered to be model for future sector wide survey.</p> <p>7) College HR department providing support to staff undertaking national support staff job evaluation.</p>	
Probability/Impact	4 x 3	
Net Risk Score	12	
Trend	↔	
Risk Owner	VP Operations	

Risk number	9	WCS 15
Risk description	College Transformation Plan Failure to deliver the financial and/or non-financial objectives outlined in the College Transformation Plan "Future Proofing Our College".	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	1.1 2.1 3.4 4.3	
Risk category / appetite	Governance	Cautious
Proximity	Long-term	
Impact/Likelihood	4 x 4	
Gross Risk Score	16	
Controls <i>A control is a framework in place to mitigate the risk.</i>	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.	
Probability/Impact	3 x 4	
Net Risk Score	12	
Trend	↔	
Risk Owner	Principal	

Risk number	10	WCS 9
Risk description	Staff Relations Inability to maintain positive staff relations	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	1.2 1.3 3.4	
Risk category / appetite	Staffing and HR	Open
Proximity	Long-term	
Impact/Likelihood	4 x 3	
Gross Risk Score	12	
Controls <i>A control is a framework in place to mitigate the risk.</i>	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.	
Probability/Impact	3 x 3	
Net Risk Score	9	
Trend	↔	
Risk Owner	Principal	

Risk number	11	WCS 11
Risk description	<u>Alternative Income Growth</u> Ability to generate consistent levels of alternative income or to grow alternative income streams.	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	1.1 2.3 3.1 3.2	
Risk category / appetite	Competitive Environment	Open
Proximity	Long-term	
Impact/Likelihood	4 x 3	
Gross Risk Score	12	
Controls <i>A control is a framework in place to mitigate the risk.</i>	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.	
	7) Review of resources required within Curriculum Development Planning procedure.	
	8) Commercial Development Group meets bi-monthly to review and address challenges of delivering alternative income.	
Probability/Impact	3 x 3	
Net Risk Score	9	
Trend	↔	
Risk Owner	VP Educational Leadership	

Risk number	12	WCS 10
Risk description	Workforce Planning Failure to embed Workforce Plan resulting in lack of appropriate resources and skills being developed to achieve College strategic objectives and outcomes	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	1.3 2.3	
Risk category / appetite	Staffing and HR	Open
Proximity	Long-term	
Impact/Likelihood	4 x 3	
Gross Risk Score	12	
Controls <i>A control is a framework in place to mitigate the risk.</i>	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.	
Probability/Impact	3 x 2	
Net Risk Score	6	
Trend	↔	
Risk Owner	Principal	

Risk number	13	WCS 13
Risk description	<u>General Data Protection Regulations</u> Inability to ensure a holistic response to data and information governance, including compliance with the General Data Protection Regulations (GDPR).	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	3.4 4.1	
Risk category / appetite	Governance	Cautious
Proximity	Long-term	
Impact/Likelihood	3 x 3	
Gross Risk Score	9	
Controls <i>A control is a framework in place to mitigate the risk.</i>	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.	
Probability/Impact	3 x 2	
Net Risk Score	6	
Trend	↔	
Risk Owner	Principal	

Risk number	14	WCS 14
Risk description	<u>Estate Investment Works</u> Normal business activities are unduly affected due to the complexity of sequencing estates investment works.	
Link to the Strategic Priority <i>Refers to the relevant Strategic Priority.</i>	1.2 3.4	
Risk category / appetite	Learning and Teaching	Open
Proximity	Long-term	
Impact/Likelihood	4 x 2	
Gross Risk Score	8	
Controls <i>A control is a framework in place to mitigate the risk.</i>	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.	
Probability/Impact	3 x 2	
Net Risk Score	6	
Trend	↔	
Risk Owner	VP Operations	

TITLE: **ANNUAL UPDATE REPORT 2019-20: BANKING ARRANGEMENTS AND BAD DEBT WRITE OFF**

Background: In accordance with the remit of the Finance and General Purposes Committee this report presents an update in relation to College banking arrangements and bad debt write off for 2019-20. A further update on taxation matters will be presented to the November Committee meeting following the completion of the year end audit work.

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

- a) The year end bank loan position and revision to the Clydesdale Bank loan covenant;
- b) The status of the College banking arrangements; and
- c) The year end debt position and bad debts written off during the year.

Lead: Vivienne Mulholland, Head of Finance and Student Funding

Status: Open

(A) BANKING ARRANGEMENTS

1. Banking Service

1.1 In line with Scottish Government requirements, the College banking services are provided by The Royal Bank of Scotland (RBS) as part of the Scottish Government Banking Service.

1.2 Bank of Scotland and Clydesdale bank accounts are retained as part of existing loan agreements in order to service the relevant inherited debt. Cash holdings in these accounts are limited to one-year of principal and interest repayments.

2. Bank Loans and Covenants

2.1 The inherited bank loan values being repaid by the College are as follows:

Provider	Amount borrowed	Outstanding 31-7-2020	Security / Interest Rates Applicable
Bank of Scotland	£2,728,240	£1,501,447	Renfrew North Building (Paisley) 7.9% fixed rate until December 2025
Clydesdale	£2,000,000	£191,111	ICE Building (Paisley) 5.39% fixed rate until July 2021

2.2 As previously reported to the Committee and the Board of Management, the impacts on College operations arising from the Covid-19 pandemic have been significant, and it is forecast that this will result in an adjusted operating deficit for 2019-20 following external audit review. The result of the annual test of the bank loan covenants is noted below based on the draft 2019-20 Financial Statements which are forecasting an adjusted operating deficit of £1.4m:

Bank of Scotland Covenant as at 31 July 2020

Basis of covenant	£30m minimum net worth / net assets
College net assets at 31 July 2020	£46m*
Measure > £30m	Compliant with Covenant

* The College is currently awaiting the actuarial valuation from the pension authority, but this is not expected to impact the above covenant

Clydesdale Bank Covenant as at 31 July 2020

Basis of covenant	Debt servicing account to hold sufficient funds to cover repayments for following year
College position at 31 July 2020	Debt servicing account holds £191,111
Measure > 1	Compliant with Covenant

The Clydesdale Bank loan will be fully repaid by the end of July 2021. During the year the bank has been provided with the College monthly management accounts showing the likely out turn position for 2019-20. The College has been liaising with the bank on the loan covenant position since early June 2020. The Clydesdale Bank has informed the College that it is able to release the College from the previous debt servicing covenant and to replace it with a minimum cash balance covenant. This new covenant requires the College to ensure that the loan servicing account has sufficient cash despotised to cover the following year interest and loan amounts. As at 1 August 2020 the College had transferred funds to the loan servicing account to fund the remaining capital and interest payments thereby adhering to the new covenant requirements.

3. Bank Signatories

3.1 The current bank signatories in place for the College are as follows:

Bank	Account Name	Account Type	Signatories
RBS	Main Account Bursary Main EMA FE Childcare HE Childcare HE Hardship	Current	Elizabeth Connolly Stephanie Graham David Alexander Alan Ritchie Vivienne Mulholland Jigna Bhatt Kirsty Hill
Bank of Scotland	Debt servicing account	Current	As above
Clydesdale	Debt servicing account	Current	As above

3.3 The bank accounts are operated in line with the College Financial Regulations:

- All cheque payments require two signatories from the stated list.
- Bank transfers / BACS are carried out through online software / BACS software which require two independent users to process a transaction. All requests are approved by Budget Holder and validated by the Finance Manager.

4. Credit Cards

4.1 During 2019-20, the College transferred to the Royal Bank of Scotland as provider of credit cards. This move was notified to the Committee in September 2019. Under the Scottish Government Banking Services provided by the RBS, the College benefits from no charges for the cards and can take advantage of the real-time and on-line facilities provided by RBS.

4.2 Credit cards have been issued to the following members of staff with associated limits:

Account Name	Position	Limit (up to)
Elizabeth Connolly	Principal	£2,500
Stephanie Graham	Vice Principal	£2,500
David Alexander	Vice Principal	£2,500
Alan Ritchie	Director	£2,500
Sara Rae	Director	£2,500
WCS Finance Department	N/A	£10,000
WCS Professional Development	N/A	£2,000

4.3 The cards issued to the Finance Department and Professional Development staff are virtual cards. The purpose of these cards is to allow items to be ordered in line with current Financial Regulations. Any purchases on these cards requires to follow the procedure laid out in the Financial Regulations whereby a Purchase Order is raised and authorised before any payment is made.

5. Banking Arrangements Summary

5.1 The College will:

- Conclude discussions with Clydesdale Bank to amend the loan covenant;
- Continue to ensure the terms of the bank loan covenants are met; and
- Keep the current banking arrangements with RBS under review.

(B) BAD DEBT

1 Overview of Credit Control Procedures

- 1.1 The College raised 2,575 sales invoices during 2019-20 (2018-19: 3,556 invoices) for a range of goods/services with a total value of £6,198,265 (2018-19: £5,640,527). The increase in income invoiced is largely due to prior year ongoing discussions with the Construction Industry Training Board (CITB) over 2018-19 payments due. This meant that £397k income was not invoiced until 2019-20. The reduction in invoices is due to the Finance Team consolidating previous multiple invoices into one overall invoice and the impact of Covid-19 on the collection of fees.
- 1.2 The main area for which the College raises a sales invoice is to secure payment for tuition/exam fees. In addition to this, invoices are also raised for commercial course fees, recovery of student support funds and payments of rent primarily for the lease of the Abercorn Building.
- 1.3 Debt will only be written off after all avenues of recovery have been exhausted internally or where the College appointed external debt collection agency, Legal Recovery Collections Ltd, have failed to obtain payment.
- 1.4 During normal operations the College sends out three reminder letters as and when a debt falls overdue in line with the Fees and Pricing Policy. The reminder letters are supplemented by telephone calls to the debtor reinforcing the need to make the necessary payment arrangements. As the debts reach 90 days overdue, they are reviewed for passing to the debt collection agency. The debtor ledger is reviewed on a quarterly basis to identify possible debts to be written off. However, any outstanding debts removed from the College ledger will still be pursued by Legal Recovery Collection Ltd where considered appropriate to do so. The College does not pursue full time student debt where the student has withdrawn from a course before the 1 December census date.
- 1.5 Due to the impact of COVID 19, debt collection was suspended from the end of March 2020 to the end of July 2020.
- 1.6 As at 31 July 2020 the College had a cumulative total of 62 student debts (2018-19: 82) referred to Legal Recovery Collection Ltd (LRC) with a total debt outstanding of £32,036 (0.5% of total invoices raised) (2018-19: £52,997 (0.9%)). This total cumulative debt is still currently being sought by LRC and an analysis of this debt is provided below:

Value of Debt	No. of invoices	Total Value
<£100	3	£188
£101 to £500	35	£9,945
£501 to £1,000	17	£12,753
>£1,000	7	£9,150
Total	62	£32,036

2 Bad Debt Write Off

- 2.1 During the year to 31 July 2020, 36 debts were written off totalling £15,160 (0.2% of total invoices raised) (2018-19: 61 debts with a total value of £18,951 were written off (0.3%)). All the debts written off were under £5,000 (highest value written off was £1,285 and the lowest amount was £5) and therefore were authorised by either the Head of Finance and Student Funding or the Finance Manager in compliance with the College Financial Regulations.

3 Bad Debt Summary

- 3.1 The College considers that it has complied with the Financial Regulations regarding debt recovery/write off during 2019-20. The outstanding debt position of the College is reported to the Finance and General Purposes Committee on an ongoing basis through the monthly Management Accounts and this will continue during 2020-21.

4 Conclusion

- 4.1 The Finance and General Purposes Committee is asked to note and comment upon:
- a) The year end bank loan position and revision to the Clydesdale Bank loan covenant;
 - b) The status of the College banking arrangements; and
 - c) The year end debt position and bad debts written off during the year.

TITLE: EXTERNAL AUDIT PROGRESS UPDATE

Background: The purpose of this paper is to provide the Finance and General Purposes Committee with a report on the progress made by Mazars in delivering their responsibilities as the College's external auditors. The report also seeks to highlight key emerging national issues and developments which may be of interest to members of the Committee.

Action: The Finance and General Purposes Committee is requested to note the content of the report.

Lead: Alan Ritchie, Director of Finance

Status: Open



Audit progress report

West College Scotland

September 2020





CONTENTS

1.	Summary	3
2.	Audit progress	4
3.	National publications	5
4.	Position statement on 2019-20 audit	10
5.	Contact details	11

This document is to be regarded as confidential to West College Scotland. It has been prepared for the sole use of the Audit Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. SUMMARY

Purpose of this report

This report provides the Audit Committee with an update on progress in delivering our responsibilities as your external auditors.

Extension of audit appointment

The COVID-19 pandemic has resulted in significant disruption for public bodies and their capacity for financial reporting, and to auditors of the public sector. Due to this, the Auditor General for Scotland and the Accounts Commission for Scotland intend to extend the current audit appointments by one year in the first instance. This is in line with provisions in the current contracts that allow for extensions of up to two years.

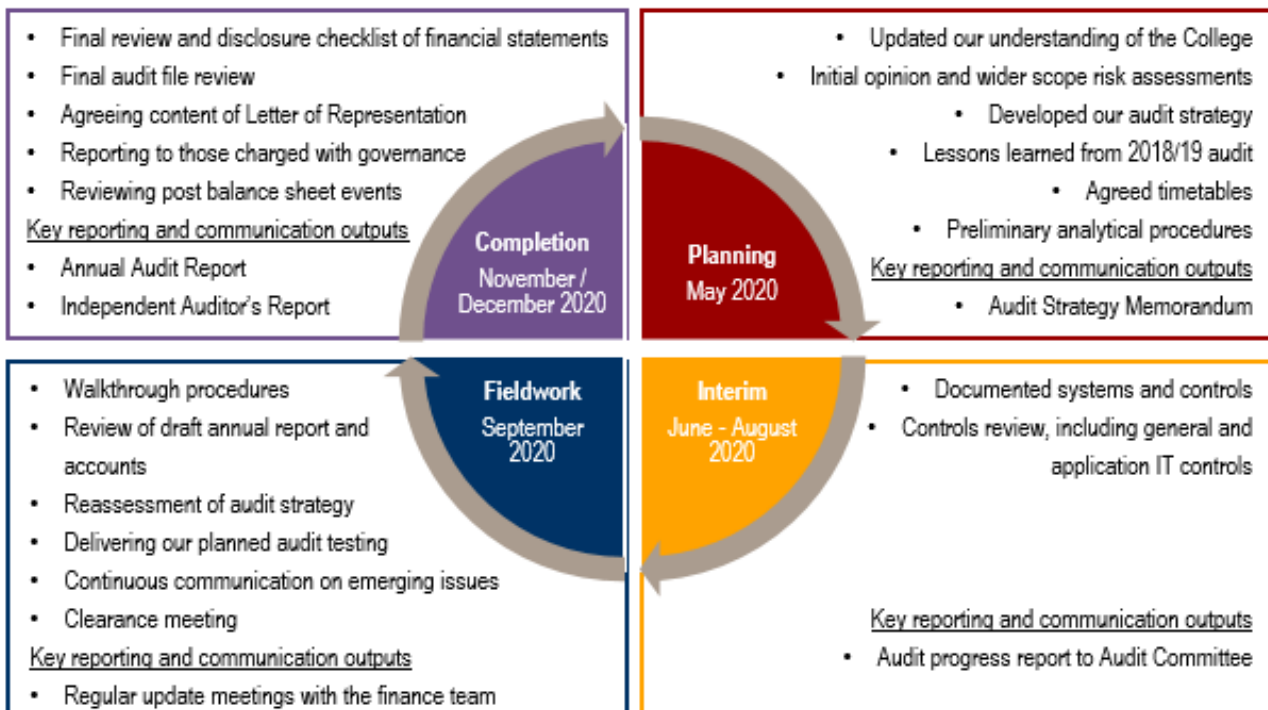
These appointments were for the audit of public bodies for the financial years of 2016/17 to 2020/21 inclusive. The intended extension would be through to the audit of the 2021/22 year. The Auditor General will confirm both the extension and the time period in Autumn 2020.

National publications and other updates

This section of the report sets out summaries from national publications and other updates which may be of interest to Members of the Audit Committee.

Audit timetable

Our key audit stages are summarised in the diagram shown below. Overall, work is on track and there are no significant issues arising. We remain cognisant of the potential impact of the COVID-19 pandemic and will flex the timetable with the College, as appropriate, if required.



2. AUDIT PROGRESS

Audit progress

Since the issue of our Audit Strategy Memorandum in May 2020 we have:

- documented key controls and processes on material transaction streams in the accounts with no issues to report;
- attended a College sector update virtual meeting with Audit Scotland;
- developed a draft Accounts final visit project plan setting out the key dates when we plan to undertake our work and the likely documents, working papers and information we will need to review. We will agree this with management in the coming weeks; and
- continued to update our risk assessment for our Wider Scope work conclusion, including review of agendas and minutes for relevant meetings and consideration of reports by external regulators.

Our audit work is on track, and we have no matters to raise with the Committee at this stage of our audit. There are no changes to the risks previously reported in our Audit Strategy Memorandum, however, we have and will continue to consider whether additional audit procedures are required as a result of the impact of the Covid-19 pandemic.

Remote working

The final audit fieldwork is due to begin on 14 September 2020. We will work in line with Government guidelines in force at the time of the audit fieldwork, and this may mean that our onsite working is limited. At the time of writing, any on-site visits will require a robust risk assessment to be completed by Mazars, to ensure staff and client safety.

Where our fieldwork is primarily undertaken remotely, we will facilitate this by setting up secure online portals for sharing information – this ensures easier tracking of information provided and is accessible to all members of the audit and finance team. Detailed arrangements will be discussed and made with the finance team in the coming weeks to ensure the audit is as efficient as possible.

We will report to the Joint Audit and Finance & General Purposes Committee on 24 November 2020 with our Annual Audit Report and draft opinion on the financial statements. The accounts are due to be approved by the West College Scotland Board of Management on 14 December 2020.

1. Summary

2. Audit progress

3. National publications

4. Position statement on
2019-20 audit

5. Contact details

3. NATIONAL PUBLICATIONS AND OTHER UPDATES

	Publication
1.	Accounts direction for Scotland's colleges 2019-20, Scottish Funding Council, July 2020
2.	Technical Bulletin 2020/2, Audit Scotland June 2020
3.	Covid-19 Further and Higher Education Financial Impacts, Scottish Funding Council Briefing Note, July 2020
4.	National Fraud Initiative 2018/19, Audit Scotland, July 2020

1. Accounts direction for Scotland's colleges 2019-20, Scottish Funding Council, July 2020

On 17 July 2020, the Scottish Funding Council issued its accounts direction for Scotland's colleges for the 2019-20 year, along with supporting guidance.

Changes include:

- Government funding for workers furloughed under the Coronavirus Job Retention Scheme (CJRS) should be recorded as government grant income and not netted off against staff costs;
- Colleges should not include any adjustments for the impact of Covid-19 in the Adjusted Operating Position (AOP) calculation;
- An addendum to the FReM permits entities to omit the performance analysis to minimise the reporting burden during the Covid-19 crisis. This gives the option to produce only the summary information in the performance review (although this is a minimum requirement and colleges may decide to include the performance analysis to enable consistency of reporting);
- Where relevant non-audited performance information has already been published and reported elsewhere, entities are encouraged to refer to the relevant publication rather than producing the information in the Performance Report;
- Performance Overview should include:
 - a statement from the Principal which should include an explanation of the impact of Covid-19 and Brexit on the college's performance;
 - details of mitigating actions taken as a result of Covid-19 impacts should form part of the going concern commentary;
- Governance statement considerations should:
 - outline and explain changes to the governance framework and any other governance implications arising from Covid-19;
 - set out the impact of Covid-19 on operation of the Board of Management;
 - When setting out principal risks and uncertainties, colleges should consider the specific risks arising from COVID-19 and Brexit and the steps being taken to mitigate those risks.

<http://www.sfc.ac.uk/publications-statistics/guidance/2020/SFCGD152020.aspx>

2. Technical Bulletin 2020/2, Audit Scotland, June 2020

- Electronic signatures will be used for signing 2019/20 accounts.
- Audit Scotland have confirmed the use of "DocuSign" - this provides a Qualified electronic signature which is compliant to EU Regulation No 910/2014 for electronic transactions within the internal European market. This is considered as a digital equivalent to handwritten or "wet" signatures, and is GDPR compliant.
- Audit Scotland have confirmed that accounts with electronic signatures are acceptable for laying in Parliament.

https://www.audit-scotland.gov.uk/uploads/docs/um/tb_2020_2.pdf

1. Summary

2. Audit progress

3. National publications

4. Position statement on
2019-20 audit

5. Contact details

3. NATIONAL PUBLICATIONS - CONTINUED

3. Covid-19 Further and Higher Education Financial Impacts, Scottish Funding Council Briefing Note, July 2020

The SFC has prepared a briefing note to explore the impacts of Covid-19 on the further and higher education sector and to outline what is being done to help. Some key points are below:

- For FY 2019-20 Scottish colleges are facing an adjusted operating loss position of a £12m deficit due to Covid-19 (includes ~£8m of Coronavirus Job Retention Scheme (CJRS) income) which has moved from a predicted break-even position;
- All but 3 colleges are forecasting deficits for 2019/20 and the impact for 2020/21 is expected to be even more severe;
- SFC are working with colleges to establish more accurate forecasts – this will be more straightforward when there is clarity over ESF activity targets and income recognition for the Flexible Workforce Development and Skills Development Scotland funding;
- All non-SG income streams for colleges have been impacted, while staff costs are continuing to be met for the most part, with some costs able to be funded by CJRS. Cost savings are being made in areas such as academic materials and property costs, while there are additional costs associated with online learning and remote working;
- Sector cash balances are expected to drop from £41m to £28m by the end of 2019/20, with 4 colleges expecting to move into a negative cash position;
- It is noted however, that cash balances may be inflated by unspent funds, for example, from high priority maintenance funds;
- Several colleges have delayed voluntary severance programmes which were being taken forward in order to secure financial sustainability.

What SFC is doing:

- Continuing to track and assess financial impacts through a fluid and dynamic time;
- Making funding allocations to bring stability and continuity, to enable staff to be paid, research to continue, and students to be supported;
- Offering flexibility in re-profiling grant drawdowns to ease cashflow concerns where possible;
- Providing additional guidance and joining up with other agencies to provide clarity where needed on programmes and funding;
- Reviewing all our non-core funds to assess our ability to repurpose funds;
- Keeping in close contact with the Scottish Government and UK counterparts and networks on potential support packages, and on the implications of interventions in further and higher education in UK that affect Scotland.

<http://www.sfc.ac.uk/COVID-19/COVID-19.aspx>

1. Summary

2. Audit progress

3. National publications

4. Position statement on
2019-20 audit

5. Contact details

3. NATIONAL PUBLICATIONS - CONTINUED

4. National Fraud Initiative 2018/19, Audit Scotland, July 2020

All Scotland's colleges took part in the National Fraud Initiative (NFI) in 2018/19, some for the first time. The NFI in Scotland is a counter-fraud exercise led by Audit Scotland, and overseen by the Cabinet Office for the UK as a whole. It uses computerised techniques to compare information about individuals held by different public bodies, and on different financial systems that might suggest the existence of fraud or error. It means that public bodies can take action if any fraud or error has taken place, and it allows auditors to assess fraud prevention arrangements which those bodies have.

Some key messages:

- Covid-19 raises risk of public sector fraud due to more remote working, increases in cyber-crime and government stimulus packages being provided quickly with lower levels of scrutiny than for previous schemes;
- Audit Scotland is working with the Cabinet Office to identify, develop and promote data matching facilities to help address some of this increased fraud risk – work will continue in this area for the 2020/21 NFI exercise;
- NFI outcomes from the 2018/19 exercise in Scotland of £15.3m – decrease of £2.4m from 2016/17 exercise;
- NFI outcomes for Scottish Colleges totalled £8.6k from 5 Colleges:

FE College	Creditors cases No.	Creditors actual overpayment £
Ayrshire College	1	10
Dundee & Angus College	2	1,998
Edinburgh College	2	2,455
Glasgow Clyde College	1	679
West College Scotland	3	3,465
Total	9	8,607

- Key benefit of a UK-wide data matching exercise is that it enables matches to be made between bodies and across national borders. Data provided by Scottish participants helped other public bodies to identify outcomes worth £1.7m which is an increase of £0.6m from 2016/17. Although the colleges do not identify significant outcomes from their own matches, they do assist other bodies;
- Audit Scotland recommends use of the self-appraisal checklist to assess their involvement in the NFI before and during the 2020/21 NFI exercise – this constitutes Part A & Part B. Part A is designed to assist audit committee members when reviewing, seeking assurance over or challenging the effectiveness of their bodies' participation in the NFI, while Part B is for the officers involved in planning and managing the NFI exercise.

<https://www.audit-scotland.gov.uk/report/the-national-fraud-initiative-in-Scotland-201819>

1. Summary

2. Audit progress

3. National publications

4. Position statement on 2019-20 audit

5. Contact details

4. POSITION STATEMENT ON 2019-20 AUDIT

Planned output	Expected completion date	Final report issued to Audit Committee	Comments
2019-20 Audit Strategy Memorandum	By 21 May 2020	21 May 2020	~
Audit Committee Progress Report and Briefing	By 3 September 2020	3 September 2020	~
2019-20 Audit Completion Report, incorporating: <ul style="list-style-type: none"> Opinion on the financial statements. Conclusion on Wider Scope work 	By 31 December 2020	TBC	~

1. Summary

2. Audit progress

3. National publications

4. Position statement on 2019-20 audit

5. Contact details

5. CONTACT DETAILS

Please let us know if you would like further information on any items in this report.

www.mazars.co.uk

Lucy Nutley
Engagement Lead
07387 242 052
lucy.nutley@mazars.co.uk

Joanne Buchanan
Manager
07794 031 384
Joanne.buchanan@mazars.co.uk

Address:
100 Queen Street
Glasgow
G1 3DN
0141 227 2400

1. Summary

2. Audit progress

3. National publications

4. Position statement on
2019-20 audit

5. Contact details

TITLE: ACCOUNTS DIRECTION FOR SCOTLAND'S COLLEGES 2019-20

Background: The SFC issue mandatory guidance for the preparation of the annual report and accounts each year. This paper provides the Finance and General Purposes Committee with an overview of the detailed requirements for the 2019-20 financial year.

Action: The Finance and General Purposes Committee is requested to note the content of the report.

Lead: Vivienne Mulholland, Head of Finance and Student Funding

Status: Open

1 Accounts Direction

- 1.1 The SFC issue mandatory guidance for the preparation of the annual report and accounts each year. On 17 July 2020 the Scottish Funding Council (SFC) issued specific guidance to colleges for the 2019-20 financial year-end. Page 4 of the guidance sets out the requirements for the preparation of the annual report and accounts along with the deadline for submission of 31 December 2020. In line with previous years two copies of the College annual report and accounts also require to be sent to the Auditor General for Scotland by 31 December 2020.

2 Changes to Reporting Requirements

- 2.1 A summary of the Accounts Direction requirements and the full SFC circular which includes all changes in reporting requirements is enclosed with this report (see Appendix A and Appendix B).
- 2.2 The SFC Accounts Direction advises Colleges to use the new Statement of Recommended Practice (SORP 2019) which applies to accounting periods beginning on or after 1 January 2019. The College has in previous financial statements already implemented the requirements of the new SORP in relation to:
- Comparative information - that organisations are required to include comparative information for all amounts presented in the accounts
 - Depreciating assets comprising two or more components – that where an organisation holds an asset that comprises two or more major components, these components must now be depreciated separately over their separate useful lives.
 - Cash flow statement – that an additional note is now required that analyses the movements in net debt during the reporting period.

There are a few other changes which are not applicable to the College in relation to payments from subsidiaries to parent charities; disclosure of mixed used properties and renting investment property to a group entity.

The College is complying with the requirement for the reporting year to 31 July 2020.

- 2.3 The following sections outline the key points arising from the 2019-20 SFC Accounts Direction and Guidance notes.

a) Strategic Report (Accountability Report)

- 2.4 The SFC require the College, within the Strategic Report, to explain the impact of COVID-19 on the financial performance being reported, including which income sources have been affected and the mitigating actions taken by the College to offset this. Also, the College should report the impact of Brexit on the finance position.

b) Performance Report

- 2.5 In line with prior years the College is required to include a Performance Report in the annual report and accounts. This report provides information on the College, its main objectives and strategies and the principal risks that it faces in a fair, balanced and understandable way. The report contains an overview and performance analysis and requires to be signed by the College Principal.
- 2.6 The guidance allows for an option to only produce summary information in the Performance Report to help minimise the reporting burden during COVID-19. However, the College will continue to provide information on the Performance Report in full, as the information required is available in the normal course of business.
- 2.7 The College continues to be required to include a summary of its estate management strategy in this section.
- 2.8 The College will ensure compliance with the above requirements.

c) Adjusted Operating Position

- 2.9 The Adjusted Operating Position (AOP) is intended to reflect the underlying financial operating performance of the College after allowing for material one-off or distorting items required by the SORP or other items out with the control of the College – such as loss on disposal of assets, depreciation, impact of annual pension valuations.
- 2.10 The SFC has stipulated that the impact of COVID-19 should not be shown as a separate adjustment on the AOP. While there may have been a significant impact, this should be sufficiently detailed in the narrative in the Performance Report.
- 2.11 In line with the prior year, the SFC has requested that all colleges submit their AOP note, along with their draft accounts, to the SFC for review prior to the College formally approving the Financial Statements thereby allowing the SFC to ensure consistency of approach and presentation across the sector.
- 2.12 The College will look to liaise with the external auditors and SFC as to the most appropriate time to submit the draft AOP note and financial statements to the SFC for their consideration.
- 2.13 The College remains of the view that any net cost arising from voluntary severance should be excluded in calculating the Adjusted Operating Position. Although this will not impact upon West College Scotland's reported financial position for 2019-20, discussion remains ongoing with the SFC regarding this matter, as it is likely to impact upon the adjusted operating position that will be reported for 2020-21, given the requirement for efficiency savings to be released through the College funding of voluntary severance.

d) Remuneration and Staff Report

- 2.13 The Accounts Direction requires that Colleges continue to account for the full harmonisation cost of national bargaining support and middle management staff job evaluation and the associated SFC grant. The figures used for this are based on information issued by Colleges Scotland to all institutions in February 2019. The Colleges Scotland calculated figure is a set percentage of the College payroll at a point in time and there remains a high degree of uncertainty around the timing and quantum of the adjustment.
- 2.14 The SFC guidance allows for the removal of remuneration table included in the Performance Report as the information is already available in the Notes to the Accounts. Within the Performance Report the College has referenced that the remuneration information is available in the Notes to the Accounts.

e) Parliamentary Accountability Report

- 2.15 The College believes that it will not require to provide a Parliamentary Accountability Report as part of the 2019-20 annual accounts as this relates to disclosure of:
- Fees and charges in excess of £1m annually;
 - contingent liabilities; or
 - total losses / special payments exceeding £250,000

The College does not have any disclosures of this nature to make and this will be confirmed with the external auditors as part of their year end work.

f) Corporate Governance

- 2.16 The College includes in the Annual Report and Accounts a statement covering the responsibilities of the Governing Body in relation to corporate governance. The report requires to state that the College has complied with the 2016 Code of Good Governance for Scotland's Colleges (the Scottish Code). This is consistent with the SFC requirements in prior years and the College will continue to comply with this.
- 2.17 The College will also continue to comply with the Audit Scotland guidance issued in May 2019 '*Good practice note on improving the quality of college annual reports and accounts – Governance statements.*'
- 2.18 Colleges are required to prepare their annual report and accounts in accordance with an accounts direction from the Scottish Funding Council (SFC) which requires compliance with the governance statement section of the Scottish public finance manual (the SPFM).

2.19 The Secretary to the Board has reviewed the SFC requirement that the Governance Statement should also set out any changes to the governance structures required or other governance implications arising from COVID-19. Changes have been made to the Corporate Governance statement that will be considered by the Audit Committee to reflect this, including:

- setting out the impact of COVID-19 on the operation of the Board of Management; and
- the risk management section has been updated to reflect risks arising from COVID-19, Brexit and the steps being taken to mitigate these risks.

g) Financial Statements

2.20 The Accounts Direction has provided an illustrative form of words for inclusion in the note to the accounts which the College will adopt as follows:

The deficit is attributable to other factors reflected in the adjusted operating table and also the impact of COVID-19 as explained in the Performance Report on pages x to y.

2.21 The Government funding for workers furloughed under the Coronavirus Job Retention Scheme is to be recorded as Government Grant income and not netted off against staff costs.

h) Overall Requirement

2.22 As in previous years, the College is required to comply with the requirements of the:

- SFC Accounts Direction for Scotland's College 2019-20;
- Financial Memorandum with the Scottish Funding Council (SFC);
- 2019 Statement of recommended Practice: Accounting for Further and Higher Education (SORP); and
- Government Financial Reporting Manual 2019-20.

in the preparation of the annual report and accounts for the College and will ensure compliance.

3 Conclusion

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



Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

Accounts direction for Scotland's colleges 2019-20

SFC Guidance

Issue Date: 17 July 2020

Accounts direction for Scotland's colleges 2019-20

Issue date: 17 July 2020

Reference: SFC/GD/15/2020

Summary: To provide SFC's 2019-20 accounts direction for Scotland's colleges and Glasgow Colleges' Regional Board

FAO: Principals / Executive Director / Finance Directors / Board Secretaries of Scotland's colleges and Glasgow Colleges' Regional Board

Further information: **Contact:** Dorothy Carson / Andrew Millar
Job title: Senior Financial Analyst / Assistant Director
Department: Finance
Tel: 0131 313 6607 / 0131 313 6538
Email: dcarson@sfc.ac.uk / amillar@sfc.ac.uk



Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD
T 0131 313 6500
F 0131 313 6501
www.sfc.ac.uk

Contents

Accounts direction for Scotland’s colleges 2019-20	4
Introduction and structure of accounts direction.....	5
Mandatory and corporate governance disclosures	5
Deadlines	5
Mandatory disclosures – Non-incorporated colleges	6
Strategic Report.....	6
Notes to the accounts	7
Corporate governance.....	7
Remuneration.....	7
National Bargaining Support Staff and Middle Management Job Evaluation Costs..	8
Mandatory disclosures – incorporated colleges and Glasgow Colleges’ Regional Board	9
The Performance Report	9
Cash budget for priorities (CBP)	10
Depreciation Budget for Government-funded Assets	10
Adjusted operating position (AOP).....	11
Payment practice.....	12
The Accountability report.....	13
Corporate Governance Report	13
Directors’ report	13
Statement of Board of Management/Board responsibilities	13
Governance Statement.....	13
Remuneration and staff report	14
Parliamentary Accountability report.....	16
Notes to the accounts	17
National Bargaining Support Staff and Middle Management Job Evaluation Costs	17
Governance Statement Guidance for Institutions	18
Template for statement of compliance with the 2016 Code of Good Governance for Scotland’s Colleges	20
Template for Remuneration Report (for incorporated colleges and Glasgow Colleges’ Regional Board only).....	21
Remuneration Policy	21
Remuneration (including salary) and pension entitlements.....	21

Remuneration (salary, benefits in kind and pensions).....	21
Pay multiples	21
Accrued Pension Benefits.....	22
Senior Officials Pension	22
Cash equivalent Transfer Value (CETV)	22
Real increase in CETV.....	23
Compensation for loss of office.....	23
Salaries and Related costs	24
Spend of Cash Budget for Priorities (incorporated colleges and Glasgow Regional Colleges' Board only)	26
Illustrative form of words for inclusion in Performance Report.....	26
Impact of Depreciation Budget on Statement of Comprehensive Income (incorporated colleges and Glasgow Colleges' Regional Board only)	27
Illustrative form of words for inclusion in the statement at the foot of the Statement of Comprehensive Income.....	27
Illustrative form of words for inclusion in the note to the accounts	27
Model adjusted operating position (AOP) note	29
Fixed Cash Budget for Priorities per college (incorporated colleges only)	31

Accounts direction for Scotland's colleges 2019-20

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2019-20 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2020.
5. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council

17 July 2020

¹ The term "institutions" includes colleges and Glasgow Colleges' Regional Board.

² Glasgow Colleges' Regional Board's accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire's accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College.

Introduction and structure of accounts direction

Mandatory and corporate governance disclosures

1. We draw your attention to the specific mandatory disclosures for non-incorporated colleges in **Appendix 1** and for incorporated colleges and Glasgow Colleges' Regional Board ("GCRB") in **Appendix 2**. The corporate governance disclosures required are listed in **Appendix 3**.

Deadlines

2. Incorporated and non-incorporated colleges³ are required to provide their annual report and accounts, together with the associated audit reports, to us by 31 December 2020. We understand that, due to the exceptional circumstances arising from COVID-19, this deadline may not be achievable for some colleges. If you consider that your college will be unable to meet this deadline, please contact SFC.
3. The annual report and accounts should be prepared with a 31 July year-end.

³ The term non-incorporated college covers Argyll College, Newbattle Abbey College, Sabhal Mòr Ostaig and West Highland College. Orkney College and Shetland College are part of their local authorities and will be included in the annual report and accounts of those authorities.

Mandatory disclosures – Non-incorporated colleges

1. Listed below are disclosures which non-incorporated colleges must include in the financial statements.

Strategic Report⁴

2. A list of members of the governing body and key committees. This should cover all those who served during the period and include any changes up to the date of signing the annual report and accounts. The report should also disclose attendance of individual members at board meetings but this can be disclosed as a percentage attendance for the year.
3. A statement describing the payment practice code or policy adopted on payment of suppliers and performance achieved, together with disclosure of any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998, or a statement that there were no matters to disclose.
4. A statement on the employment of disabled persons where the average number of all persons employed in the year exceeds 250.
5. The report should provide a commentary on the college financial performance in the year. This should include a table setting out the adjusted operating position for the year in accordance with the template included in **Appendix 7**.
6. The commentary should explain the impact of the COVID-19 outbreak on the financial performance for the year, including which income sources have been affected and the mitigating actions taken by the college to offset this. Colleges should also comment on the impact of Brexit on their financial position.
7. In addition, in accordance with the [Trade Union \(Facility Time Publication Requirements\) Regulations 2017](#), the following information must be published:
 - Relevant union officials.
 - Percentage of time spent on facility time.
 - Percentage of pay bill spent on facility time.
 - Paid trade union activities.
8. An example of the disclosure required is given on page 22 of this Direction.

⁴ Further guidance on Strategic reports is given in the 2019 SORP (paragraph 3.23 to 3.26)

Notes to the accounts

9. The audit fees and non-audit fees paid to external and internal auditors.

Corporate governance

10. We require non-incorporated colleges to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the college has complied with good practice in this area.
11. It is a condition of the Financial Memorandum (FM) with SFC or the RSB (for assigned colleges) that governing bodies comply with the principles of good governance set out in the 2016 Code of Good Governance for Scotland's Colleges ("the Scottish Code"). Colleges are required to include a statement in their accounts confirming compliance with the Scottish Code. In line with the principle of comply or explain, an explanation should be provided in the event that the college's practices are not consistent with particular principles. A form of wording for the compliance statement is included at **Appendix 3(a)**.
12. We recognise that each college will have its own system of corporate governance, reflecting its particular objectives and management processes. However, in preparing their governance statement, colleges should give due regard to the guidance contained in **Appendix 3**.
13. Any changes to the corporate governance framework required as a result of COVID-19 should be outlined here.
14. Colleges should also refer to the Audit Scotland '[Good practice note on improving the quality of college annual report and accounts - Governance statements](#)' published in May 2019.
15. Colleges should be aware that their external auditors will be reviewing the corporate governance statement as part of their audit and will be including a reference to this in their audit report.

Remuneration

16. The actual total remuneration of the head of the college, disclosing separately salary, bonus, employer pension contribution and taxable and non-taxable benefits in kind. Where there is a change of head of the college during the year, details should be given separately for each person, noting the dates each was in post. Where the head of the college has been paid salary in lieu of pension contributions, this should be explained in the note.
17. The total number of higher paid staff, including senior post-holders, in bands of £10,000, above a threshold of total emoluments (excluding pension

contributions and compensation for loss of office) of £60,000. The number of senior post-holders within each band should be separately identified.

18. The aggregate amount of any compensation for loss of office payable to the head of the college and any staff member earning in excess of £60,000 per annum, together with the number of people to whom this was payable, or where the costs of all elements of a proposed arrangement amount to more than £75,000.

National Bargaining Support Staff and Middle Management Job Evaluation Costs

19. The full harmonisation costs of National Bargaining support staff and middle management will not be confirmed until the national Job Evaluation exercise is carried out, the outcome of which will be implemented with effect from 1 September 2018. Where relevant, support staff and middle management Job Evaluation costs (and associated grant) should be accounted for, based on Colleges Scotland's February 2019 costings.

Mandatory disclosures – incorporated colleges and Glasgow Colleges’ Regional Board

1. Institutions⁵ are required to comply with the Government Financial Reporting Manual (FReM) for 2019-20 as well as complying with the SORP. The additional disclosures required in institutions’ annual report and accounts in order to comply with the FReM (i.e. those areas not addressed in the SORP) are set out in the various disclosures below. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
2. The disclosures which institutions must include in the annual report and accounts are outlined below.

The Performance Report

3. Section 5.2 of the FReM requires institutions to include a Performance Report in their annual report and accounts. The report will provide information on the institution, its main objectives and strategies and the principal risks that it faces. The report must provide a fair, balanced and understandable analysis of the institution’s performance. The report, which should be signed and dated by the college principal or Executive Director, should contain an overview of performance in the year.
4. It should be noted that an addendum to the FReM permits entities to omit the performance analysis (paragraphs 5.2.6 and 5.2.9-5.2.10 of the 2019-20 FReM) in order to minimise the reporting burden on public sector entities during the COVID-19 crisis. Further details are given at: [Addendum to Government Financial Reporting Manual 2019-20 \[PDF\]](#)
5. Colleges have the option of only producing the summary information in the performance review as set out in paragraphs 5.2.8 of the FReM but this is a minimum requirement and college may decide to include the performance analysis.
6. The addendum also states that, where relevant non-audited performance information has already been published and reported elsewhere, entities are encouraged to refer to the relevant publication rather than producing the information in the performance report.

⁵ In this section “institutions” refers to all incorporated colleges and Glasgow Colleges’ Regional Board. The disclosures for Glasgow Colleges’ Regional Board and New College Lanarkshire will cover the regional performance of their assigned colleges.

7. Colleges are still required to prepare a Performance Overview. As a minimum, the overview should include:
- A short summary explaining the purpose of the overview section.
 - A statement from the Principal or Executive Director providing their perspective on the performance of the institution over the period. This should include an explanation of the impact of COVID-19 and Brexit on the college's performance.
 - A statement of the purposes and activities of the institution including a brief description of the business model and environment, organisational structure, objectives and strategies, including estates management strategies.
 - The key issues and risks that could affect the institution in delivering its objectives.
 - An explanation of the adoption of the going concern basis where this might be called into doubt, for example where there are significant net liabilities which may require to be funded from public sources. Mitigating actions taken as a result of COVID-19 impacts should form part of the going concern commentary.
 - A performance summary.
 - Confirmation of compliance with Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009. The [Schedule to the 2015 Order](#) sets out the required content for the report to Scottish Government.
8. Further guidance on the preparation of Performance statements is given in the Audit Scotland '[Good practice note on improving the quality of central government annual report and accounts - Performance reports](#)'.

Cash budget for priorities (CBP)

9. Colleges are required to provide in the Performance Report a breakdown of spend of the cash budget for priorities allocation for Academic Year 2019-20. Colleges have a fixed annual CBP and they should disclose how this has been spent in the academic year. This should take the form of a table showing the expenditure under each heading. An illustrative form of wording for the Performance Report disclosure is given in **Appendix 5**. The details of each college's fixed CBP are given in **Appendix 8**. Glasgow Colleges' Regional Board does not itself have a CBP but the consolidated position of the assigned colleges should be reflected in the regional accounts.

Depreciation Budget for Government-funded Assets

10. Colleges are required to include a statement at the foot of the Statement of Comprehensive Income (SOI) and also a note to the accounts explaining the impact of the depreciation budget for government-funded assets. This is

required because the depreciation budget allocation cannot be reflected as income in the SOCI under the FE/HE SORP accounting rules.

11. The adjustment is to add the actual depreciation budget to the SOCI surplus/(deficit) in order to reflect the results on a Government accounting basis for the academic year.
12. The form of wording for the statement at the foot of the SOCI and the note to the accounts is set out in **Appendix 6**.
13. Glasgow Colleges' Regional Board does not itself have a depreciation budget but the consolidated position of the assigned colleges should be reflected in the regional accounts.

Adjusted operating position (AOP)

14. The Performance Report must also provide details of the adjusted operating position (AOP) for Academic Year 2019-20. The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution. The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. Institutions should explain what these adjustments are and why they have been made. All adjusting items included in this calculation must be visible (i.e. separately disclosed) in the SOCI or notes as appropriate and should be cross-referenced from the AOP table.
15. Colleges should not reflect the impact of COVID-19 as separate adjustments to the AOP. Whilst the impact is significant, colleges should ensure that the narrative in the performance report adequately explains the impact of COVID-19 on the current year results.
16. The template for the computation of the AOP is shown in **Appendix 7**.
17. It is important that the calculation of the adjusted operating position is consistent with other disclosures within the Performance Report and accounts.
18. **To ensure correct completion of the AOP and consistency across the sector, institutions should submit the AOP calculation, together with draft accounts, to SFC for review prior to the accounts being signed off. Institutions are encouraged to submit the AOP as early as possible to allow time for review.**

Payment practice

19. A statement describing the payment practice code or policy adopted on payment of suppliers and performance achieved, together with disclosure of any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998, or a statement that there were no matters to disclose.

The Accountability report

20. The Accountability Report is required to have three sections:

- Corporate Governance report.
- Remuneration and Staff report.
- Parliamentary Accountability report.

Corporate Governance Report

21. The purpose of the Corporate Governance report is to explain the composition and organisation of the institution's governance structures and how they support the achievement of institutional objectives.
22. As a minimum, the Corporate Governance report must include a Directors' report, a statement of the Board of Management / Board responsibilities and a governance statement. These elements should be clearly identified.

Directors' report

23. The Directors' report should set out the membership of the Board of Management/Board and also those members of the senior management team who influence the decisions of the institution as a whole. Details should be given of any directorships or other interests which the members have or a link provided to the relevant Register of Interests. Any information on personal data-related incidents reported to the Information Commissioner's Office should also be disclosed.

Statement of Board of Management/Board responsibilities

24. The FReM requires government bodies to provide a Statement of Accounting Officer's responsibilities. However, the SFC Chief Executive is the Accountable Officer for the college sector and is required to provide a governance certificate of assurance covering all institutions to the Principal Accountable Officer of the Scottish Government, based upon certificates of assurance provided by institutions⁶. In light of this unique arrangement, institutions are required to continue to provide a Statement of Board's responsibilities within their Corporate Governance report.

Governance Statement

25. We require institutions to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to

⁶ Regional Strategic Bodies provide the certificate of assurance to SFC based upon certificates of assurance provided by the assigned colleges.

corporate governance. This statement is required to indicate how the institution has complied with good practice in this area.

26. It is a condition of the FM with SFC or the Regional Strategic Body (for assigned colleges) that governing bodies comply with the principles of good governance set out in the 2016 Code of Good Governance for Scotland's Colleges (the Scottish Code). All institutions are required to include a statement confirming compliance with the Scottish Code. In line with the principles of comply or explain, an explanation should be provided in the event that the institution's practices are not consistent with particular principles. A form of wording for the compliance statement is included at **Appendix 3(a)**. The FM also requires compliance with the Scottish Public Finance Manual (SPFM) and, in preparing the governance statement, institutions must comply with the guidance set out in the [Governance Statement section of the SPFM](#).
27. We recognise that each institution will have its own system of corporate governance, reflecting its particular objectives and management processes. However, in preparing their governance statement, institutions should give due regard to the guidance contained in **Appendix 3**.
28. The governance statement should also outline and explain the changes to the governance framework and any other governance implications arising from COVID-19.
29. Institutions should be aware that their external auditors are required to read the information in the Performance Report and the governance statement and express an opinion in the independent auditor's report on whether:
 - The information given in the Performance Report and governance statement is consistent with the financial statements.
 - The Performance Report and governance statement has been prepared in accordance with the accounts direction.
30. Further guidance is available in the Audit Scotland '[Good practice note on improving the quality of college annual report and accounts - Governance statements](#)' published in May 2019.

Remuneration and staff report

31. Institutions are required to include within their annual report and accounts a Remuneration and staff report in accordance with Section 5 (Paras 5.3.15 to 5.3.28) of the FReM. Further information is available from the Government Financial Reporting Manual 2019-20.

32. Institutions should also refer to further guidance contained in Employers Pension Notice: [EPN597 - Resource Accounts: 2019/20 disclosure of salary, pension and compensation information](#)
33. Although EPN 597 deals specifically with the Civil Service Pension Scheme, it does contain a standard format for disclosure and explanations of what should be included in the report in order to comply with the FReM. The Remuneration report should set out the remuneration and accrued pension benefits of senior managers of the institution and this will include those set out in the Directors' report (see paragraph 23 above).
34. An example Remuneration report is attached at **Appendix 4**. It is important to note that individuals should be informed in advance of the intention to disclose their salary information in this report. There is a presumption that information about named individuals will be given unless there is specific justification for not disclosing this (see FReM paragraph 5.3.18 for circumstances where non-disclosure is acceptable). In other cases it would be for the staff member to make a case for non-disclosure which should be considered by the institution on a case by case basis. Where non-disclosure is agreed, the fact that certain disclosure has been omitted should be disclosed.
35. The Staff report must include the following information:
- The number of senior staff by band.
 - Staff numbers and costs distinguishing between permanent contract staff and agency/contract staff.
 - Staff composition – the number of persons of each sex who were directors or employees of the institution.
 - Sickness absence data.
 - Staff policies applied during the year:
 - (a) For giving full and fair consideration to applications for employment to the institution made by disabled persons, having regard to their particular aptitudes and abilities.
 - (b) For continuing the employment of, and arranging appropriate training for, employees of the institution who have become disabled persons during the period they were employed by the institution.
 - (c) Otherwise for the training, career development and promotion of disabled persons employed by the institution.
 - The number and overall value of exit packages (as approved by SFC under Severance Guidance).

- Other employee matters – such as other diversity issues and equal treatment in employment and occupation; employment issues including employee consultation and/or participation; health and safety at work; trade union relationships and human capital management such as career management and employability, pay policy etc.⁷
36. In addition, in accordance with the [Trade Union \(Facility Time Publication Requirements\) Regulations 2017](#), the following information must be published:
- Relevant union officials.
 - Percentage of time spent on facility time.
 - Percentage of pay bill spent on facility time.
 - Paid trade union activities.

Parliamentary Accountability report

37. The FReM requires the inclusion of a Parliamentary Accountability report and, for Scottish government bodies, the requirements are reflected in the SPFM. The disclosures required are:
- Fees and charges for each service where the full annual cost is £1 million or more, or (if lower) where the amount of the income and full cost of the service are material to the financial statements:
 - Financial objective performance against that objective. The standard approach to setting charges for public services is full cost recovery but the SPFM lists some exceptions e.g. subsidised services.
 - Full cost of the service.
 - Income from charging for the service.
 - Surplus or deficit.
 - Disclosure of contingent liabilities, specifically enforceable undertakings given in the form of a guarantee or indemnity which would bind the body into providing the resources in the event of the guarantee or indemnity maturing; or a letter or general statement of comfort which could be considered to impose a moral obligation.
 - Disclosure of total losses exceeding £300,000 and total special payments exceeding £300,000.
38. It is not envisaged that the Parliamentary Accountability disclosures will require to be completed by most institutions unless they are material.

⁷ This FReM requirement strengthens non-financial reporting for the benefit of users of the accounts and aligns with the introduction of EU Regulations and Directives. Further guidance is available at the following link: [http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705\(01\)](http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705(01))

39. The Accountability report should be signed and dated by the Principal or Executive Director.

Notes to the accounts

40. The audit fees and non-audit fees paid to external and internal auditors.
41. The actual total remuneration of the Principal or Executive Director, disclosing separately salary, bonus, employer pension contribution and taxable and non-taxable benefits in kind. Where there is a change of Principal or Executive Director during the year, details should be given separately for each person, noting the dates each was in post. Where the Principal or Executive Director has been paid salary in lieu of pension contributions, this should be explained in the note.
42. The total number of higher paid staff, including senior post-holders, in bands of £10,000 above a threshold of total emoluments (excluding pension contributions and compensation for loss of office) of £60,000. The number of senior post-holders within each band should be separately identified.
43. The tables in the staff cost note required in paragraphs 41 and 42 should be cross-referenced to the remuneration and staff report. Alternatively, if institutions prefer, the tables can be included in the remuneration and staff report and cross-referenced to the staff costs note. This will avoid duplication of the information.

National Bargaining Support Staff and Middle Management Job Evaluation Costs

44. The full harmonisation costs of National Bargaining support staff and middle management will not be confirmed until the national Job Evaluation exercise is carried out, the outcome of which will be implemented with effect from 1 September 2018. Support staff and middle management Job Evaluation costs (and associated grant) should be accounted for, based on Colleges Scotland's February 2019 costings.

Governance Statement Guidance for Institutions

1. Institutions are required to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the institution has complied with good practice in this area.
2. It is a condition of the Financial Memorandum with the SFC or the Regional Strategic Body (for assigned colleges) that governing bodies meet the principles of good governance, set out in the 2016 Code of Good Governance for Scotland's Colleges. All institutions are required to include a statement in their corporate governance statements confirming compliance with the Scottish Code. In line with the principle of comply or explain, an explanation should be provided in the event that the institution's practices are not consistent with particular principles. The template to be used for the compliance statement is at Appendix 3(a).
3. The following should be included in the governance statement:
 - The governance framework of the institution, including information about the committee structure of the Board of Management / Board and the coverage of its work. The statement should set out any changes to governance structures required or other governance implications arising from COVID-19.
 - The operation of the Board of Management / Board, including membership and attendance at meetings, during the period and setting out the impact of COVID-19 on the operation of the Board of Management / Board.
 - An assessment of corporate governance with reference to compliance with the Scottish Code and explanations of any departures from the Code.
 - An assessment of the institution's risk management arrangements and risk profile including, subject to a public interest test, details of significant risk-related matters arising during the period.
 - In setting out principal risks and uncertainties, colleges should consider the specific risks arising from COVID-19 and Brexit and the steps being taken to mitigate those risks.
 - Details of any significant lapses of data security.
 - Confirmation that the institution is a going concern, with supporting assumptions and qualifications as necessary. This disclosure provides

support for the use of the going concern accounting policy and should not be inconsistent with the disclosures regarding going concern either in the annual report and accounts or the auditors' report thereon.

4. Institutions should refer to the Audit Scotland [‘Good practice note on improving the quality of college annual report and accounts - Governance statements’](#) which is based on a review of the corporate governance statements in the 2017-18 institution accounts. Audit Scotland identify key characteristics which make for a high quality corporate governance statement, including:
- There should be a single, coherent narrative running through the whole of the annual report and accounts.
 - The governance statement, wherever possible, should be brief, focused and high level.
 - The governance statement should be open and transparent and should reflect the specific matters that cause concern to the Board of Management / Board.
 - Emphasis should be on assessing the effectiveness of the arrangements rather than simply providing an explanation of the arrangements.
 - Key risks should be identified, the impact analysed and steps taken to mitigate the risk should be reflected in the statement.
 - The statement should provide understandable information and use precise language that explains issues clearly.

Template for statement of compliance with the 2016 Code of Good Governance for Scotland's Colleges

The institution complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2020.

or

The institution complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges with the exception of xxxx. The institution is taking action to address this by xxxx and xxxx and expects to be fully compliant by xxxx.

Template for Remuneration Report (for incorporated colleges and Glasgow Colleges' Regional Board only)

Remuneration Policy

1. Institutions should outline here the details of their remuneration policy for the Principal or Executive Director and senior managers and also outline the operation of the Remuneration Committee.

Remuneration (including salary) and pension entitlements

Remuneration (salary, benefits in kind and pensions)⁸

2. The following table provides detail of the remuneration and pension interests of senior management.

Single total figure of remuneration						
	Year ended 31 July 2020			Year ended 31 July 2019		
Name	Salary £'000	Pension Benefit ⁹ £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
Name A						
Name B						

3. Where applicable, performance pay or bonuses payable, salary paid in lieu of pension and non-cash benefits should also be disclosed separately in the above table.

Pay multiples

4. Institutions are required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce.
5. The banded remuneration of the highest paid official in the institution in the financial year 2019-20 was £xxx (2018-19 £xxx). This was x times (2018-19 x times) the median remuneration of the workforce which was £xx (2018-19 £xx).
6. [Explanation for changes in the ratio]

⁸ The details in this table are subject to audit.

⁹ The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

Accrued Pension Benefits

7. Institutions should outline here the pension schemes in operation and give a brief explanation of how benefits accrue for the employees.

Senior Officials Pension

8. Pension benefits are provided to senior officials on the same basis as all other staff. The accrued pension benefits for senior managers are set out in the table below, together with the pension contributions made by the institution.

Name	Accrued pension at pension age at 31 July 2020	Accrued lump sum at pension age at 31 July 2020	Real increase in pension 1 August 2019 to 31 July 2020	Real increase in lump sum 1 August 2019 to 31 July 2020	CETV at 31 July 2020	CETV at 31 July 2019	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Name A							
Name B							

Cash equivalent Transfer Value (CETV)

9. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.
10. The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government Pension Scheme service and not just their current appointment.
11. In considering the accrued pension benefits figures the following contextual information should be taken into account:
- (i) The figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.
 - (ii) The accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

12. This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Compensation for loss of office

13. xx employees left under voluntary exit terms on xx/xx/xx. They received a compensation payment of £'xxx.
14. xx employees left under voluntary redundancy terms on xx/xx/xx. They elected to take early retirement. The cost to the institution of buying out the actuarial reduction on their pension was £xx. They did not receive any additional compensation.
15. The table below summarises the exit packages by cost band.

Exit package cost band	Number of voluntary redundancies	Number of other departures agreed (including any compulsory redundancies)	Total number of exit packages by cost band
<£10,000			
£10,000 - £25,000			
£25,000 - £50,000			
£50,000 - £100,000			
£100,000 - £150,000			
£150,000 - £200,000			
Total number of exit packages			
Total cost (£)			

Salaries and Related costs

	2020	2020	2020	2019
	Directly employed staff on permanent UK contracts	Other staff including short-term contract, seconded and agency staff	Total	Total
Wages and salaries				
Social security costs				
Other pension costs				
Total				
Average number of FTE				

Note: Where the number of staff under any one category of “other staff” is significant, that category should be separately disclosed.

16. The institution employed xx females and xx males as at 31 July 2020.

Facility time

17. In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the institution provided the following support through paid facility time for union officials working at the institution during the year ended 31 March 2020.

Relevant union officials

Number of employees who were relevant union officials during the relevant period:	Full-time equivalent employee number:

Percentage of time spent on facility time

Percentage:	Number of employees:
0%	
1%-50%	
51%-99%	
100%	

Percentage of pay bill spent on facility time

Total cost of facility time:	
Total pay bill:	
Percentage of the total pay bill spent on facility time:	

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	
---	--

Spend of Cash Budget for Priorities (incorporated colleges and Glasgow Regional Colleges' Board¹⁰ only)

Illustrative form of words for inclusion in Performance Report

1. Following their reclassification as central government bodies from 1 April 2014, colleges are also required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities.
2. Colleges have now each been given a fixed cash budget for priorities (see **Appendix 8**) which must be spent on agreed government priorities as outlined in the table below. Spend of the College's cash budget for priorities, and impact on the operating position for the academic year, is detailed below.

Table of cash budget for priorities spend		
Revenue Priorities	2019-20 (£'000)	2018-19 (£'000)
Student support		
2015-16 pay award		
Voluntary severance		
Estates costs		
Other agreed priorities (give detail)		
Total impact on operating position		
Capital Priorities		
Loan repayments (including PFI, NPD repayments)		
Estates costs		
Provisions pre 1 April 2014 (give detail) carried on balance sheet		
Total Capital		
Total cash budget for priorities spend		

¹⁰ Glasgow Colleges' Regional Board and New College Lanarkshire accounts will reflect the consolidated position of the assigned colleges.

Impact of Depreciation Budget on Statement of Comprehensive Income (incorporated colleges and Glasgow Colleges' Regional Board¹¹ only)

Illustrative form of words for inclusion in the statement at the foot of the Statement of Comprehensive Income

1. The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note X provides details of the adjusted operating position on a Central Government accounting basis.

Illustrative form of words for inclusion in the note to the accounts

2. Following reclassification, incorporated colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.
3. Under the FE/HE SORP, the college recorded an operating deficit of £X for the year ended 31 July 2020. After adjusting for the non-cash allocation provided under government rules, the college shows an "adjusted" surplus/deficit of £X on a Central Government accounting basis.
4. This demonstrates that the college is operating sustainably within its funding allocation.

or

The deficit is attributable to other factors reflected in the adjusted operating table and also the impact of COVID-19 as explained in the performance report on pages x to x.

¹¹ Glasgow Colleges' Regional Board does not itself have a depreciation budget but the consolidated position of the assigned colleges should be reflected in the regional accounts.

	2019-20	2018-19
	£'000	£'000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis) for academic year		
Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year		
Operating surplus/(deficit) on Central Government accounting basis for academic year		

Model adjusted operating position (AOP) note

The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution. The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. All adjustments should be cross-referenced to the relevant note in the financial statements.

	2019-20 £'000	2018-19 £'000
Surplus/(deficit) before other gains and losses		
Add back:		
<ul style="list-style-type: none"> - Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets* (Note 1) - Exceptional non-restructuring costs - Impairment (Note 2) - Pension adjustment – Net service cost (Note 3) - Pension adjustment - Net interest cost (Note 4) - Pension adjustment - Early retirement provision (Note 5) - Donation to Arms-Length Foundation (ALF)* (Note 6) 		
Deduct:		
<ul style="list-style-type: none"> - Non-Government capital grants (e.g. ALF capital grant) (Note 7) - Exceptional income (if disclosed as exceptional in accounts) - Insurance claim (Note 8) - CBP allocated to loan repayments and other capital items* (Note 9) - NPD income applied to reduce NPD balance sheet debt (Note 10) 		
Adjusted operating surplus/(deficit)		

*Incorporated colleges only

Explanation for adjusting items:

Note 1: Depreciation does not have an immediate cash impact on the institution and, in any case, capital expenditure will largely be funded by government or ALF grants so the charge is taken out.

Note 2: The exceptional non-restructuring adjustment will relate to any material one-off charges in year which may distort the accounts.

Note 3: The adjustments to the pensions charge represent the net service cost (i.e. the present value of projected benefits resulting from employee service in the current year less cash contributions paid).

Note 4: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets.

Note 5: The early retirement provision adjustment relates to the gain/loss arising from the actuarial valuation during the year. This excludes any adjustments to valuations as a result of adding or deleting employees.

Note 6: The ALF donation is paid out of the commercial surplus for the year so is adjusted to arrive at the pre-donation operating position.

Note 7: Capital grant income is not matched by SOCI expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.

Note 8: Exceptional income items which distort the results for the year are excluded. This is only relevant where the item is disclosed as exceptional in the accounts.

Note 9: Cash Budget for Priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted. Loan repayments should only be adjusted where CBP has been used to fund them.

Note 10: NPD grant income is included in the SOCI but the payment is applied to reduce the balance sheet liability and, as this would overstate the surplus, is therefore adjusted.

Fixed Cash Budget for Priorities per college (incorporated colleges only)

Region	College	2019-20 cash budget for priorities £'000
Ayrshire	Ayrshire College	1,324
Borders	Borders College	252
Dumfries & Galloway	Dumfries & Galloway College	390
Edinburgh	Edinburgh College	2,547
Fife	Fife College	2,152
Forth Valley	Forth Valley College	613
Glasgow	City of Glasgow College	1,156
Glasgow	Glasgow Clyde College	612
Glasgow	Glasgow Kelvin College	442
Highlands & Islands	Inverness College	496
Highlands & Islands	Lews Castle College	143
Highlands & Islands	Moray College	424
Highlands & Islands	North Highland College	97
Highlands & Islands	Perth College	529
Lanarkshire	New College Lanarkshire	863
Lanarkshire	South Lanarkshire College	197
North East Scotland	North East Scotland College	1,161
Tayside	Dundee & Angus College	1,055
West	West College Scotland	1,639
West Lothian	West Lothian College	190



Scottish Funding Council
Comhairle Maoinachaidh na h-Alba

Accounts direction for Scotland's colleges 2019-20

SFC Guidance

Issue Date: 17 July 2020

Accounts direction for Scotland's colleges 2019-20: Detailed notes for guidance on completion of 2019-20 financial statements

Introduction

1. These guidance notes are designed to supplement the Scottish Funding Council's Accounts Direction.
2. The guidance has been prepared with a view to improving the quality and consistency of financial reporting throughout the college sector.

General

3. The Statement of Recommended Practice for Further and Higher Education (SORP) was issued in October 2018 and is effective for accounting periods beginning on or after 1 January 2019. The SORP reflects the changes to UK Generally Accepted Accounting Practice following the issue of FRS 100, 101 and 102. A copy of the SORP and supporting materials can be found on the [Universities UK website](#).
4. As noted in the SORP, institutions¹ must apply all requirements under FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', relevant legislation and accounts direction from Funding Bodies applicable to the institution.
5. Incorporated colleges and Glasgow Colleges' Regional Board² are also required to comply with the Financial Reporting Manual (FRM) and the Scottish Public Finance Manual (SPFM).

SFC and Regional Strategic Body funding

6. The note analysing SFC grants or grants funded by Regional Strategic Bodies (RSBs) should provide sufficient information to allow the reader to understand the major types of grant received from each funding body. **Annex A** contains a model note which institutions should adopt as far as possible.
7. Any significant one-off or ring-fenced grants should be identified on a separate line. Whilst smaller grants may be grouped together under the heading "other", this should not represent a significant portion of the total grants received.

¹ The term institution includes colleges and Glasgow Colleges' Regional Board.

² Glasgow Colleges' Regional Board's accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire's accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College.

Tuition fees and education contracts

8. Institutions should analyse tuition fees and contracts in accordance with the model notes given in **Annex B**.

Grants from arms-length foundations

9. Institutions should disclose separately any revenue or capital grants received from arms-length foundations.

Student support funds

10. Paragraph 16.9 of the SORP states that “Where the institution disburses funds it has received as paying agent on behalf of a funding body or other body, and has no beneficial interest or risks related to the receipt and subsequent disbursement of the funds, these funds should be excluded from the Statement of Comprehensive Income of the institution.”
11. What constitutes an agency arrangement will depend upon each individual fund and its own individual characteristics. However, the following can be considered to be agency arrangements:
 - Further education bursary funds.
 - Discretionary funds.
 - Education maintenance allowances.
12. Accordingly, these should be excluded from the Statement of Comprehensive Income and the movements disclosed in a note to the accounts. Where incorporated colleges have used the cash budget for priorities³ to fund student support costs in excess of funding they should record this expenditure in the Statement of Comprehensive Income. To ensure comparability between institutions, we recommend that the standard note shown in **Annex C** is adopted.
13. FE and HE childcare funds received by institutions should be included in the main Statement of Comprehensive Income as institutions have more discretion in the manner in which these funds are disbursed and these funds do not therefore meet the definition of agency funds. The income from childcare funds should be identified as a separate line in the Scottish Funding Council income note. Related expenditure from the fund should be shown as a separate line within the appropriate expenditure heading. A note of the movements on childcare funds should be disclosed in the notes in accordance with the model

³ Glasgow Colleges’ Regional Board does not itself have a cash budget for priorities but the consolidated position of the assigned colleges should be reflected in the regional accounts.

note given in **Annex C**. The guidance section on the SFC website provides further details of childcare guidance for FE and HE students studying at colleges.

14. Any in-year redistributions agreed by SFC should also be reflected in the notes. Amounts to be clawed back should be identified as repayable to SFC or other body in the student support fund note.
15. Institutions should have in place systems which minimise incorrect payments of student support funds. However, where there has been overpayment for any reason and funds are recovered these should be credited to the fund balance at the time of recovery. The administrative costs of recovering these overpayments, in line with other administrative costs relating to student support fund payments, should be met from core funds.
16. A link to extant guidance relevant to non-advanced student support funds from SFC is given in **Annex D**.

Staff Costs

17. For consistency and clarity the headings shown in the staff costs note should be analysed as shown in **Annex E**. As in previous years, agency staff costs should be included as a separate line under 'Other operating expenses'.
18. Government funding for workers furloughed under the Coronavirus Job Retention Scheme should be recorded as government grant income and not netted off against staff costs.
19. The full harmonisation costs of National Bargaining support staff and middle management will not be confirmed until the national Job Evaluation exercise is carried out, the outcome of which will be implemented with effect from 1 September 2018. Support staff and middle management Job Evaluation costs (and associated grant) should be accounted for, based on Colleges Scotland's February 2019 costings.

Non-profit distributing projects

20. In accounting for the unitary charge payment, the split between the running cost and loan repayment elements should be disclosed in the notes to the financial statements.

Donations to arms-length foundations

21. Any donation to an arms-length foundation should be disclosed above the operating surplus line, under the expenditure headings, in the Statement of Comprehensive Income. The donation should be clearly disclosed in order to ensure transparency within the annual report and accounts.

Summary pension note

22. A model summary pension note disclosing SOCI charges and Balance Sheet movements is shown at **Annex F**. The suggested note is included within the guidance notes with a view to generating consistency of reporting between colleges of the key SOCI charges and Balance Sheet movements. The suggested note will form part of the wider disclosures on pensions required in the accounts though this additional information is not reflected in **Annex F**. It is important that the note sets out the non-cash movements charged to the SOCI (service costs and net interest cost) as these will also be disclosed and cross-referenced on the adjusted operating position table.

Adjusted operating position (AOP)

23. The SOCI presents the financial performance during the accounting period in accordance with the SORP. The AOP is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution. The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. Institutions should explain what these adjustments are and why they have been made. All adjusting items included in this calculation must be visible (i.e. separately disclosed) in the SOCI or notes as appropriate and should be cross-referenced from the AOP table.
24. Colleges should not include any adjustments for the impact of COVID-19 in the AOP calculation.
25. **To ensure correct completion of the AOP and consistency across the sector, institutions should submit the AOP calculation, together with draft accounts, to SFC for review prior to the accounts being signed off. Institutions are encouraged to submit the AOP calculation as early as possible to allow time for review.**

Model note: SFC and Regional Strategic Body income

	2019-20 £'000	2018-19 £'000
SFC / RSB FE recurrent grant (including fee waiver)		
UHI recurrent grant – HE provision		
FE childcare funds		
Capital grants received		
Release of deferred capital grants		
Other SFC / RSB grants – FE provision		
Other UHI grants – HE provision		
Total		

Model note: Tuition fees and education contracts

	2019-20 £'000	2018-19 £'000
FE fees – UK		
FE fees – EU		
FE fees – non EU		
HE fees		
SDS contracts		
Education contracts		
Other contracts		
Total		

Model note: FE Bursaries and other student support funds

	2019-20	2019-20	2019-20	2019-20	2018-19
	FE Bursary £'000	EMAs £'000	Other £'000	Total £'000	Total £'000
Balance b/fwd					
Allocation received in year					
Expenditure					
Repaid to SFC as clawback					
College contribution to funds					
Intra-region allocations					
Virements					
Balance c/fwd					
Represented by:					
Repayable to SFC as clawback					
Repayable to region					
Retained by college for students					

Note:

- The SAAS Discretionary fund should be included in the “other” column; and
- The expenditure included above should be net of recoveries made in the year.

Model note: FE and HE childcare funds (college sector)

	2019-20 £'000	2018-19 £'000
Balance b/fwd		
Allocation received in year		
Expenditure		
Repaid to SFC as clawback		
College contribution to funds		
Intra-region allocations		
Virements		
Balance c/fwd		
Represented by:		
Repayable to SFC as clawback		
Repayable to region		
Retained by college for students		

Extant SFC guidance for student support funds

1. Student support guidance for academic year 2019-20 can be found on the guidance section of the [SFC website](#).
2. Guidance notes on the audit requirements for EMAs for 2019-20 and the audit requirements for student support funds for 2019-20 will be made available on the [SFC website](#) in late July 2020.

Model note: Staff numbers and staff costs**Staff numbers**

	Year ended 31 July 2020 Number	Year ended 31 July 2019 Number
Academic / Teaching departments		
Academic / Teaching services		
Research grants and contracts		
Administration and central services		
Premises		
Other expenditure		
Catering and residences		
Total		

Staff costs

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Academic / Teaching departments		
Academic / Teaching services		
Research grants and contracts		
Administration and central services		
Premises		
Other expenditure		
Catering and residences		
Sub-total		
Exceptional restructuring costs		
Total		

Model summary pension note

The analysis of amounts charged to the Statement of Comprehensive Income (SOI) is as follows:

	Year ended 31 July 2020 £'000	Year ended 31 July 2019 £'000
Charged to staff costs:		
Current service costs	x	(2,400)
Past service costs	x	(100)
Total charged to staff costs	xx	(2,500)
Credit/charge for net return on pension scheme:		
Interest income	x	1,200
Interest cost	x	(1,500)
Net interest charged	xx	(300)
Credit/charge to other comprehensive income:		
Return on assets	x	6,000
Other experience	x	0
Gains and losses arising on changes in financial assumptions	x	(4,500)
Actuarial Gain/(Loss)	xx	1,500
Total charge to the SOI	xxx	(1,300)

Analysis of the movement in deficit during the year:		
Deficit in scheme at start of year	(10,100)	(10,000)
Service costs	x	(2,500)
Employer contributions	x	1,200
Net interest costs	x	(300)
Actuarial gain/(loss)	x	1,500
Deficit in scheme at end of year	xx	(10,100)

TITLE: SCHEDULE OF BUSINESS 2020-21

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					2020-21
	8-9-2020	24-11-2020 Joint with Audit	24-11- 2020	11-03-2021	1-6-2021	
a) <i>To advise the Board of Management on key issues of the College's financial and resource management including:</i>						
<ul style="list-style-type: none"> • <i>solvency of the College</i> • <i>cashflow</i> <ul style="list-style-type: none"> ○ Annual review of banking arrangements ○ Cash flow report (Management accounts) 			Y Y	Y	Y	
<ul style="list-style-type: none"> • <i>the effectiveness and appropriateness of the utilisation of College resources</i> <ul style="list-style-type: none"> ○ Vice Principal Update Report ○ Update on year-end financial position ○ Management Accounts ○ Internal Audit reports <ul style="list-style-type: none"> ○ Financial Systems Health Check 	Y Y		Y Y (October)	Y Y (January) Y	Y Y (April)	
<ul style="list-style-type: none"> • <i>Financial Strategy</i> <ul style="list-style-type: none"> • Management Accounts • Update of Financial Forecast • SFC Funding Update • Annual budget and medium term financial forecast 	Y Y		Y (October)	Y (January)	Y (April) Y Y	

REMIT	DELIVERABLES					2020-21
	8-9-2020	24-11-2020 Joint with Audit	24-11- 2020	11-03-2021	1-6-2021	
<i>b) To review and approve the Financial Regulations on an annual basis, or more frequently if required.</i>						
<ul style="list-style-type: none"> Annual review of Financial Regulations Corporate Governance Statement - Financial Statements 	Y	Y	Y			
<i>c) To consider and advise the Board on:</i>						
<i>Financial forecasts and budgets in relation to the West Region Outcome Agreement.</i> <ul style="list-style-type: none"> Management Accounts including forecast for year Annual Budget Update of medium term Financial Forecast Monitoring report on Regional Outcome Objectives 	Y Y		Y (October) Y	Y (January) Y	Y (April) Y Y	
<i>Any relevant taxation issues.</i> <ul style="list-style-type: none"> Annual update report on taxation matters Update report if any material changes – as required 			Y			

REMIT	DELIVERABLES					2020-21
	8-9-2020	24-11-2020 Joint with Audit	24-11- 2020	11-03-2021	1-6-2021	
<p>d) To consider the College's annual financial statements (at a joint meeting of the Audit and Finance and General Purposes committees).</p> <ul style="list-style-type: none"> External Audit Management Letter Corporate Governance Statement Financial Statements Annual Internal Audit Report Internal Audit Annual Plan 2020-21 External Audit Planning Memorandum 	Y	Y Y Y Y			Y	
<p>e) To monitor:</p> <p>The College's financial performance against agreed budgets and make recommendations on major variations.</p> <ul style="list-style-type: none"> Management Accounts Update on 31 July Year End Position Annual Financial Statements 	Y	Y Y Y	Y (October) Y	Y (January)	Y (April)	
<p>All income</p> <ul style="list-style-type: none"> Reported through Management Accounts 			Y (October)	Y (January)	Y (April)	
<p>All material financial issues</p> <ul style="list-style-type: none"> Vice Principal Update Report 	Y		Y	Y	Y	

REMIT	DELIVERABLES					2020-21
	8-9-2020	24-11-2020 Joint with Audit	24-11- 2020	11-03-2021	1-6-2021	
<i>The management accounts</i> <ul style="list-style-type: none"> • Management Accounts 			Y (October)	Y (January)	Y (April)	
<i>f) To advise the Board on investments and borrowing and to seek appropriate external advice.</i> <ul style="list-style-type: none"> • Annual review of banking arrangements 	Y					
<i>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 (including Accounting Policies in the Financial Statements).</i> <ul style="list-style-type: none"> • Internal Audit Annual Report • External Audit Management Letter • Annual report on Governance Compliance 		Y Y			Y	
<i>h) To receive a regular report on bad debt write offs</i> <ul style="list-style-type: none"> • Annual report on bad debt write off • Further reports if/as required 	Y					

REMIT	DELIVERABLES					2020-21
	8-9-2020	24-11-2020 Joint with Audit	24-11- 2020	11-03-2021	1-6-2021	
i) To consider, review and recommend to the Board, pension arrangements for College staff, in consultation with the Corporate Development Committee. <ul style="list-style-type: none"> Overview of College pension schemes 					Y	
j) <i>To receive an annual update on banking arrangements, including Scottish Government banking arrangements and to annually approve the bank signatories.</i> <ul style="list-style-type: none"> Annual review of banking arrangements 	Y					
Procurement						
k) <i>To agree and approve financial regulations which ensure compliance with legal obligations in respect of tendering and contract procedures</i> <ul style="list-style-type: none"> Review of Financial Regulations 	Y					
l) <i>To agree and approve procurement strategy and policies that reflect best practice, ensuring they support the priorities and outcomes of the College and the achievement of efficiencies.</i> <ul style="list-style-type: none"> Procurement Strategy Update Procurement Annual Report including future year plan PCIP Update Report 			Y Y Y			

REMIT	DELIVERABLES					2020-21
	8-9-2020	24-11-2020 Joint with Audit	24-11- 2020	11-03-2021	1-6-2021	
m) <i>Approve the awarding of contracts between the values of £250,000 and £500,000</i> <ul style="list-style-type: none"> • Authorisation sought as required 						
n) <i>To support development of:</i> <ul style="list-style-type: none"> ○ <i>supplier management and contract monitoring</i> ○ <i>electronic procurement systems</i> ○ <i>procurement performance management systems</i> ○ <i>collaborative opportunities</i> <ul style="list-style-type: none"> • Reports on update of implementation of Procurement Strategy 			Y			
o) <i>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.</i> <ul style="list-style-type: none"> • Review of strategic risk register 	Y		Y	Y	Y	
p) <i>Any other factors as required by the Board of Management</i> <ul style="list-style-type: none"> • As required 						