

## Performance and Resources Committee Meeting

Date of Meeting	Wednesday 5 June 2019
Paper Title	Glasgow Region – mid-year forecast return
Agenda Item	10.e
Paper Number	PRC5-J
Responsible Officer	Jim Godfrey, Finance & Resources Director
Status	Disclosable
Action	For Information

### 1. Report Purpose

- 1.1. To invite the committee to consider the consolidated mid-year forecast out-turn for 2018-19.

### 2. Recommendations

- 2.1. The Committee is asked to **note** the mid-year forecast out-turn for 2018-19.

### 3. Background

- 3.1. The financial forecast return (FFR), is already an established part of process for monitoring the financial health of colleges. Colleges and Regions submitted their 2018 FFRs in September 2018, showing the forecast outturn for 2017-18 and financial outlook over the next five academic years up to 2022-23.
- 3.2. The Scottish Funding Council wrote to the sector on 1 August 2018 to confirm that resource returns were no longer be required. To enable continued monitoring of the forecast outturn for the current academic year, a mid-year financial forecast return (MYR) would be required instead.
- 3.3. The MYR enables a forecast of colleges' financial position in terms of income and expenditure, adjusted operating position, balance sheet and liquidity part way through the current academic year and draw comparisons with the original forecasts (FFR) provided at the end of September 2018.
- 3.4. On 1 February 2019, the Scottish Funding Council issued a Call for Information in respect of the mid-year financial forecast return. Returns were requested by 29 March 2019. The Call for Information requested that colleges provide an updated financial forecast return for the academic year 2018-19. Returns for the assigned colleges in multi-college regions were submitted to the Regional Strategic Body (RSB) and then by the RSB to the Scottish Funding Council. Any queries would be directed through RSBs. Further information is available via the following link:

<http://www.sfc.ac.uk/publications-statistics/calls-information/2019/SFCCI012019.aspx>

#### **4. Forecast mid-year out-turn for 2018-19**

- 4.1.** Within the Glasgow college region, the three assigned colleges provided their mid-year financial forecast returns in advance of the deadline. The college information, together with the GCRB information, was consolidated and the combined return provided to the Scottish Funding Council on 29 March 2019.
- 4.2.** On 10 April 2019, we received an email with a small number of queries from the Scottish Funding Council. These queries were responded to in a prompt manner and returned two days later.

#### **5. Comparison of Mid-Year Return (March 2019) & Financial Forecast Return (September 2018)**

- 5.1.** In summary, the data provided within the mid-year returns is consistent with expectations.
- 5.2.** In respect of income, there has been an increase in fee income relating to the recruitment of Foundation Apprentices. This is offset by additional expenditure on staff costs.
- 5.3.** There has also been a reduction in Funding Council grants as a result of the clawback of funding relating to national bargaining. This is something that was discussed previously by this Committee.
- 5.4.** The other significant change in income relates to the sale proceeds of North Hanover Street. The sale proceeds have been shown as income by City of Glasgow College and the transfer of funds elsewhere shown as expenditure. This is a simplified recording of the transaction and we would expect this to be dealt with differently within the statutory financial accounts.
- 5.5.** Expenditure in the mid-year return is consistent with that reported in the financial forecast return (as revised for the expenditure relating to the income identified at 5.2 and 5.4 above).
- 5.6.** The forecast (adjusted) operating result for the region is £593,000 for the year ending 31 July 2019. This sum is consistent with the figure reported in the Financial Forecast Return (in September 2018). However, it is recognised that the level is surplus equates to 0.3% of total income – a very tight margin.

#### **6. Other**

- 6.1.** It is important to note that there are some items of income and expenditure that will not be known until after the year end (for example pension valuations for the year ending 31 July 2019). Material changes in these figures will result in a variance compared to the forecast contained within the Mid-Year return.
- 6.2.** It is anticipated that the Scottish Funding Council will shortly issue a Call for Information in respect of the next Financial Forecast Returns. It is expected that this will include assumptions for future years and returns will be sought by 30 June 2019.

## **7. Risk Analysis**

**7.1.** There are no risks that are directly associated with this report. However, the financial sustainability of the Glasgow college region is a central risk on the risk register. The monitoring information, contained within this report, provides a level of assurance in respect of the financial sustainability of the region in the current financial year.

## **8. Equalities Implications**

**8.1.** There are no equalities implications as a direct result of this report.

## **9. Legal Implications**

**9.1.** There are no specific legal implications associated with this report.

## **10. Resource Implications**

**10.1.** The financial implications associated with the 2018-19 forecast out-turn are set out in the body of the report.

## **11. Strategic Plan Implications**

**11.1.** The resources utilised by the Glasgow region will directly contribute to the achievement of the outcomes in 2019-20.

**Mid-year return 2018-19**

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**DECLARATION:** The attached worksheets represent an update on the financial forecasts for the College, based on the actual financial results for the year to date and other relevant information. I consider the revised forecasts to be a reasonable assessment of the College's projected financial position at the end of this academic year in the light of the information available to me.

**Signed:** Jim Godfrey  
Principal/Chief Executive Officer

**Date:** 29-Mar-19

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Statement of Comprehensive income and expenditure (Consolidated)	FFR	Mid-year	Variance	Variance	Commentary
	2018-19	return 2018-19			
	£000	£000	%	£000	
<b>INCOME</b>					
Tuition fees and education contracts	31,130	32,001	3%	871	Increase in value of Foundation Apprentices
Funding council grants	120,749	119,986	-1%	-763	Clawback of National Bargaining
Research grants and contracts	0	0		0	
Revenue grants from Arms Length Foundation	1,054	1,178	12%	124	
Capital grants from Arms Length Foundation	2,023	1,123	-44%	-900	Timing of ALF funded capital projects
Other non-government capital grants	0	0		0	
Deferred capital grant release (SFC and non-SFC Government)	8,626	9,326	8%	700	Relates to sale of property
Other income	8,994	19,533	117%	10,539	Includes sale proceeds of North Hanover Street
Investment income	25	25	0%	0	
<b>Total income before donations and endowments</b>	<b>172,601</b>	<b>183,172</b>	<b>6%</b>	<b>10,571</b>	
Donations and endowments	0	0		0	
<b>Total income</b>	<b>172,601</b>	<b>183,172</b>	<b>6%</b>	<b>10,571</b>	
<b>EXPENDITURE</b>					
Staff costs	105,983	106,689	1%	706	Increase in teaching costs of Foundation Apprentices
Staff costs - exceptional restructuring costs	424	332	-22%	-92	
Exceptional costs - non-staff	0	0		0	
Other operating expenses	36,121	46,367	28%	10,246	Includes sale property proceeds transferred
Donation to Arms Length Foundation	0	0		0	
Depreciation	17,640	17,540	-1%	-100	
Interest and other finance costs	14,167	14,167	0%	0	
<b>Total expenditure</b>	<b>174,335</b>	<b>185,095</b>	<b>6%</b>	<b>10,760</b>	
<b>Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates</b>	<b>(1,734)</b>	<b>(1,923)</b>	<b>11%</b>	<b>-189</b>	
Gain/(loss) on disposal of fixed assets	0	(3,250)		-3,250	North Hanover Street
Gain/(loss) on investments	0	0		0	
Share of operating surplus/(deficit) in joint venture(s)	0	0		0	
Share of operating surplus/(deficit) in associate(s)	0	0		0	
<b>Surplus/(deficit) before tax</b>	<b>(1,734)</b>	<b>(5,173)</b>	<b>198%</b>	<b>-3,439</b>	
Other taxation	0	0		0	
<b>Surplus/(deficit) for the year</b>	<b>(1,734)</b>	<b>(5,173)</b>	<b>198%</b>	<b>-3,439</b>	
Unrealised surplus on revaluation of land and buildings	0	0		0	
Actuarial (loss)/gain in respect of pension schemes	0	0		0	
Other comprehensive income	0	0		0	
<b>Total comprehensive income for the year</b>	<b>(1,734)</b>	<b>(5,173)</b>	<b>198%</b>	<b>-3,439</b>	

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	FFR 2018-19	Mid-year return 2018-19	Variance	Variance	Commentary
	£000	£000	%	£000	
<b>ADJUSTED OPERATING RESULT</b>					
<b>Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates</b>	<b>(1,734)</b>	<b>(1,923)</b>	11%	(189)	
<b>Add:</b>					
Total depreciation (Government-funded, privately funded and NPD-funded assets) net of deferred capital grant release ( <i>incorporated colleges only</i> )	9,014	8,214	-9%	(800)	
Exceptional non-restructuring items (e.g. impairment costs)	0	0		0	
Non-cash pension adjustment - net service cost	0	0		0	
Non-cash pension adjustment - net interest cost	0	0		0	
Non-cash pension adjustment - early retirement provision	0	0		0	
Donation to Arms Length Foundation ( <i>incorporated colleges</i> )	0	0		0	
<b>Deduct:</b>					
Non-Government capital grants (e.g. ALF capital grant)	2,023	1,123	-44%	(900)	
Exceptional income (if disclosed as exceptional in accounts)	0	0		0	
CBP allocated to loan repayments and other capital items ( <i>incorporated colleges only</i> )	209	209	0%	0	
NPD payments to reduce NPD balance sheet debt	4,366	4,366	0%	0	
<b>Adjusted operating result</b>	<b>682</b>	<b>593</b>	-13%	(89)	
<b>Cash budget for priorities (<i>incorporated colleges</i>) :</b>					
<b>Revenue priorities</b>					
Student support funding	0	0		0	
2015-16 pay award	1,272	1,272	0%	0	
Voluntary severance	0	0		0	
Estates costs	405	405	0%	0	
Other agreed priorities - please describe	533	533	0%	0	
<b>Total impact on operating position</b>	<b>2,210</b>	<b>2,210</b>	0%	0	
<b>Capital priorities</b>					
Loan repayments	0	0		0	
NPD / PFI repayments	0	0		0	
Estates costs	0	0		0	
Provisions pre 1 April 2014	0	0		0	
<b>Total capital</b>	<b>0</b>	<b>0</b>		0	
<b>Total cash budget for priorities spend</b>	<b>2,210</b>	<b>2,210</b>	0%	0	

Balance Sheet		FFR	Mid-year	Variance	Variance	Commentary
		2018-19	return 2018-19			
		£000	£000	%	£000	
1 Non-current assets	a) Intangible assets	61	61	0%	0	
	b) Fixed assets	392,883	388,621	-1%	-4,262	Relates to North Hanover Street
	c) Investments	4	4	0%	0	
	<b>Total non-current assets</b>	<b>392,948</b>	<b>388,686</b>	<b>-1%</b>	<b>-4,262</b>	
2 Current assets	a) Stock	41	41	0%	0	
	b) Debtors	6,723	7,326	9%	603	
	c) Investments	0	0		0	
	d) Cash and cash equivalents	8,865	8,952	1%	87	
	e) Other (e.g. assets for resale)	0	0		0	
<b>Total current assets</b>	<b>15,629</b>	<b>16,319</b>	<b>4%</b>	<b>690</b>		
3 Creditors: amounts falling due within one year	a) Bank loans and external borrowing	0	0		0	
	b) Bank overdrafts	0	0		0	
	c) Lennartz creditor	410	491	20%	81	
	d) Obligations under finance leases and service concessions	14	14	0%	0	
	e) Payments received in advance	150	150	0%	0	
	f) Amounts owed to Funding Council	0	0		0	
	g) Obligations under PFI/NPD	4,700	4,700	0%	0	
	h) Other creditors and accruals	19,101	19,588	3%	487	
<b>Total creditors &lt; 1 year</b>	<b>24,375</b>	<b>24,943</b>	<b>2%</b>	<b>568</b>		
<b>Share of net assets/(liabilities) in associate</b>	<b>0</b>	<b>0</b>		<b>0</b>		
<b>NET CURRENT ASSETS/LIABILITIES</b>	<b>(8,746)</b>	<b>(8,624)</b>	<b>-1%</b>	<b>122</b>		
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>	<b>384,202</b>	<b>380,062</b>	<b>-1%</b>	<b>-4,140</b>		
4 Creditors: amounts falling due after more than one year	a) Local authority loans	0	0		0	
	b) Bank loans and external borrowing	0	0		0	
	c) Lennartz creditor	0	41		41	
	d) Finance leases and service concessions	0	0		0	
	e) Obligations under PFI/NPD	139,548	139,548	0%	0	
	f) Amounts repayable to Funding Council	0	0		0	
	g) Other creditors	130,145	129,831	0%	-314	
<b>Total creditors &gt;1 year</b>	<b>269,693</b>	<b>269,420</b>	<b>0%</b>	<b>-273</b>		
5 Provisions	a) Pension provisions	5,335	5,025	-6%	-310	
	b) Other	8,417	1,092	-87%	-7,325	
<b>Total provisions</b>	<b>13,752</b>	<b>6,117</b>	<b>-56%</b>	<b>-7,635</b>		
<b>TOTAL NET ASSETS</b>	<b>100,757</b>	<b>104,525</b>	<b>4%</b>	<b>3,768</b>		
9 Restricted Reserves	a) Endowment Reserve	0	0		0	
	b) Restricted Reserve	456	456	0%	0	
10 Unrestricted reserves	a) Income and Expenditure Reserve	13,845	19,787	43%	5,942	Change in SOCIE
	b) Revaluation reserve	86,456	84,282	-3%	-2,174	Relates to North Hanover Street
11 Non-controlling interest		0	0		0	
<b>TOTAL RESERVES</b>	<b>100,757</b>	<b>104,525</b>	<b>4%</b>	<b>3,768</b>		

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Capital Expenditure Projects and Forecast Methods of Financing	FFR 2018-19	Mid-year return 2018-19	Variance	Variance	Commentary
	£000	£000	%	£000	
<b>Expenditure:</b>					
Land & Buildings	3,313	2,888	-13%	-425	Due to timing of ALF funded capital projects
Equipment & Others	2,740	1,277	-53%	-1,463	
	6,053	4,165	-31%	-1,888	
<b>Financed by:</b>					
Cash reserves	0	0		0	
Arms Length Foundation	2,023	1,123	-44%	-900	Due to timing of ALF funded capital projects
Leasing	0	0		0	
SFC grant	4,030	3,042	-25%	-988	Asset purchases partly funded by SFC grant
Re-investment of proceeds from disposal of assets *	0	0		0	
Non-SFC grants	0	0		0	
PFI/NPD	0	0		0	
Other - please specify if material	0	0		0	
	6,053	4,165	-31%	-1,888	

\* to be included only where this has been agreed by SFC

**Capital disposals**

<b>Disposal proceeds:</b>			
Asset description	0	10,000	10,000
Asset description	0	0	0
Asset description	0	0	0
Asset description	0	0	0
	0	10,000	10,000



***Gain/(loss) on disposal:***

Asset description  
Asset description  
Asset description  
Asset description

0	-3,250
0	0
0	0
0	0
0	-3,250

-3,250  
0  
0  
0  
-3,250

Glasgow Colleges Regional Board

FINANCIAL SUMMARY

FFR 2018-19	Mid-year return 2018-19
£000	£000

Income ratios		
Total Income	172,601	183,172
Total Funding Council Grant (excluding release of deferred capital grant) as % of Total Income	70%	66%
Total non-Funding Council Grant (including SFC release of DCG) as % of Total Income	30%	34%
Total Education Contracts and Tuition Fees as % of Total Income	18%	17%
Total Research Grants and Contracts as % of Total Income	0%	0%
Total Other Income as % of Total Income	5%	11%

Expenditure ratios		
Total Expenditure	174,335	185,095
Salaries as % of Total Expenditure	61%	58%
Other operating costs as % of Total Expenditure	21%	25%
Depreciation/amortisation as % of Total Expenditure	10%	9%

Operating position		
Operating Surplus/(deficit)	-1,734	-1,923
Operating Surplus/(deficit) as % of Total Income	-1%	-1%
Adjusted operating surplus/(deficit)	682	593
Adjusted operating surplus/(deficit) as % of Total Income	0%	0%

Cash Position		
Cash and Current Asset Investments	8,865	8,952
Overdrafts	0	0
Days Ratio of Cash to Total Expenditure	21	20

Balance Sheet strength		
Unrestricted reserves	13,845	19,787
Current Ratio	0.64	0.65
Unrestricted reserves as % of Total Income	8%	11%
Total borrowing (Overdrafts, Loans, Finance Leases, PFI/NPD)	144,672	144,794
Interest cover	0.88	0.86