Finance and Resources Committee

DATE:	11th November 2021
TITLE OF REPORT:	Head of Finance Report – Financial Forecast
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PURPOSE:	To update the Committee on the College's management forecast for the 12 months to July 2022.
KEY RECOMMENDATIONS/ DECISIONS:	To review and note the financial forecast for the year to July 2022.
RISK	The main risks to the financial forecasts are: • Student recruitment, and thus fee income, is lower than anticipated. • That there is an increased level of non-payment of fees and a subsequently higher write off figure. • The ring-fenced capital funding is not sufficient to fully support the capital works being undertaken and that the College has had to release funds from its own resources to cover the gap. • The College has made provision for salary awards as at 1st September 2021, and for the ongoing job evaluation exercise, but both are handled centrally for the sector and the College is not in control, of the expenditure that may accrue from these. • The College has built up a cash balance which is above day-to-day requirements, but this will be utilised to fund investment in minor and major works the details of which will flow from the business plans of the College's area heads, and which will form the basis of our draft Strategic Investment Plan. SFC has been informed of the situation.
RELEVANT STRATEGIC AIM:	Sustainable Behaviours -financial sustainability. Highest quality education and support – high quality working and learning environment.

SUMMARY OF REPORT:	This is very early in the year to have a robust feel for income and expenditure, but the College has recognised challenges with student recruitment and, whilst the original Budget also took account of this, the Forecast takes account of a slightly more conservative view.

1. **Introduction**

   The papers to support the Financial Forecast for the year to 31st July 2022 as at 30th October are attached as follows:

   - Commentary — Appendix 1A
   - Management P & L — Appendix 1B
   - Balance Sheet — Appendix 1C
   - SFC Cashflow Submission — Appendix 1D

2. **Financial Forecast – Appendices 1A, B, C and D**

   The forecast as at 30th October, shows a predicted deficit of £44k, which is below the Budget. Appendix 1A has a commentary on the figures.

   The College is currently in discussions with major customers such as the Construction Industry Training Board (CITB) and the local authorities on activity levels for the year and a cautious view on the results of those discussions has been incorporated into the Forecast.

   It should be noted that the College's cash position at 30th October as per the Balance Sheet (ref. Appendix 1C) is inflated for the central funding received to finance the extensive capital works and the unutilised student support funds which will be returned to SFC presently.

   Members should also note the projected cash balances for the year as per Appendix 1D. This schedule does not take into account the impact of utilising funds via the planned strategic investment fund but will do when the phasing of expenditure has been factored in. It equally does not take full account of current expenditure, such as that outlined in the Estates report; nor of SFC FE student support funding of £450k, which will be recouped by the SFC.

Information from Financial Accounting Appendices will be incorporated in Annual Accounts when published

3. **Year 2021/22 Grant in aid allocation – Appendix 2**

Appendix 2 is an update to information distributed previously and shows where the relevant funding tranches will be spent. It should be noted that the College received an allocation for “direct” Foundation Apprenticeship activity, but this has not been incorporated into the Budget or the Forecast as the level of activity in this area is currently unclear, and this allocation is currently non-transferable. Other colleges in the sector are experiencing the same situation.

It should be noted that there has been a transfer of credit activity from what was termed “ESF-supported” to “core”, which is to be welcomed as the College did have in the region of 12% of its activity part-funded by EU monies.