



Scottish Funding Council
Comhairle Maoinachaidh na h-Alba

College Financial Forecast Return 2020-21 & 2021-22

SFC Call for Information

Issue Date: 23 June 2021

College Financial Forecast Return 2020-21 & 2021-22

Issue date: 23 June 2021

Deadline: 31 July 2021

Reference: SFC/CI/11/2021

Summary: This Call for Information requests colleges to complete an updated financial forecast return for academic years 2020-21 and 2021-22.

FAO: Principals, Finance Directors and Board Secretaries of Scotland's Regional Colleges, non-assigned non-incorporated colleges, and Regional Strategic Bodies.

Further information: **Contact:** Andrew Millar
Job title: Assistant Director

Department: Finance

Tel: 0131 313 6538

Email: amillar@sfc.ac.uk

or

Contact: Wilma MacDonald

Job title: Senior Financial Analyst

Department: Finance

Tel: 0131 313 6565

Email: wmacdonald@sfc.ac.uk



Scottish Funding Council
Comhairle Maoineachaidh na h-Alba

Scottish Funding Council
Apex 2
97 Haymarket Terrace
Edinburgh
EH12 5HD
T 0131 313 6500
F 0131 313 6501
www.sfc.ac.uk

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College Financial Forecast Return 2020-21 & 2021-22

Purpose

1. This Call for Information requests colleges to complete an updated financial forecast return for the academic years 2020-21 and 2021-22.
2. Regional colleges, non-assigned non-incorporated colleges, and Regional Strategic Bodies (RSBs) should send their returns to the Scottish Funding Council (SFC) by 31 July 2021. We would encourage institutions to submit their returns earlier than this deadline, if possible.
3. For all multi-college regions, individual returns will be required from the RSB for each of the assigned colleges by 31 July 2021.

Financial forecast return

4. The financial forecast return (FFR) is an established part of SFC's financial health monitoring framework. The FFR, in providing financial projections over a four year period (the current academic year and the following three years), is a key source of information in enabling SFC to monitor and assess the medium-term financial planning and health of institutions.
5. The FFR would normally be submitted at the end of June each year, however, following consultation with a group of sector finance representatives, we have decided that further consideration is required around the timing and content of the FFR. In particular, further consultation and engagement with Scottish Government and the college sector about funding assumptions beyond 2021-22 is needed.
6. Colleges will be asked, through a Call for Information to be issued in August, to provide the FFR covering the period to 2023-24 by mid-October.

Return of the updated FFR

7. Guidance for completion of the return can be found in Annex B below. A blank copy of the spreadsheet is published along with this Call for Information on our website.
8. Finance Directors will receive an individual spreadsheet which we have pre-populated with the 2019-20 annual accounts figures. For assigned colleges, we will send a pre-populated return for each college to the RSB.
9. Institutions are required to complete the forecast figures for the period 2020-21 and 2021-22. Please note that the guidance in Annex B requests a commentary on the financial forecasts which should cover the context in which the forecasts have been prepared. Your commentary will be as important as the

figures you submit, as this will help us better understand the particular issues facing your institution, and will support follow-up engagement.

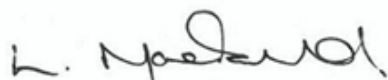
10. Please enter explanations for significant variances on the spreadsheet. As with previous forecast exercises, we may come back to institutions with queries and requests for further details following our analysis of the forecast information.

Information requested

11. Please email an electronic copy of the return in Excel format, and the financial commentary to SFC by 31 July 2021. If the schedule of governing body meetings makes it difficult to achieve this deadline, please contact us as soon as possible. In that instance, please provide a draft return by that date with the final approved version to be provided as soon as possible thereafter.
12. Electronic copies of the return and supporting documents should be sent to isg-returns@sfc.ac.uk.

Further information

13. Please contact Andrew Millar, Assistant Director, Finance (tel: 0131 313 6538; email: amillar@sfc.ac.uk) or Wilma MacDonald, Senior Financial Analyst, Finance (tel: 0131 313 6565; email: wmacdonald@sfc.ac.uk) to discuss any aspect of this letter.



Lorna MacDonald
Director of Finance

Key planning assumptions

1. In order to assist colleges with planning and to ensure consistency across the sector, SFC has worked closely with a group of college Finance Directors to develop guidance on key assumptions that should be used in producing the financial forecasts.
2. **Key assumptions:**

Credits and teaching income

Core funding for 2021-22 should be based on the final funding allocations announced on 27 May 2021 ([SFC/AN/19/2021](#)).

As we have confirmed to the sector previously, we will not recover funds for shortfalls against core outcome agreement targets for AY 2020-21 where these are related to COVID-19. Institutions should assume that European Social Funding (ESF) is dependent on delivery of core activity targets, and if it is anticipated that core credit targets will not be met, funding should be adjusted accordingly. Any potential shortfall in ESF should be clearly highlighted in the commentary.

Flexible Workforce Development Fund

Colleges should assume that they will have a similar level of Flexible Workforce Development Funding available for 2021-22 as they did for 2020-21.

Young Person's Guarantee/National Transition Training Fund

Colleges should assume that this funding will be provided at 2020-21 levels for 2021-22.

Funding for Counsellors/Access to free sanitary provision

Colleges should assume that this funding will continue at 2020-21 levels.

Student support funding

Colleges should assume that all student support funding requirements will be fully met.

Capital Maintenance

SFC Capital Maintenance funding should be based on the final 2021-22 funding allocations announced on 27 May 2021. Institutions may choose to use some of their lifecycle maintenance budget for other priority needs, for example ICT/digital needs to support students' learning in different ways. The high priority capital grant should remain focused on already identified priority works.

Regional Strategic Bodies will need to advise their assigned colleges of their funding assumptions over the forecast period.

Non-SFC income

Assumptions for non-SFC income projections should be prepared taking account of local circumstances. Institutions will need to take account of the latest available information from staff with responsibility for securing and delivering non-SFC funded activity while taking account of anticipated levels of demand. Forecasts should reflect anticipated reductions in non-SFC/commercial income resulting from COVID-19 restrictions.

Institutions should include estimated income from the Coronavirus Job Retention Scheme.

Staff costs

The impact of National Bargaining harmonisation/job evaluation costs for all staff and any workforce planning requirements should be incorporated in the FFR. Detail on this (up to and including 2019-20) has been provided by Colleges Scotland though it should be noted that costs relating to support staff job evaluation are subject to change.

Institutions should also factor in cost of living pay award increases for lecturing staff and support staff. For all staff, institutions should apply current Scottish Government Public Sector Pay Policy.

Incremental increases should also be reflected, where appropriate.

Pension cost forecasts should reflect any known or expected increases to employer contribution rates. Where any increases are forecast, institutions should not assume any additional SFC funding support.

Institutions should assume that funding will not be provided for voluntary severance costs.

FRS 102 pension adjustments should be excluded from the forecasts.

Non-staff costs

Assumptions for non-staff cost projections should be prepared taking account of local circumstances. Institutions should use their current non-staff costs as a baseline and will need to take account of movements in associated income streams. Institutions should demonstrate where they plan to generate efficiencies, where applicable.

Estates

Assumptions for estates-related costs should be prepared taking account of local circumstances.

Disposals

Forecasts should reflect any planned property disposals and include both expected proceeds and costs of disposal. Where gross proceeds exceed £500,000, institutions should assume that proceeds will not be retained by the Institution, unless specifically agreed with Ministers/SFC. Where gross proceeds are less than £500,000, Ministerial approval is not required and proceeds can be retained and reinvested in the College estate subject to SFC approval on how the funds will be used.

Key risks

The 'key risks' page requests institutions to set out material risks to income and expenditure and, if possible, quantify these risks. These risks should correspond with institutions' risk registers. It is expected that the results of this work will be reflected in the FFR financial commentary.

Guidance for completion

Structure of the FFR

1. The FFR takes the form of an Excel spreadsheet which has twelve sheets. A copy of the spreadsheet is published along with this Call for Information.
2. Eleven of the sheets require input by the institution. We suggest the order of completion is:
 - (i) 'Pension assumptions'
 - (ii) 'Arms-Length Foundation (ALF) funding'
 - (iii) 'Income'
 - (iv) 'Expenditure'
 - (v) 'SoCIE'
 - (vi) 'Adjusted operating result' (all institutions) & 'Cash budget for priorities' (incorporated colleges only)
 - (vii) 'Balance Sheet'
 - (viii) 'Cashflow'
 - (ix) 'Capital expenditure'
 - (x) 'Key risks'
 - (xi) 'Declaration'

Completion of the FFR

Input of financial forecast figures

3. The sheets in the spreadsheet contain blue highlighted boxes for the input of the actual and forecast figures.
4. Please note that only whole numbers can be input into the return. Please do not link the spreadsheet to another document or change the formatting in the spreadsheet.
5. Please enter explanations for any significant variances where appropriate.

Sheets not requiring completion

6. The Summary sheet does not require to be completed. This summarises various key figures from the spreadsheet and is calculated automatically.

Commentary

7. Institutions should also provide a commentary on the financial forecasts. This serves four purposes:
 - To explain how the financial forecasts represent the institution's strategic plan.
 - To enable a proper understanding of key aspects of the financial forecast.
 - To explain the actions taken by the institution to remain sustainable and financially viable, including financial and non-financial impact of cost saving measures.
 - To explain any potential alternative options and trade-offs you could make, to reach a more optimal position for your institution.
8. The following areas should be covered by the commentary:

Introduction

This should cover the context in which the forecasts have been prepared. It should include an explanation of how the elements of the institution's strategic plan, human resource management strategy and estates strategy are reflected in the forecasts, and how these developments are to be financed.

This section should also summarise the expected financial impacts of the COVID-19 pandemic on your institution's operating position and liquidity, as set out in subsequent sections of the commentary.

Review of financial performance 2020-21

Discuss the key features of the latest forecast financial performance in 2020-21 and highlight positive and negative variances from previous forecasts (e.g. 2020 financial forecast return / 2021 mid-year return).

SFC recurrent grant

You should confirm your assumptions regarding SFC grant income which should be in accordance with the 2021-22 final funding allocations issued on 27 May 2021 ([SFC/AN/19/2021](#)).

Changes in tuition fee income and other income

This should include details of the assumptions made regarding student numbers and the reasons for year-on-year movements in other sources of income.

Commercial income

You should document plans for commercial income generation and any barriers. Please also confirm what this activity is, how it will be funded and confirm the expected net contribution from such activity. Please quantify how income forecasts, particularly for 2021-22, have changed as a result of COVID-19 impacts.

Changes in staff and non-staff costs

Discuss the reasons for year-on-year movements in pay and non-pay expenditure and the impact on non-pay expenditure of price changes and changes in the level of activity.

In particular the following areas should be addressed:

- Assumptions regarding pay awards and their impact on pay expenditure.
- Assumptions regarding utilisation of job evaluation funding.
- Assumptions regarding staff numbers.
- Assumptions regarding future pension contribution costs.

Cash budget for priorities (Incorporated colleges only)

In providing details of proposed spend, you should refer to SFC's communication of 21 December 2017 which set out the framework for spend of the fixed cash budget for priorities (CBP). Colleges have a fixed annual CBP which is set out in the table below.

College	CBP £000
Ayrshire College	1,324
Borders College	252
City of Glasgow College	1,156
Dumfries & Galloway College	390
Dundee & Angus College	1,055
Edinburgh College	2,547
Fife College	2,152
Forth Valley College	613
Glasgow Clyde College	612
Glasgow Kelvin College	442
Inverness College	496

Lews Castle College	143
Moray College	424
New College Lanarkshire	863
North East Scotland College	1,161
North Highland College	97
Perth College	529
South Lanarkshire College	197
West College Scotland	1,639
West Lothian College	190

Balance sheet – cash position

Please provide detailed commentary about the institution’s operating cash position, especially if this position is deteriorating over the forecast or in any one year. The commentary should also highlight any expected breach of loan covenants as well as details of negotiated loan repayment holidays and VAT payment deferrals.

Contingency planning

Institutions should provide details of contingency plans and potential mitigating actions that would be undertaken in the event of adverse movements on income and expenditure. It would be helpful if institutions could set out details of all potential actions, including the pros and cons of each action, in addressing adverse variances.

Risk management

This should provide details of the key risks identified when preparing the forecast and details of the risk management strategies devised to deal with them. Institutions should describe the corrective actions that would be taken to address identified risks. In addition, please provide details of the additional financial scenarios considered by the Board which explain any potential alternative options and trade-offs you could make to reach a more optimal position for your institution.

Any other information

This should provide any other information which you feel should be brought to our attention.