



Scottish Funding Council  
Comhairle Maoineachaidh na h-Alba

SFC Call for information

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Issue date: 04/03/2024

# College mid-year financial forecast return (MYR) 2023-24



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<b>ISSUE DATE:</b>	04 March 2024
<b>REFERENCE:</b>	SFC/CI/02/2024
<b>SUMMARY:</b>	This Call for Information requests colleges / Regional Strategic Bodies to provide an updated financial forecast return for Academic Year 2023-24.
<b>FAO:</b>	Principals, Finance Directors and Board Secretaries of Scotland's Regional Colleges, non-assigned non-incorporated colleges, Regional Strategic Bodies; and the general public.
<b>FURTHER INFORMATION:</b>	<p><b>CONTACT:</b> Andrew Millar / Fiona O'Neill / Wilma MacDonald</p> <p><b>JOB TITLE:</b> Assistant Director / Assistant Director / Senior Financial Analyst</p> <p><b>DIRECTORATE:</b> Finance</p> <p><b>TEL:</b> 0131 313 6538 / 0131 313 6574 / 0131 313 6565</p> <p><b>EMAIL:</b> <a href="mailto:amillar@sfc.ac.uk">amillar@sfc.ac.uk</a> / <a href="mailto:foneill@sfc.ac.uk">foneill@sfc.ac.uk</a> / <a href="mailto:wmacdonald@sfc.ac.uk">wmacdonald@sfc.ac.uk</a></p>

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## College mid-year financial forecast return (MYR) 2023-24

### Purpose

1. This Call for Information requests colleges / Regional Strategic Bodies to provide an updated financial forecast return for Academic Year 2023-24.
2. Regional colleges, Regional Strategic Bodies (RSBs), and non-assigned non-incorporated colleges should send their returns to the Scottish Funding Council (SFC) no later than 29 March 2024. Earlier returns are encouraged where this is possible.
3. For all multi-college regions, individual returns will be required from the RSB for each of the assigned colleges by 29 March 2024.

### Mid-year financial forecast return

4. The financial forecast return (FFR) is an established part of SFC's financial health monitoring framework. Financial projections are a key source of information in enabling SFC to monitor and assess the medium-term financial planning and health of institutions. The FFR submitted by institutions in June 2023 included forecasts for 2023-24 to 2025-26.
5. The mid-year return (MYR) enables SFC to obtain a meaningful revised forecast of institutions' financial position in terms of income and expenditure, adjusted operating position, balance sheet and liquidity part way through the current academic year. It also draws comparisons with the previous 2023-24 forecast provided in the June 2023 FFR.
6. We have worked with college Finance Directors to agree income and expenditure assumptions that should be used in preparing the financial forecasts (see **Annex A**).

### Guidance and format of the mid-year financial forecast return

7. Guidance for completion of the return can be found in **Annex B**. A blank copy of the spreadsheet is published along with this Call for Information on SFC website. The return follows the same format as the June 2023 FFR.
8. Finance Directors will receive an individual spreadsheet which we have pre-populated with the 2023-24 forecast from the 2023 FFR. Institutions are required to complete the 2023-24 MYR figures. For assigned colleges, we will send the pre-populated return to the RSB.
9. Where a variance between the FFR and the revised MYR forecast is significant (variance +/- 5% or over 2% of total expenditure), explanations must be included on the spreadsheet and in the accompanying financial commentary. 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

10. Please email an electronic copy of the return in Excel format, along with a financial commentary and any relevant recent papers presented to your Governing Body, to [isg-returns@sfc.ac.uk](mailto:isg-returns@sfc.ac.uk) by **29 March 2024**.

## Further information

11. Please contact Andrew Millar, Assistant Director, Finance (tel: 0131 313 6538; email: [amillar@sfc.ac.uk](mailto:amillar@sfc.ac.uk)), Fiona O'Neill, Assistant Director (tel: 0131 313 6574; email: [foneill@sfc.ac.uk](mailto:foneill@sfc.ac.uk)) or Wilma MacDonald, Senior Financial Analyst, Finance (tel: 0131 313 6565; email: [wmacdonald@sfc.ac.uk](mailto:wmacdonald@sfc.ac.uk)) to discuss any aspect of this communication.

### **Ursula Lodge CPFA**

Deputy Director, Institutional Sustainability & Capital

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## Annex A

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### Key planning assumptions

12. We have worked with college Finance Development Network to agree income and expenditure assumptions that should be used in preparing the MYR. These assumptions are provided for the purposes of supporting planning consistency across the sector.
13. Institutions should also develop any additional planning scenarios they consider appropriate to their own operating environment/circumstances.

### SFC grant assumptions

#### Credits and teaching income

14. Core funding for 2023-24 should be based on the final college sector funding allocations for AY 2023-24 announced on 25 May 2023 (<https://www.sfc.ac.uk/publications-statistics/announcements/2023/SFCAN122023.aspx>).
15. If it is anticipated that core credit thresholds for AY 2023-24 will not be met, funding should be reduced accordingly, after mitigations of 2% tolerance and the reduction of recovery by 20% permitted to reduce planning volatility. All other SFC 2023-24 funds should also be considered as subject to recovery unless agreed directly with SFC.
16. We have contacted all colleges regarding under-delivery against credit targets and exposure to recovery for AY 2022-23. Where there is potential recovery of funds, then the recovery exposure should be factored into the forecast. Colleges should not pre-empt any decision on mitigating circumstances.

#### Capital Maintenance

17. SFC Capital Maintenance funding should be based on the final 2023-24 funding allocations announced on 25 May 2023. We have provided greater flexibility to colleges over the use of this funding by combining backlog and lifecycle maintenance allocations into one capital maintenance funding allocation at the same level as FY 2022-23.
18. SFC has agreed colleges' requests to switch FY 2023-24 capital maintenance budget from CDEL to RDEL and wrote to individual colleges/RSBs to confirm the amounts that are reclassified as RDEL. Colleges should reflect the revised budget splits in the MYR forecast.

### Other assumptions

19. SFC has worked with the Finance Development Network Lead Group to jointly agree

non-SFC grant related assumptions that should be used for preparing the MYR. These are set out below.

### Non-SFC income

20. 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.

### Staff costs

21. The impact of National Bargaining harmonisation/job evaluation costs for all staff and any workforce planning requirements should be incorporated in the MYR. Detail on this has been provided by Colleges Scotland although it should be noted that costs relating to support staff job evaluation are subject to change.
22. Institutions should also factor in cost of living pay award increases for lecturing and support staff which should be based on the latest pay offer: £2,000 per FTE in AY 2022-23 and £1,500 per FTE in AY 2023-24. For support staff, forecasts should provide for increases arising from the current job evaluation exercise, based on Colleges Scotland costings and SFC job evaluation funding set out in Table 6 of the AY 2023-24 final funding announcement. Incremental increases should also be reflected.
23. Institutions should assume that funding will not be provided for severance costs. FRS 102 pension adjustments should be excluded from the forecasts.
24. For the purposes of preparing the MYR, institutions should assume that additional funding will be provided to cover the cost of increased employer contributions to the Scottish Teachers Superannuation Scheme which are due to be implemented from April 2024. Institutions should note that funding is likely but has not been confirmed by Scottish Government.
25. Other changes in local support staff pension contribution rates should be reflected in the forecast.

### Non-staff costs

26. Non-staff cost projections should be prepared taking account of local circumstances. Colleges should use actual expenditure to date and extrapolate costs for the remainder of the academic year as appropriate.

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## Annex B

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### Guidance for completion

#### Structure of the MYR

27. The MYR takes the form of an excel spreadsheet which has ten sheets.
28. Nine of the sheets require input by the institution. We suggest the order of completion is:
  - (i) Capital expenditure
  - (ii) Income
  - (iii) Expenditure
  - (iv) SoCIE
  - (v) 'Adjusted operating result' (all institutions) & 'Cash budget for priorities' (incorporated colleges only)
  - (vi) Balance Sheet
  - (vii) Liquidity analysis
  - (viii) Cashflow
  - (ix) Declaration

#### Sheets not requiring completion

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

#### Completion of the MYR

##### Input of financial forecast figures

30. The sheets in the spreadsheet contain blue highlighted boxes for the input of the updated forecast figures. Please note that only whole numbers should be input into the spreadsheet. It is very important that you do not link the spreadsheet to another document or add additional columns or rows in any of the sheets in the workbook.
31. If the movement in an item on last year's results or on the June 2023 FFR forecast is of a significant amount (variance +/- 5% or over 2% of total expenditure), please provide



details of the reason for the variance in the explanation column.

### Financial commentary

32. Please note that a commentary is required on the financial forecast to cover the context in which the forecast has been prepared and enable a proper understanding of key aspects of the financial forecast. The commentary should cover any significant variances from the original FFR, including any changes in the assumptions, and provide details of the key risks identified when preparing the forecast.
33. You should also provide copies of recent papers presented to your institution's Governing Body relating to the revised forecast if they cover the areas highlighted above.
34. 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.