

Performance and Resources Committee Meeting

Date of Meeting	Monday 9 October 2017
Paper Title	Financial Forecast Return
Agenda Item	9
Paper Number	PRC1-J
Responsible Officer	Jim Godfrey, Interim Finance and Resources Director
Status	Disclosable
Action	For Approval

1. Report Purpose

- 1.1.** To enable the Committee to consider the Financial Forecast Returns for GCRB and the Region. In addition, to the report below, a presentation will be provided at the meeting.

2. Recommendations

- 2.1.** The Committee is asked to **approve** the Financial Forecast Return for GCRB and the commentary contained within Section 5 of this report.
- 2.2.** The Committee is asked to **note** the consolidated Financial Forecast Return of the Glasgow region and the commentary contained within Section 6 of this report.

3. Background

- 3.1.** The Financial Forecast Return is an annual return that the Scottish Funding Council (SFC) request further education colleges to submit. The Financial Forecast Return is used by the Scottish Funding Council to “monitor and assess the financial health of colleges and better understand the resource pressures and challenges that are anticipating”. As the Regional Board is now fully operational, it has also been asked to submit a return forecasting GCRB’s financial performance.
- 3.2.** Long-term financial planning is wholeheartedly supported in the pursuit of effective financial management and good governance. Enhanced long-term financial planning was also something that was recommended by Audit Scotland in their review of Scotland’s Colleges in 2016. In this report they stated that:

“we recommend that colleges should work towards developing long-term financial plans. These should involve a long-term financial strategy (five or more years) supported by medium-term financial plans (three to five years). These would allow colleges to prepare for issues such as estate development, national collective bargaining and student support funding.”

- 3.3.** The completion of the Financial Forecast Return contributes to the implementation of the above recommendation. However, there are limitations to this particular process, for example:
- The SFC grants provide 71.6% of the total annual income for the Glasgow region in 2017/18. This is often confirmed shortly before the start of the financial year and the uncertainty regarding future funding does little to encourage a medium, or long-term, planning. An example of this is the additional cost of national bargaining and there being no certainty regarding the amount of funding from 2018-9.
 - The value of the model is underpinned by the validity of the underlying assumptions. Some assumptions, such as a pay award for staff, can have a material impact on the output from the model.
 - The risk appetite, or level of optimism, is not reflected in the model. For example, one college may develop a plan that is a challenging and designed to be something to be aimed for whereas another may take a cautious approach or want to show a 'worst case' scenario. Similarly, a college may present a budget that incorporates the impact of future actions but another college may present a budget that reflects what will happen if the status quo continues.
- 3.4.** To mitigate the limitations set out above, and ensure that the Board is able to effectively fulfil its obligations to monitor and assess the financial health of the assigned colleges, members should note that GCRB will continue to undertake other financial planning activity with the colleges alongside this forecasting exercise.
- 3.5.** For 2017-18, it has been agreed with SFC that there will be four separate returns i.e. one for each of the colleges and one for GCRB. The deadline for returns to be submitted was 18 August with SFC accepting that Committees/Boards will not meet to approve these returns until after this date.
- 3.6.** This Committee is therefore asked to approve the return for GCRB and review a consolidated summary of the returns from the Glasgow region.

4. Assumptions

- 4.1.** The principal assumptions that underpin the financial forecast return were determined by SFC. These assumptions are shown in Appendix A.
- 4.2.** Representatives of the finance teams from the Colleges met with the Interim Finance and Resources Director to consider the assumptions. The meeting helped achieve a common understanding of the assumptions to enable a consistent approach to be taken in Glasgow. The following reservations were identified, and subsequently raised with SFC in July 2017:
- The validity of the assumption that there would be no cost of living increase for teaching staff until 2020-21.
 - The omission of any information regarding future funding for Workforce Development and Student Funding (particularly ESF).

4.3. To make this forecasting process as realistic as GCRB and the Colleges agreed that the following assumptions should be applied in the Glasgow region:

- An annual 1% cost of living pay increase will be applied to all staff for each year of the return period.
- Workforce Development Funding would be received by each College in proportion to their share of national credit activity.
- Student Funding will remain as the 2017-18 allocations and there will be no redistribution based upon need. It is further assumed that student funding from European Social Funds (ESF) will decrease over the forecast period.

5. Financial Forecast Return – GCRB

The Financial Forecast Return is a spreadsheet that is made up of a series of worksheets but many of these are not relevant to GCRB. The Financial Forecast Return for GCRB is provided at Appendix B.

SFC request that the fundable body provides a report that accompanies this return. The report must cover the following:

- 5.1. Introduction** – the organisational structure of GCRB is straightforward and consists of a small core of staff. Staffing costs account for the majority of expenditure and the staffing structure is predicted to remain constant over the forecast period. The other costs incurred are non-staff costs that mainly relate to the cost of governance.
- 5.2. Review of Financial Performance 2016-17** – expenditure and income are closely matched. During the year, SFC provided additional strategic funding (£40,000) to meet the cost of an Interim Finance Director. This funding was not included within the original budget and was matched by an equivalent amount of expenditure.
- 5.3. SFC Recurrent Grant** – GCRB receives the recurrent grant for the region and retains an amount to meet its costs. The budgeted amount to be retained for 2016-17 was £180,000 and this is the same as the actual amount required.
- 5.4. Changes in tuition fee income and other income** – income from other sources is likely to be minimal for GCRB. There was a small amount of income in 2016-17 due to the recharge of some costs to Colleges Scotland in respect of work undertaken on National Bargaining.
- 5.5. Commercial income** – GCRB is not expected to generate commercial income.
- 5.6. Changes in staff and non-staff costs** – GCRB has recently agreed its staffing structure and material changes are not predicted over the period on this return. Non-staff costs are expected to be constant. The only change is expected to be a small increase as a result of inflation.
- 5.7. Cash budget for priorities (incorporated colleges only)** – GCRB is not expected to hold significant assets and therefore depreciation is not expected to be an issue.
- 5.8. Balance sheet – cash position** – it is expected that the income and expenditure of GCRB will be matched for each year. As GCRB is unlikely to hold assets either (see comment above) then the amounts contained within the Balance Sheet will be minimal.

5.9. Risk Management – the risks associated with the Financial Forecast Return for GCRB are considered to be low. There is a high degree of confidence regarding the grant income and the cost structure is both straightforward and stable.

6. Financial Forecast Return – Glasgow Region

6.1. Introduction –The three colleges and GCRB all submitted individual Financial Forecast Returns to the SFC in August 2017. The colleges also provided a copy of their return to GCRB. The individual returns have been analysed and some questions raised.

6.2. Despite the best intentions to achieve a consistent approach across Scotland, it became apparent that some colleges have made different assumptions e.g. regarding the cost of national bargaining for support staff. As a result, the SFC issued a further request for information in an attempt to better understand the position. Once this information is available it could mean that the original returns require to be adjusted.

6.3. Review of Financial Performance 2016-17 – The total income for 2016-17 for the Glasgow Region is forecast to be £162.2m. Of this income 71.8% comes from the SFC. Expenditure for the same period is expected to be £164.2m of which 58% (£95m) relates to staff costs. The annual deficit increases over the planning period and is forecast to exceed £4m per annum in 2021-22. One of the changes for 2016-17 is the full-year effect of the NPD cost for the City of Glasgow College campus. As a result, there is an increase in both income and interest/finance charges for this year onwards.

6.4. SFC Recurrent Grant - The college forecasts are in line with SFC guidance i.e. all have assumed that:

- SFC Credit Funding for 2018/19 and 2019/20 is based on the 2017/18 award on a flat cash basis. A 2% per annum increase in funding is assumed for 2020/21 and 2021/22.
- SFC will fully fund the additional teaching staff pay costs of national bargaining during 2018-19 & 2019-20. In each of 2020-21 & 2021-22 this additional grant is reduced by one third.
- Capital/Maintenance Funding will continue at the levels provided in 2017/18.

6.5. Changes in tuition fee income and other income - CoGC have assumed that fee income will increase over the planning period, whereas the other two college have assumed that they will be flat.

- GCC - student full time equivalent (FTE) numbers have been forecast to remain relatively stable from 2017/18 onwards and, as such, tuition fees are forecast on a consistent basis. Other income for 2017/18 is estimated based on the 2016/17 forecast outturn position and is expected to remain relatively stable on a flat cash basis for future years.
- GKC - The SFC are proposing a 1.5% inflationary increase in non-SFC income. The College does not believe this is at all realistic and therefore has assumed non-SFC income will remain constant in nominal (cash) terms.

- CoGC – Are predicting total growth of £2.1m over the period of the Financial Forecast Return with the main growth areas being commercial fees (£0.5m), tuition fees (£1.5m) and international fees (£0.1m).

6.6. Changes in staff costs – CoGC have adopted a different approach to the treatment of some pay harmonisation costs to the other two colleges in the region. This different interpretation is something that has also been recognised by SFC. As such, a call for additional information was issued in September 2017. This information is being evaluated and it is possible that all colleges will be asked to submit a revised Financial Forecast Return.

- GCC - For the purposes of the FFR the 2017/18 budgeted figures for staffing costs have been used as a baseline with adjustments being made for pay increments, additional National Bargaining costs for teaching staff and inflationary pay awards for teaching and support staff. SFC guidance advised that colleges should factor in a 1% increase for pay awards for support staff (all years) and for teaching staff (from 2020-21 onwards). In the event that the Employers Association agree additional inflationary pay awards for 2017/18, 2018/19 and 2019/20 for lecturers staff then costs will increase accordingly.
- GKC - The SFC are suggesting colleges assume that national bargaining costs will be met by specific grant, the College has sought to apply this assumption in the FFR.
- GKC - The SFC have suggested a 1% increase for support staff is assumed for all years. This was the College assumption in the five year Financial Strategy and in the 2017/18 budget and has been applied in the FFR.
- GKC - The SFC have suggested that 0% increases are to be assumed for teaching staff for 2017/18, 2018/19 and 2019/20. The College has sought to apply this assumption although it believes it is likely to be unrealistic. However, the College had already assumed 1% in its own operating budget for session 2017/18 and it has not changed this assumption. This assumption about pay is unrealistic and potentially undermines the validity of the FFR return as a realistic financial planning document.
- CoGC - Staff costs are predicted to increase by £9.8m over the period of the Financial Forecast Return. This is due to the costs of; teaching harmonisation costs (£4.6m), support staff harmonisation (£1.0m), increase in teaching staff (£1.5m), increase in support staff (£0.9m) and increase in staffing to deliver growth (£1.8m).
- All - have assumed that there is no increase in employers' pension, or national insurance, contributions over the planning period.

6.7. Changes in non-staff costs

- All - For the purposes of the FFR it is assumed that non-staff costs will remain stable based on 2017/18 levels following efficiency savings already achieved in prior years. The colleges have applied the 1.5% inflationary increase to 2018/19 and beyond in line with SFC guidance.

6.8. Balance sheet – cash position – The balance sheet for the Region shows a weakening position during the course of this planning period. For example, current assets were £25.7m in 2015-16 but are predicted to fall to -£1.3m by 2021-22.

6.9. Risk Management – the Financial Forecast Return is designed to assist with long-term planning for the Glasgow Region. As such, the return is a planning tool that helps to identify future challenges. Increased knowledge of these challenges enables a planned response to be developed and thereby reduce the risks faced. The Financial Forecast Return is based upon a series of assumptions and the financial information provided must be considered alongside these assumptions.

7. Risk Analysis

7.1. The risks associated with this report are outlined in sections 5.9 and 6.9 above.

8. Legal Implications

8.1. There are no specific legal implications associated with this report.

9. Financial Implications

9.1. The financial implications associated with the Financial Forecast Return are set out in the body of the report.

10. Strategic Plan Implications

8.1. The ability to deliver the Regional Outcome Agreement and Strategic Plan are directly affected by the future resources. The Financial Forecast Returns contribute to the long-term financial planning and therefore the ability to achieve the regional ambitions.

Appendix A - Underlying Assumptions

The following assumptions were determined by the Scottish Funding Council and set out in SFC/CI/03/2017 (<http://www.sfc.ac.uk/web/FILES/calls-information-SFCCI032017/SFCCI032017-college-financial-forecast-return.pdf>)

“Credits and teaching income (Core and European Social Fund activity)

22. Financial projections for 2017-18 should be based on the funding allocation announced on 5 May 2017 (SFC/AN/08/2017). Colleges should plan on the basis of flat cash for 2018-19 and 2019-20 while all colleges should assume 2% p.a. increases in the Teaching grant for 2020-21 and 2021-22 on the basis that the specific grant for additional National Bargaining costs referred to below (see staff costs heading) is assumed to reduce in those years. Colleges should also assume that the transition to the simplified funding model will be put on hold during the period 2018-19 through to 2021-22.
23. The sensitivity analysis worksheet within the FFR asks colleges to model +/- 2.5% scenarios for SFC (and ESF) activity funding. Assigned colleges will also need to take account of regional planning considerations.

Non-SFC income

24. Colleges 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. An inflationary rate of 1.5% is proposed, however, colleges may revise this assumption according to local circumstances e.g. where agreed contracts state otherwise. Again, the sensitivity analysis worksheet asks colleges to model +/- 2.5% scenarios for non-SFC income.

Staff costs

25. The impact of National Bargaining costs for all staff together with any impact of workforce plans should be incorporated in the FFR.
26. Colleges should assume that the costs of the National Bargaining pay costs for staff will be supported by additional specific grant in 2018-19 and 2019-20 that will reflect the costs in particular colleges. It should also be assumed that the level of any 2019-20 additional specific grant is reduced to 67% in 2020-21, reduced to 33% in 2021-22 and reduced to nil in 2022-23.
27. Colleges should also factor in a 1% increase for pay awards for support staff (all years) and for lecturing staff (2020-21) onwards based on public sector pay policy. Incremental increases should be reflected throughout the period, where appropriate.
28. Colleges are also required to model +/-2.5% and +/-5% scenarios for staff costs as part of their sensitivity analysis.

Non-staff costs

29. Colleges should use their current non-staff costs as a baseline and will need to take account of movements in associated income streams. Again, an inflationary rate of 1.5% is proposed but colleges may revise this assumption according to local circumstances. The sensitivity analysis worksheet asks colleges to model +/- 2.5% scenarios for non-staff costs.

Estates

30. The sector estate condition survey is due to be completed by end July 2017. For planning purposes at this time colleges should assume that capital maintenance funding will be held at 2017-18 levels over the forecast period. Assigned colleges will also need to take account of regional planning considerations.”

Appendix B – Financial Forecast Return for GCRB

Glasgow Colleges Regional Board

Staff costs	Actual 2015-16 £000	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000
Salaries	181	157	232	268	270	273	275
Social Security costs	18	20	27	31	31	31	31
Other pension costs	30	22	36	43	43	43	43
FRS 102 pensions adjustments	0	0	0	0	0	0	0
Severance payments	0	0	0	0	0	0	0
Total	229	199	295	342	344	347	349

Glasgow Colleges Regional Board

Capital Expenditure Projects and Forecast Methods of Financing

Actual 2015-16 £000	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000
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Expenditure:

Land & Buildings	0	0	0	0	0	0
Equipment & Others	0	0	288	0	0	0
	0	0	288	0	0	0

Financed by:

Cash reserves	0	0	0	0	0	0
Arms Length Foundation	0	0	0	0	0	0
Leasing	0	0	0	0	0	0
SFC grant	0	0	288	0	0	0
Re-investment of proceeds from disposal of assets	0	0	0	0	0	0
Non-SFC grants	0	0	0	0	0	0
PFI/NPD	0	0	0	0	0	0
Other - please specify if material	0	0	0	0	0	0
	0	0	288	0	0	0

Appendix C – Financial Forecast Return for Glasgow Colleges’ Region

GLASGOW COLLEGE REGION

	Actual 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
Statement of Comprehensive income and expenditure							
	£000	£000	£000	£000	£000	£000	£000
INCOME							
Tuition fees and education contracts	30,052	31,231	31,921	32,209	32,501	32,770	33,044
Funding council grants	100,738	116,401	121,130	122,987	124,302	124,041	125,334
Research grants and contracts	0	0	0	0	0	0	0
Revenue grants from Arms Length Foundation	1,567	1,036	965	356	300	300	300
Capital grants from Arms Length Foundation	6,360	4,443	5,989	3,250	3,250	3,250	2,313
Other non-government capital grants	358	420	360	360	360	360	360
Other income	7,256	8,606	8,790	8,868	8,948	9,029	9,111
Investment income	75	36	25	15	15	15	15
Total income before donations and endowments	146,406	162,173	169,180	168,045	169,676	169,765	170,477
Donations and endowments	0	0	0	0	0	0	0
Total income	146,406	162,173	169,180	168,045	169,676	169,765	170,477
EXPENDITURE							
Staff costs	94,727	95,182	100,739	105,394	108,474	109,683	110,772
Staff costs - exceptional restructuring costs	1,225	182	125	0	0	0	0
Fundamental restructuring costs - non-staff	0	0	0	0	0	0	0
Other operating expenses	32,777	35,010	34,569	34,799	35,232	35,728	36,234
Donation to Arms Length Foundation	0	2,800	0	0	0	0	0
Depreciation	12,557	16,180	17,297	18,022	17,019	13,720	13,730
Interest and other finance costs	4,032	14,800	14,553	14,167	13,751	13,569	13,343
Total expenditure	145,318	164,154	167,283	172,382	174,476	172,700	174,079
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	1,088	(1,981)	1,897	(4,337)	(4,800)	(2,935)	(3,602)
Gain/(loss) on disposal of fixed assets	2,724	151	(4,381)	0	0	0	0
Gain/(loss) on investments	0	0	0	0	0	0	0
Share of operating surplus/(deficit) in joint venture(s)	0	0	0	0	0	0	0
Share of operating surplus/(deficit) in associate(s)	0	0	0	0	0	0	0
Surplus/(deficit) before tax	3,812	(1,830)	(2,484)	(4,337)	(4,800)	(2,935)	(3,602)
Other taxation	0	0	0	0	0	0	0
Surplus/(deficit) for the year	3,812	(1,830)	(2,484)	(4,337)	(4,800)	(2,935)	(3,602)
Unrealised surplus on revaluation of land and buildings	0	0	0	0	0	0	0
Actuarial (loss)/gain in respect of pension schemes	(4,371)	0	0	0	0	0	0
Other comprehensive income	0	0	0	0	0	0	0
Total comprehensive income for the year	(559)	(1,830)	(2,484)	(4,337)	(4,800)	(2,935)	(3,602)

GLASGOW COLLEGE REGION

UNDERLYING OPERATING RESULT	Actual 2015-16 £000	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	1,088	(1,981)	1,897	(4,337)	(4,800)	(2,935)	(3,602)
Add:							
Depreciation net of deferred capital grant release (<i>incorporated colleges only</i>)	3,881	7,794	8,782	9,213	8,858	7,003	6,830
Exceptional non-restructuring items (e.g. impairment costs)	1,837	0	0	0	0	0	0
Non-cash pension adjustments	2,937	0	0	0	0	0	0
Donation to Arms Length Foundation (<i>incorporated colleges only</i>)	0	2,800	0	0	0	0	0
Deduct:							
Non-Government capital grants	6,401	4,503	5,989	3,250	3,250	3,250	2,313
Exceptional income	0	0	0	0	0	0	0
Revenue funding allocated to loan repayments and other capital items (<i>incorporated colleges only</i>)	1,067	2,592	4,043	4,366	4,700	5,111	5,460
Underlying operating result	2,275	1,518	647	(2,740)	(3,892)	(4,293)	(4,545)

Cash budget for priorities (*incorporated colleges*) :

Student support funding	0	39	0	0	0	0	0
2015-16 pay award	1,701	823	507	300	300	300	300
Loan repayments	453	416	361	306	0	0	0
Working capital	326	(14)	39	(401)	(192)	(317)	(444)
Other - please describe	0	0	0	0	0	0	0
Other - please describe	0	0	0	0	0	0	0
2,480	1,264	907	205	108	(17)	(144)	

GLASGOW COLLEGE REGION

	Actual 2015-16 £000	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000
Staff costs							
Salaries	74,737	75,755	79,606	83,308	85,746	86,701	87,563
Social Security costs	6,205	7,059	7,631	7,987	8,220	8,312	8,394
Other pension costs	12,349	12,259	13,503	14,099	14,509	14,671	14,816
FRS 102 pensions adjustments	1,389	0	0	0	0	0	0
Severance payments	1,272	291	125	0	0	0	0
Total	95,952	95,364	100,865	105,394	108,475	109,684	110,773

GLASGOW COLLEGE REGION

SENSITIVITY ANALYSIS	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	(1,981)	1,897	(4,337)	(4,800)	(2,935)	(3,602)
Income:						
SFC activity funding +/- 2.5%	2,778	2,893	2,932	2,953	2,954	2,994
Non-SFC income +/- 2.5%	967	987	996	1,005	1,013	1,023
Expenditure:						
Non-staff costs +/- 2.5%	872	861	867	879	890	904
Staff costs:						
Total staff costs +/- 2.5%	2,379	2,512	2,626	2,703	2,734	2,761
Total staff costs +/- 5%	4,758	5,022	5,253	5,406	5,466	5,521

	Actual 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
	£000	£000	£000	£000	£000	£000	£000
Intangible assets	0	0	0	0	0	0	0
Goodwill	0	0	0	0	0	0	0
Negative goodwill	0	0	0	0	0	0	0
Fixed assets	268,693	406,129	392,915	380,818	369,724	361,929	353,187
Heritage assets	0	0	0	0	0	0	0
Investments	4	4	4	4	4	4	4
Investment in joint venture(s)	0	0	0	0	0	0	0
Investment in associate(s)	0	0	0	0	0	0	0
	268,697	406,133	392,919	380,822	369,728	361,933	353,191
Stock	46	44	44	44	44	44	44
Debtors	15,052	8,839	8,290	8,009	8,079	8,149	8,220
Investments	0	0	0	0	0	0	0
Cash and cash equivalents	10,553	9,648	7,042	3,367	-958	-5,255	-9,609
Other (e.g. assets for resale)	0	0	0	0	0	0	0
	25,651	18,531	15,376	11,420	7,165	2,938	(1,345)
Bank loans and external borrowing	0	0	0	0	0	0	0
Bank overdrafts	0	0	0	0	0	0	0
Lennartz creditor	1,199	942	797	410	0	0	0
Obligations under finance leases and service concessions	11	11	11	11	11	11	11
Payments received in advance	111	181	181	181	181	181	181
Amounts owed to Funding Council	3,000	0	0	0	0	0	0
Obligations under PFI/NPD	1,020	4,043	4,366	4,700	5,111	5,460	5,691
Other creditors and accruals	23,282	23,855	20,994	19,617	18,040	17,976	18,061
	28,623	29,032	26,349	24,919	23,343	23,628	23,944
	0	0	0	0	0	0	0
	(2,972)	(10,501)	(10,973)	(13,499)	(16,178)	(20,690)	(25,289)
	265,725	395,632	381,946	367,323	353,550	341,243	327,902
Local authority loans	0	0	0	0	0	0	0
Bank loans and external borrowing	0	0	0	0	0	0	0
Lennartz creditor	1,985	1,207	410	0	0	0	0
Finance leases and service concessions	0	0	0	0	0	0	0
Obligations under PFI/NPD	34,384	148,614	144,249	139,549	134,438	128,978	123,287
Amounts repayable to Funding Council	0	0	0	0	0	0	0
Other creditors	135,439	135,461	129,721	124,580	120,920	117,207	113,359
	171,808	285,282	274,380	264,129	255,358	246,185	236,646
Pension provisions	21,280	21,017	20,717	20,681	20,481	20,281	20,081
Other	20,926	20,926	20,926	20,926	20,926	20,926	20,926
	42,206	41,943	41,643	41,607	41,407	41,207	41,007
	51,711	68,407	65,923	61,587	56,785	53,851	50,249
Endowment Reserve	0	0	0	0	0	0	0
Restricted Reserve	510	510	510	510	510	510	510
Income and Expenditure Reserve	-11,478	-11,848	-10,257	-13,393	-16,995	-18,729	-21,131
Revaluation reserve	62,679	79,745	75,670	74,470	73,270	72,070	70,870
	0	0	0	0	0	0	0
	51,711	68,407	65,923	61,587	56,785	53,851	50,249

GLASGOW COLLEGE REGION

SENSITIVITY ANALYSIS	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	(1,981)	1,897	(4,337)	(4,800)	(2,935)	(3,602)
Income:						
SFC activity funding +/- 2.5%	2,778	2,893	2,932	2,953	2,954	2,994
Non-SFC income +/- 2.5%	967	987	996	1,005	1,013	1,023
Expenditure:						
Non-staff costs +/- 2.5%	872	861	867	879	890	904
Staff costs:						
Total staff costs +/- 2.5%	2,379	2,512	2,626	2,703	2,734	2,761
Total staff costs +/- 5%	4,758	5,022	5,253	5,406	5,466	5,521

GLASGOW COLLEGE REGION

ALF Funding	Actual 2015-16	Forecast 2016-17	Forecast 2017-18	Forecast 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22
	£000	£000	£000	£000	£000	£000	£000
Estimated balance of cash in ALF as at 1 August	34,451	27,024	24,622	17,668	14,062	10,512	6,962
Donation to Arms Length Foundation	0	2,800	0	0	0	0	0
Grant from Arms Length Foundation - capital	(6,360)	(4,443)	(5,989)	(3,250)	(3,250)	(3,250)	(2,313)
Grant from Arms Length Foundation - revenue	(1,067)	(759)	(965)	(356)	(300)	(300)	(300)
Estimated balance of cash in ALF as at 31 July	27,024	24,622	17,668	14,062	10,512	6,962	4,349

Note:

For most foundations, the most recent accounts available are for periods ending in 2016. Colleges' forecast movements will not include governance costs, donations from third parties, payments to third parties or investment income.

Grant from Arms Length Foundation - capital:

Building and equipment costs new campus - CoGC	6,037	-	-	-	-	-	-
Capital investment plan - GKC	-	-	1,900	250	250	250	250
Replacement of old equipment - CoGC	-	2,360	1,148	1,000	1,000	1,000	1,000
Student Services Reconfiguration Project - GCC	240	-	-	-	-	-	-
Major capital works upgrade - Mechanical & Electrical - GCC	83	292	1,675	-	-	-	-
Cardonald Tower Block Roof Phase 1 - GCC	-	243	-	-	-	-	-
Langside Lighthouse & Mary Stuart Upgrade - GCC	-	253	6	-	-	-	-
Developing E-Learning Capacity - GCC	-	438	-	-	-	-	-
Landscape & Horticulture Teaching Facilities - GCC	-	602	1,260	-	-	-	-
New Finance System - GCC	-	120	-	-	-	-	-
Cardonald Campus Salon Upgrade - GCC	-	135	-	-	-	-	-
Major capital works upgrade phase 1 - GCC	-	-	-	-	-	-	-
Other Strategic Capital Projects (TBC) - GCC	-	-	-	2,000	2,000	2,000	1,063
Total	6,360	4,443	5,989	3,250	3,250	3,250	2,313

Grant from Arms Length Foundation - revenue

Staffing and migration costs associated with move to new campus - CoGC	478	270	-	-	-	-	-
Revenue support for projects - GKC	-	-	500	100	100	100	100
Transition to Employment - GCC	40	-	-	-	-	-	-
Access & Continuing Learning Student Visits - GCC	85	-	-	-	-	-	-
Student Association Project - GCC	8	-	-	-	-	-	-
E-Learning - GCC	230	55	-	-	-	-	-
Developing a College Mediation Team - GCC	10	-	-	-	-	-	-
ESOL Support Officer - GCC	31	30	-	-	-	-	-
Bridging the Gap FE/HE Sponsorship - GCC	41	22	-	-	-	-	-
Assistive Technologist - GCC	28	84	48	-	-	-	-
Professional development for academic staff - GCC	46	77	74	74	26	-	-
Careers Education - GCC	11	21	42	24	-	-	-
College website - GCC	27	120	15	-	-	-	-
PLSPD Project - GCC	11	7	-	-	-	-	-
Worldskills Participation - GCC	-	17	-	-	-	-	-
Centre for Educational Research - GCC	-	7	-	-	-	-	-
More Choices More Chances (MCMC) Student Support Assistant - GCC	21	19	8	-	-	-	-
Mental Health Support Model - GCC	-	-	115	64	-	-	-
Online Course Development: PDA for Rehabilitation technicians - GCC	-	-	40	-	-	-	-
Online Course Development: Care Training - GCC	-	-	35	-	-	-	-
Professional Foundation Programme for Academic Lecturers - GCC	-	-	38	-	-	-	-
Research and Development Programme - GCC	-	-	50	94	63	-	-
New Finance System - GCC	-	30	-	-	-	-	-
Other Strategic Priority Revenue Projects (details TBC) - GCC	-	-	-	-	111	200	200
Total	1,067	759	965	356	300	300	300

GLASGOW COLLEGE REGION
FINANCIAL SUMMARY

	Actual 2015-16 £000	Forecast 2016-17 £000	Forecast 2017-18 £000	Forecast 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000
Income ratios							
Total Income	146,406	162,173	169,180	168,045	169,676	169,765	170,477
Total Funding Council Grant as % of Total Income	69%	72%	72%	73%	73%	73%	74%
Total non-Funding Council Grant as % of Total Income	31%	28%	28%	27%	27%	27%	26%
Total Education Contracts and Tuition Fees as % of Total Income	21%	19%	19%	19%	19%	19%	19%
Total Research Grants and Contracts as % of Total Income	0%	0%	0%	0%	0%	0%	0%
Total Other Income as % of Total Income	5%	5%	5%	5%	5%	5%	5%
Expenditure ratios							
Total Expenditure	145,318	164,154	167,283	172,382	174,476	172,700	174,079
Salaries as % of Total Expenditure	65%	58%	60%	61%	62%	64%	64%
Other operating costs as % of Total Expenditure	23%	21%	21%	20%	20%	21%	21%
Depreciation/amortisation as % of Total Expenditure	9%	10%	10%	10%	10%	8%	8%
Operating position							
Operating Surplus/(deficit)	1,088	-1,981	1,897	-4,337	-4,800	-2,935	-3,602
Operating Surplus/(deficit) as % of Total Income	1%	-1%	1%	-3%	-3%	-2%	-2%
Underlying operating surplus/(deficit)	2,275	1,518	647	-2,740	-3,892	-4,293	-4,545
Underlying operating surplus/(deficit) as % of Total Income	1.6%	0.9%	0.4%	-1.6%	-2.3%	-2.5%	-2.7%
Cash Position							
Cash and Current Asset Investments	10,553	9,648	7,042	3,367	-958	-5,255	-9,609
Overdrafts	0	0	0	0	0	0	0
Days Ratio of Cash to Total Expenditure	29	24	17	8	-2	-12	-22
Balance Sheet strength							
Unrestricted reserves	(11,478)	(11,848)	(10,257)	(13,393)	(16,995)	(18,729)	(21,131)
Current Ratio	0.90	0.64	0.58	0.46	0.31	0.12	-0.06
Unrestricted reserves as % of Total Income	-8%	-7%	-6%	-8%	-10%	-11%	-12%
Total borrowing (Overdrafts, Loans, Finance Leases, PFI/NPD)	38,599	154,817	149,833	144,670	139,560	134,449	128,989
Interest cover	1.27	0.87	1.13	0.69	0.65	0.78	0.73