

Performance and Resources Committee Meeting

Date of Meeting	Wednesday, 30 September 2020
Paper Title	Analysis of Revised Financial Forecast Returns 2020-21
Agenda Item	13
Paper Number	PRC2-H
Responsible Officer	Jim Godfrey, Finance and Resources Director
Status	Disclosable
Action	For Noting

1. Report Purpose

- 1.1. To enable the Committee to consider the Financial Forecast Returns for GCRB and the Glasgow College Region.

2. Recommendations

- 2.1. The Committee is asked to:

- **Note** the Financial Forecast Return for GCRB (Appendix D) and the commentary (Appendix B).
- **Note** the consolidated Financial Forecast Return of the Glasgow Region (Appendix E) and the commentary (Appendix C).
- **Note** key issues arising from the review of the Financial Forecast Returns (section 6.3. below)

3. Background

- 3.1. 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 previous reviews of Scotland's Colleges.
- 3.2. The Financial Forecast Return is an annual return that regions, and colleges, are required to submit to the Scottish Funding Council (SFC). 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". For 2020-21, there are five returns i.e. one for each of the colleges, one for GCRB and one consolidated regional return. The deadline for returns was 30 June 2020 with SFC accepting that Committees/Boards may not meet to approve these returns until after this date.

- 3.3.** The Financial Forecast Returns were prepared, and submitted, during the summer period. It is recognised that these plans were prepared three months ago and that some of the forecasts will have evolved since this date.

4. Assumptions

- 4.1.** The principal assumptions that underpin the financial forecast return were determined by SFC in consultation with representatives of the College sector. These assumptions were provided by SFC in the Call for Information issued on 9 June 2020 and are reproduced at Appendix A.
- 4.2.** Additional information was also provided by GCRB to the three colleges in respect of the breakdown of the core grant for 2022-23.

5. Financial Forecast Return – GCRB

- 5.1.** The Financial Forecast Return is a spreadsheet that is made up of a series of worksheets. However, some of these worksheets are not relevant to GCRB. SFC request that the fundable body provides a commentary to accompany the return.
- 5.2.** A copy of the GCRB commentary is provided at Appendix B and a copy of the Financial Forecast Return for GCRB is provided at Appendix D.

6. Financial Forecast Return – Glasgow Region

- 6.1.** Following completion of the Financial Forecast Returns, by the 3 colleges and GCRB, the information has been collated into a single regional return. A copy of the regional commentary is provided at Appendix C and a copy of the consolidated Financial Forecast Return for the Glasgow Region is provided at Appendix E.
- 6.2.** The regional commentary provides a summary of the key issues and this is reproduced below:
- The regional adjusted operating deficit for 2019-20 has deteriorated by £2.1m¹.
 - Covid-19 has had a negative impact on the forecast adjusted operating deficit for 2019-20. However, the anticipated deficit has improved compared to the forecast prepared by the colleges in April 2020.
 - The adjusted operating deficit 2019-20 (as a percentage of total income) is highest for Glasgow Kelvin College.
 - The loss of income from Tuition Fees & Education Contracts has had the biggest impact on total income. The cumulative reduction in Tuition Fees & Education Contracts is forecast to be £24.9m over the four-year period.
 - The loss of income is partly offset by a reduction in staff costs. Staff costs are expected to be £9m lower (in real terms) in 2022-23 compared to 2019-20. This equates to a possible reduction of 165 to 175 full-time equivalent posts (around 8% of all employees in the Glasgow college region).
 - The level of cash balances in the region is forecast to fall by £9m in 2020-21. The position is critical for Glasgow Kelvin College, with the college forecasting a cash deficit of £2.5m to £3.1m during the period 2020-21 to 2022-23.
 - There may be other factors that have caused a deterioration in the financial outlook of a college during 2019-20 i.e. it cannot be assumed that a deterioration in financial health is wholly due to Covid-19.

¹ Financial Forecast prepared in September 2019 compared to Financial Forecast prepared in June 2020

- The forecasts contain assumptions about future income e.g. ESF. This income is contingent upon the achievement of student activity above the target for core credits.
- College Boards of Management, and Executive Teams, are working through the implications of these forecasts and the strategic response. It is important to allow this process to take place.
- The forecasts pose a challenge in respect of the fundamental accounting principle of going concern of colleges. The cash flow, and operating deficit, forecast by Glasgow Kelvin College are a particular risk in respect of the going concern principle.
- The information supplied by each college varied in nature and level of detail. The information provided by Glasgow Clyde College was an excellent example of best practice.
- The financial forecasts of the colleges are supported by £10.2m of funding from Arms' Length Foundations over the four-year forecast period. Glasgow Clyde College expects to receive the majority of this funding (£6.2m) and this provides significant support to the underlying operating position.
- There are some wider matters that supplement the financial information provided in these returns. Examples include:
 - Savings, both historic and future, are predominantly in staff costs within individual colleges. There are opportunities exist to revise delivery models and develop a collaborative approach to achieve shared efficiencies.
 - The loss of two experienced Vice Principals at Glasgow Kelvin College during 2020.
 - Reputational risks associated with the significant fraud at City of Glasgow College in 2019.

7. Risk Analysis

- 7.1.** The risks associated with the Financial Forecast Return for GCRB are considered to be low.
- 7.2.** The risks facing individual colleges are significant but vary for each institution. It is considered that Glasgow Kelvin College faces the most significant financial risks

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. Financial Implications

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

11. Strategic Plan Implications

- 11.1.** 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 – Assumptions Underlying Financial Forecast Return

Key FFR planning assumptions

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. It is important to note that we have no information on Scottish Government budgets beyond Financial Year 2020-21 so these assumptions are indicative. Institutions should therefore also develop additional planning scenarios if they believe they are more appropriate for their operating environment/circumstances.

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

Core funding for 2020-21 should be based on the final funding allocations announced on 7 April 2020. Additional funding for ESF activity for 2020-21 will be announced on 9 June. Table 1 provides details of indicative funding allocations for the period to 2022-23 for planning purposes.

As stated in our COVID-19 general Q and A, at this stage it is not possible to know with certainty what the impact of COVID-19 will be on college performance against Outcome Agreement measures (including student activity targets). However, we fully expect that there may be a shortfall against the student number credit target and we will take account of these exceptional circumstances. We will not recover funds for shortfalls against core outcome agreement targets where these are related to COVID-19 for AY 2019-20 and AY 2020-21. Institutions should assume that ESF funding 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 funding should be clearly highlighted in the commentary.

Table 1 assumes that there are no plans to revise activity targets for any region prior to 2022-23 when there will be a 2.7% reduction at sector level in activity – this is based on the assumption that the Developing Scotland's Workforce (DSW) European Social Fund (ESF) programme will end in 2021-22. In addition SFC has reduced the activity targets further for three colleges as part of our managed approach to sustainability for the college sector. These volume reductions will allow us to increase the credit price and help mitigate losses for the remaining colleges to 2.5% between 2020-21 and 2022-23.

SFC has taken the assumed activity levels (once the ESF project ends) and derived the funding levels for this activity based on the current credit funding model.

Institutions should use the planning assumptions set out in Table 1 to prepare the FFR. In addition, we would encourage institutions to develop additional alternative scenarios and consider how these would impact on forecasts. For instance, due to demographic changes and other factors, it may be appropriate for institutions to consider an increase or reduction in the activity targets reflected in Table 1. SFC will work with the college sector and other key stakeholders on the development of SFC's new funding model.

Clearly, Regional Strategic Bodies will need to advise their assigned colleges of their funding assumptions over the forecast period to 2022-23.

Flexible Workforce Development Fund

Colleges should assume that Flexible Workforce Development funding will continue at 2019-20 levels.

Student support funding

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

Appendix A – Assumptions Underlying Financial Forecast Return

Regional Strategic Bodies

Regional Strategic Bodies will need to advise their assigned colleges of their funding assumptions over the forecast period to 2022-23.

Capital Maintenance

SFC Capital Maintenance funding should be based on the final 2020-21 funding allocations announced on 7 April 2020. For 2020-21 only, 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 to 2022-23.

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. Further detail on pre-COVID-19 income projections and the expected financial impact should be included in the commentary.

Institutions should include estimated income from applications to the Coronavirus Job Retention Scheme for the period up to the end of October 2020.

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 for support staff. 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 2020- 21 funding announcement. For all staff, institutions should apply the Colleges Scotland Employers' Association pay award assumptions from 2020-21 onwards. Incremental increases should also be reflected throughout the period, where appropriate.

Institutions should not assume increases in social security costs. Pension cost forecasts should reflect any known or expected increases to employer contribution rates.

For the purposes of this financial return, institutions should assume the additional funding (to cover the forecast increase in STSS employer contributions arising from the September 2019 rate increase) will continue throughout the planning period to the end of AY 2022-23. However, you should note that this is a planning assumption and no decision has been made concerning funding beyond 31 July 2021.

Institutions should assume that funding will be provided for voluntary severance costs, up to a maximum of 6 months' pay for individual staff members affected. Within your commentary you should clearly highlight the position if SFC were unable to support this.

FRS 102 pension adjustments should be excluded from the forecasts.

Appendix A – Assumptions Underlying Financial Forecast Return

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. Institutions should assume that proceeds will not be retained by the Institution, unless specifically agreed with Ministers / SFC.

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 and associated papers that will be considered and approved by the institution's Governing Body.

Institutions are requested to provide a copy of the Governing Body papers to SFC along with the FFR, and other scenarios presented to the Governing Body, in order to provide assurance that robust planning arrangements are in place.

Cash forecasting

Institutions are required to provide high-level cash balances as part of the balance sheet projections for all years in the planning period.

Appendix B – GCRB Commentary

The SFC guidance requires that “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 / region.”

Introduction

This financial forecast return reflects the running costs of GCRB. The running costs include the small executive team and the governance arrangements. The costs are met from the core SFC grant provided to the Glasgow college region.

Review of financial performance 2019-20

The operating costs of GCRB reduced significantly in 2019-20. This was as a result of the former Executive Director leaving at the end of August 2019 and the post being covered on a temporary basis until March 2020. The total salary saving during the financial year was £85,000 but this was partly offset by additional recruitment costs.

SFC recurrent grant

SFC provide the recurrent grant to the Glasgow college region and a small proportion of this is retained to meet the GCRB running costs.

A further amount is retained to meet the regional Programme of Action. The income is drawn from the recurrent grant and is matched by additional expenditure. The income and expenditure (associated with the Programme of Action) has not been included in the Financial Forecast Return.

Changes in tuition fee income, other & commercial income

GCRB does not have any sources of income (other than the recurrent grant above).

Changes in staff and non-staff costs

The GCRB executive team consists of 3 full-time and one part-time member of staff. In addition, the Chair of GCRB is engaged on a part-time basis and the Board is supported by a part-time board secretary. The number of staff employed by GCRB is expected to be constant over the forecast period.

The staff costs in 2019-20 were lower as a result of the changes to the post of Executive Director as described above. The former Executive Director was engaged on a secondment basis which resulted in non-recoverable VAT being charged. The post of Executive Director is now an employee which will result in an on-going VAT saving (of £24k per annum).

GCRB is not part of the NRPA but is guided by national settlements for college staff and the Scottish Government’s Public Sector Pay Policy. In line with current public sector policy an increase of 3% has been included within the salary budget from September 2019. Posts within GCRB are not subject to the current national job evaluation exercise. There is no expectation that posts, within GCRB, will be subject to re-evaluation during this forecast period.

All employees are eligible to be members of the local government pension scheme administered by the Strathclyde Pension Fund. The current employer contribution is 19.3% of pay and this level as determined in the most recent valuation (March 2017). The next valuation is due at March 2020 and will affect contribution rates from April 2021. This financial forecast assumes that the rate will not change, however, early indications suggest that the rate could increase in the future.

Appendix B – GCRB Commentary

Balance sheet – cash position

GCRB holds minimal cash balances as expenditure is closely matched to expenditure. However, GCRB does hold some funds on a temporary basis i.e. due to the timing of receipts from SFC and subsequent payments to the assigned colleges.

GCRB is unlikely to hold assets and therefore other amounts within the Balance Sheet will be minimal. There is currently a long-term liability in respect of the valuation of the pension liability in accordance with FRS102. The pension fund valuation is volatile but cannot be predicted. The liability at the most recent valuation (July 2019)² has been rolled forward across the forecast period.

Contingency planning

Adverse movements on regional income and expenditure could have an impact on GCRB. However, GCRB accounts for only 0.2% of staff within the Glasgow region. In addition, some functions of GCRB are necessary to fulfil its statutory obligations which presents a further challenge when considering any staff reductions.

A reconfiguration of regional governance could potentially change the shape of GCRB. Under such a scenario, consideration would be given to any transitional arrangements and the impact on GCRB staffing.

The assumption within the financial forecast is that GCRB will continue to operate in its current format for the period of this forecast.

Risk management

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

² A further valuation (received in September 2020 for the year ending 31 July 2020) shows the pension liability increasing still further. This change is reflected across colleges and the wider public sector.

Appendix C – Glasgow Region Commentary

The SFC guidance requires that “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 / region.”

Introduction

This financial forecast return reflects the consolidated financial position of the Glasgow college region. The region includes City of Glasgow College, Glasgow Clyde College, Glasgow Kelvin College and Glasgow Colleges’ Regional Board.

The Glasgow college region delivers 22% of the total credit activity and receives 20% of the national funding allocation. The majority of our regional income comes from the recurrent grant but there is also income from other sources including; SAAS fees for higher education students, income from commercial courses and international students.

Executive Summary

The key messages arising from the forecast returns are summarised below:

- The regional adjusted operating deficit for 2019-20 has deteriorated by £2.1m³.
- Covid-19 has had a negative impact on the forecast adjusted operating deficit for 2019-20. However, the anticipated deficit has improved compared to the forecast prepared by the colleges in April 2020.
- The adjusted operating deficit 2019-20 (as a percentage of total income) is highest for Glasgow Kelvin College.
- The loss of income from Tuition Fees & Education Contracts has had the biggest impact on total income. The cumulative reduction in Tuition Fees & Education Contracts is forecast to be £24.9m over the four-year period.
- The loss of income is partly offset by a reduction in staff costs. Staff costs are expected to be £9m lower (in real terms) in 2022-23 compared to 2019-20. This equates to a possible reduction of 165 to 175 full-time equivalent posts (around 8% of all employees in the Glasgow college region).
- The level of cash balances in the region is forecast to fall by £9m in 2020-21. The position is critical for Glasgow Kelvin College, with the college forecasting a cash deficit of £2.5m to £3.1m during the period 2020-21 to 2022-23.
- There may be other factors that have caused a deterioration in the financial outlook of a college during 2019-20 i.e. it cannot be assumed that a deterioration in financial health is wholly due to Covid-19.
- The forecasts contain assumptions about future income e.g. ESF. This income is contingent upon the achievement of student activity above the target for core credits.
- College Boards of Management, and Executive Teams, are working through the implications of these forecasts and the strategic response. It is important to allow this process to take place.
- The forecasts pose a challenge in respect of the fundamental accounting principle of going concern of colleges. The cash flow, and operating deficit, forecast by Glasgow Kelvin College are a particular risk in respect of the going concern principle.

³ Financial Forecast prepared in September 2019 compared to Financial Forecast prepared in June 2020

Appendix C – Glasgow Region Commentary

- The information supplied by each college varied in nature and level of detail. The information provided by Glasgow Clyde College was an excellent example of best practice.
- The financial forecasts of the colleges are supported by £10.2m of funding from Arms' Length Foundations over the four-year forecast period. Glasgow Clyde College expects to receive the majority of this funding (£6.2m) and this provides significant support to the underlying operating position.
- There are some wider matters that supplement the financial information provided in these returns. Examples include:
 - Savings, both historic and future, are predominantly in staff costs within individual colleges. There are opportunities exist to revise delivery models and develop a collaborative approach to achieve shared efficiencies.
 - The loss of two experienced Vice Principals at Glasgow Kelvin College during 2020.
 - Reputational risks associated with the significant fraud at City of Glasgow College in 2019.

Review of financial performance 2019-20

The Adjusted Operating Deficit forecast by each college is shown in the table below:

Forecast Adjusted Operating Deficit – 2019-20	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College	GCRB	Glasgow Region Total
	£'m	£'m	£'m	£'m	£'m
At September 2019 (FFR)	0.0	-0.6	0.0	0.0	-0.6
At April 2020 (MYR 1)	-4.0	-1.7	-1.9	0.1	-7.5
At May 2020 (MYR 2)	-1.4	-1.3	-1.7	0.1	-4.3
At June 2020 (FFR)	-1.1	-0.9	-0.8	0.1	-2.7

The latest forecast indicates an adjusted operating loss of £2.7m for 2019-20. This represents a worsening of £2.1m compared to the original Financial Forecast Return (submitted in September 2019). On the other hand, the position across the Glasgow region, and each college, has improved considerably since the beginning of the Covid-19 outbreak.

The increase in the deficit was the result of the loss of commercial/other income from March 2020 as a result of the closure of college campuses and the cancellation of courses. However, the reduction in commercial income has been ameliorated by additional income of £1.5m from the UK Government's Job Retention Scheme.

The latest forecast of the adjusted operating deficit for the region equates to 1.6% of estimated total income for the financial year. Whilst £2.7m is a significant sum it does not present the same scale of challenge that a loss of £7.5m would have presented.

Appendix C – Glasgow Region Commentary

It is important to highlight the loss as a percentage of total income for each institution as shown in the table below:

Forecast Adjusted Operating Deficit – 2019-20 (as a percentage of total income)	City of Glasgow College	Glasgow Clyde College	Glasgow Kelvin College	GCRB	Glasgow Region Total
	%	%	%	%	%
At September 2019 (FFR)	0.0	-1.1	0.0	0.0	-0.3
At April 2020 (MYR 1)	-4.6	-3.5	-6.2	12.7	-4.5
At May 2020 (MYR 2)	-1.6	-2.6	-5.4	12.7	-2.5
At June 2020 (FFR)	-1.3	-1.7	-2.5	11.5	-1.6

At the outbreak of Covid-19, the largest deficit was predicted by City of Glasgow College. However, the forecast deficit has reduced significantly and now accounts for 1.3% of City of Glasgow College income.

In April 2020, City of Glasgow College was seen as facing the biggest challenge because it had the greatest risk exposure in terms of commercial and international activity. Looking at the latest forecast it is apparent that the risks facing the college have reduced.

The forecast deficits of Glasgow Clyde College and Glasgow Kelvin College have also reduced in both absolute and percentage terms. The adjusted operating deficits forecast by all three colleges are similar, and in the range of £0.8m to £1.1m. However, as a percentage of total income, the deficit forecast by Glasgow Kelvin College is almost twice that of City of Glasgow College.

SFC recurrent grant

SFC provide the recurrent grant to the Glasgow college region and the allocation for 2020-21 was published on 7 April 2020 (and updated on 9 June 2020). The allocation to the three Glasgow colleges for 2020-21 was agreed by the Glasgow Colleges' Regional Board on 15 June 2020 and this information was used by the colleges to produce the latest financial forecast returns. The published allocation for 2020-21, and the anticipated allocation for 2021-22, are the same i.e. flat cash.

The current ESF project is expected to finish at the end of 2021-22 and the total grant allocation for 2022-23 will change. It is expected that the loss of ESF income will be partly offset by the provision of additional SFC funding. SFC has provided regions with an indicative allocation for 2022-23 and GCRB has also provided the Glasgow colleges with the indicative allocation.

Changes in tuition fee income, other & commercial income

The following two tables show the comparison between the forecasts prepared in September 2019 and June 2020.

Forecast Income (FFR at September 2019)	2019-20	2020-21	2021-22	2022-23	Total
	£'m	£'m	£'m	£'m	£'m
Tuition Fees & Education Contracts	32.8	33.7	34.9	36.1	137.5
Arms Length Foundation	2.8	3.3	3.8	1.0	10.9
Other Income	9.4	9.6	9.8	10.0	38.8
Total Income	45.0	46.6	48.5	47.1	187.2

Appendix C – Glasgow Region Commentary

Forecast Income (FFR at June 2020)	2019-20	2020-21	2021-22	2022-23	Total
	£'m	£'m	£'m	£'m	£'m
Tuition Fees & Education Contracts	28.4	24.8	28.9	30.5	112.6
Arms Length Foundation	2.1	4.4	2.7	1.1	10.3
Other Income	10.1	6.5	9.4	11.0	37.0
Total Income	40.6	35.7	41.0	42.6	159.9

As can be seen, the significant reduction is in the total forecast income for Tuition Fees & Education Contracts. Over the four year period, the cumulative reduction is estimated to be £24.9m at an average of £6.2m per annum. A sharp fall is expected in 2020-21 with a gradual improvement over future years. However, income is not expected to recover to the levels forecast pre-Covid-19.

Changes in staff costs

Forecast Staff Costs	2019-20	2020-21	2021-22	2022-23	Total
	£'m	£'m	£'m	£'m	£'m
FFR at September 2019	113.6	114.3	115.7	115.6	459.2
FFR at June 2020	113.6	113.6	113.5	111.6	452.3

As can be seen from the table above, staff costs are now expected to reduce by £2m in actual terms between 2019-20 and 2022-23. This represents a reduction of £4m in 2022-23 compared to the Financial Forecast Return prepared in September 2019. To set this in context, a reduction in expenditure of £4m per annum is equivalent to 80 full-time equivalent posts (assuming an average cost per FTE of £50,000).

The forecast assumes that an average pay award of 2% per annum is factored in from 1 September 2020, and each subsequent year thereafter. Therefore the potential cost of the 2019-20 staff profile in 2022-23 could be £120.6m. In other words, a real terms reduction of £9m is required which equates to 165 to 175 full time equivalent posts. A reduction of this magnitude represents around 8% of the total workforce.

The following table shows the impact at an individual college level:

Forecast Staff Costs (FFR at June 2020)	2019-20	2020-21	2021-22	2022-23	Total
	£'m	£'m	£'m	£'m	£'m
City of Glasgow College	53.8	55.1	56.0	55.7	222.6
Glasgow Clyde College	36.1	35.1	34.3	33.1	138.6
Glasgow Kelvin College	23.4	23.0	22.8	22.4	91.6
Glasgow Colleges' Regional Board	0.3	0.4	0.4	0.4	1.5
Total Staff Costs	113.6	113.6	113.5	111.6	452.3

It is apparent that the trend in staff costs is not uniform across the three colleges with Glasgow Clyde College showing the largest reduction in staff costs over the forecast period. Glasgow Kelvin College also shows a reduction in staff costs, however, City of Glasgow College shows increased expenditure.

Appendix C – Glasgow Region Commentary

To achieve a balanced (regional) budget implies that the reduction in staffing levels is forecast to be greatest in Glasgow Clyde College and Glasgow Kelvin College. This is supported by the commentary provided by Glasgow Clyde College which shows that a reduction of 93 full-time equivalent staff⁴ is required. In 2019-20, Glasgow Clyde College implemented a restructuring programme and this has been extended to 2022-23 to achieve a cumulative reduction of 93 full-time equivalent posts.

Using a similar calculation, it is estimated that Glasgow Kelvin College would require a reduction of 45 to 50 full-time equivalent posts to achieve a balanced financial position. Some of these reductions will have been realised in 2019-20, for example, the college operated a voluntary severance scheme at the end of the financial year which resulted in a reduction in staff salaries of £460,000. The college is introducing a new five-year College Transformation Plan in 2021-22 and this would need to deliver further reductions in staff costs over the forecast period.

In City of Glasgow College, the potential reduction in staff numbers appears to be lower. Using the 2019-20 forecast as the baseline staff costs might be expected to be £57.1m in 2022-23. A reduction of £1.4m is needed to achieve the forecast figure of £55.7m which equates to 25 to 30 full-time equivalent posts.

The financial forecast returns assume that social security costs will not increase over the four-year period. Employer contributions, to the respective pension funds, are set out in the following section

Pensions

All employees are eligible to be members of Strathclyde Pension Fund or the Scottish Teachers' pension scheme. The current employer contribution rate is 19.3% of pay for the Strathclyde Pension Fund and this level was determined in the most recent valuation (March 2017). The next valuation is due at March 2020 and will affect contribution rates from April 2021. This financial forecast assumes that the rate will not change, however, early indications suggest that the rate could increase in the future. The current employer contribution rate is 23% of pay for the Scottish Teachers Superannuation Scheme. This rate increase was applicable from 1 September 2019 and is expected to remain in place until 31 March 2023. This financial forecast assumes that the contribution rate will remain at 23% until the end of the financial forecast i.e. 31 July 2023.

It should be noted that there is £277,000 of regional funding (2020-21) to meet the cost of the Scottish Teachers Superannuation Scheme that has not been distributed to colleges. This income is not reflected in the Financial Forecast Return of the region.

Non-Staff Costs

Non-staff costs include; Other Operating Expenses, Depreciation and Interest. Costs relating to Depreciation and Interest are largely predictable and have little impact on financial sustainability. The table below shows the forecast of Other Operating Expenses at 31 July:

Forecast Other Operating Expenses (FFR at June 2020)	2019-20	2020-21	2021-22	2022-23	Total
	£'m	£'m	£'m	£'m	£'m
City of Glasgow College	16.4	16.9	17.8	18.3	69.4
Glasgow Clyde College	10.1	11.1	11.5	11.2	43.9
Glasgow Kelvin College	7.3	6.7	6.9	7.2	28.1
Glasgow Colleges' Regional Board	0.1	0.1	0.1	0.1	0.4
Total	33.9	34.8	36.3	36.8	141.8

⁴ The college has estimated that the average staff cost is £45,000. If the average cost was higher

Appendix C – Glasgow Region Commentary

Between 2019-20 and 2022-23, other operating costs of City of Glasgow College increase by £1.9m or 11.6%. The increase in Glasgow Clyde College is £1.1m, which is a similar percentage (i.e. 10.9%). Within Glasgow Kelvin College, forecast expenditure is expected to be slightly lower in 2022-23 compared to 2019-20. The inference being that Glasgow Kelvin College will reduce some costs to offset other inflationary increases.

Balance sheet – cash position

The key aspect of the balance sheet, in terms of financial sustainability, is the level of cash balances. It is important to highlight that these forecasts only show the cash balance at specific points in time i.e. 31 July each year. The balance of cash held will fluctuate on a daily basis and may be significantly higher, or lower, during the year (compared to the year-end position).

The following table shows the year-end cash position for each organisation:

Year-end Cash Balance (FFR at June 2020)	2019-20	2020-21	2021-22	2022-23
	£'m	£'m	£'m	£'m
City of Glasgow College	6.5	2.5	2.1	2.5
Glasgow Clyde College	2.4	-0.3	0.4	2.0
Glasgow Kelvin College	0.0	-2.3	-3.1	-2.5
Glasgow Colleges' Regional Board	0.1	0.1	0.1	0.1
Total Year-End Cash Balance	9.0	0.0	- 0.5	2.1

There are several points to highlight:

- The regional cash balance is expected to reduce by £9m in 2020-21.
- The Glasgow College Region is forecast to have a net zero cash balance at 31 July 2021.
- The cash position for Glasgow Kelvin College is critical with a forecast cash shortfall between £2.3 and £3.1m from 2020-21 and 2022-23. This is not a sustainable position as the college has insufficient income to meet its forecast expenditure.

Risks – Financial Forecast Return

The Financial Forecast Returns provide a financial estimate of the anticipated future position. These forecasts identify future risks and areas for further consideration. Some of the immediate financial risks are identified in the previous sections with some of the wider implications outlined below:

Covid-19 has had a material impact on the financial health of colleges and particularly the loss of external income. However, the impact is not uniform across all colleges and it cannot be assumed that a deterioration in the financial position of a college is wholly due to Covid-19. City of Glasgow College would be expected to suffer the greatest impact as a result of Covid-19. However, the financial forecast of this college is the most positive of the three Glasgow colleges.

Going Concern is a fundamental principle of accounting and something that is of critical importance to Boards and Auditors alike. The matter of going concern has been raised as an audit risk by our External Auditors in their audit plan for the financial year 2019-20. The financial forecasts provided by the colleges, and Glasgow region, will inform an assessment of an organisation's ability to continue as a going concern. The cash flow, and operating deficit, forecast by Glasgow Kelvin College are of particular risk in respect of the going concern principle.

Timescales for producing these forecasts, and strategic responses, were much reduced. College, and Regional, Boards will need to review the financial forecasts and determine a course of action. It is important to allow this process to take place.

Appendix C – Glasgow Region Commentary

ESF Income (for 2019-20 to 2021-22) is contingent upon the achievement of student activity above the core credit target. The current assumption is that activity targets are met and ESF is received. There is a risk that should activity levels fall, as a result of Covid-19, then ESF funding is at risk.

Information Supplied by each college varied in nature and level of detail. All three colleges provided their Financial Forecast Returns ahead of the deadline. All of the information was complete, with the exception of the full analysis of staff costs from Glasgow Kelvin College. The commentaries provided by each college varied in nature. The commentary provided by Glasgow Clyde College is an example of excellent practice and was provided in advance of the deadline. The commentary provided by Glasgow Kelvin College is comprehensive but was supplied 10 days after the deadline. The commentary of City of Glasgow College was very brief and also supplied after the deadline.

Arms' Length Foundations (ALFs) can provide financial support to colleges. The estimated balances held by ALFs at 1 August 2019 are forecast to be £15.9m but this is expected to decrease to £5.7m at 31 July 2020. In other words, the financial forecasts are supported by £10.2m of one-off funding. Glasgow Clyde College expects to receive the largest share (circa 64%) of the total funding provided by ALFs. The amount of funding anticipated by each college is as follows:

ALF Support (Capital)	2019-20	2020-21	2021-22	2022-23	Total
	£'m	£'m	£'m	£'m	£'m
City of Glasgow College	0.0	1.0	0.5	0.5	2.0
Glasgow Clyde College	0.1	1.9	1.2	0.0	3.2
Glasgow Kelvin College	0.2	0.2	0.3	0.2	0.9
Total Capital Donation	0.3	3.1	2.0	0.7	6.1

ALF Support (Revenue)	2019-20	2020-21	2021-22	2022-23	Total
	£'m	£'m	£'m	£'m	£'m
City of Glasgow College	0.0	0.0	0.0	0.0	0.0
Glasgow Clyde College	1.3	1.0	0.8	0.2	3.4
Glasgow Kelvin College	0.5	0.2	0.0	0.1	0.9
Total Revenue Donation	1.8	1.2	0.8	0.3	4.1

Risks – Finance General

The following financial risks supplement those identified above:

Key Staffing Changes have taken place at Glasgow Kelvin College in 2020. For example, the former Vice Principal (Resources) and the Vice Principal (Human Resources and Organisational Development) left the college in February 2020 and July 2020 respectively. There are risks associated with this e.g. loss of experienced senior staff, vacant posts during a critical period and the recruitment of one Vice Principal to replace the two former posts.

Reputational Risks, associated with the significant fraud at City of Glasgow College in 2019, remain a concern. The findings of the external audit investigation and the Audit Scotland S22 report pose a risk in 2020-21.

Savings, both historic and future, are predominantly reductions in staff costs at the individual college level. One risk associated with this is that perennial cuts can be problematic if the delivery model remains unchanged. The premise of achieving 'more for less' can only work up to the point that resources are optimally used (pareto efficiency). Consideration of the future delivery, and by implication, a lower cost model should be considered. A further consideration, is the opportunity to develop a collaborative approach to service delivery and achieve shared efficiencies.

Financial Forecast Return 2020

College/Region

Contact

Telephone

Email:

DECLARATION:	The attached worksheets represent the financial forecasts for the College/Region. They reflect a financial statement of our academic and physical plans from 2019-20 to 2022-23. Adequate explanations have been provided where requested on the return. The worksheets and their underpinning assumptions have been reviewed and approved by the Board of Management in accordance with their agreed practices. In preparing this financial forecast the College/Region has fully considered the financial implications of all aspects of its strategy and has properly reflected these in the forecast.
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Signed:
Principal/Chief Executive Officer

Date:

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KEY RISKS

Please use the boxes below to provide a commentary on material risks to income and expenditure as identified in the Risk Register. Where possible these risks should be quantified.

Please use the boxes below to describe the actions planned by the College to address/mitigate the identified risks.

Please add further lines as required

Pension Assumptions Employer Contributions	2019-20	2020-21	2021-22	2022-23	2019-20	2020-21	2021-22	2022-23
	£000	£000	£000	£000	Details of Methodology and Valuation	Details of Methodology and Valuation	Details of Methodology and Valuation	Details of Methodology and Valuation
STSS	0	0	0	0	n/a	n/a	n/a	n/a
Strathclyde Pension Fund - LGPS	43	50	51	53	LGPS Employer Contribution as per 2017 valuation i.e. 19.3%	LGPS Employer Contribution as per 2017 valuation i.e. 19.3%. This is valid to 31 March 2021.	LGPS Employer Contribution remains at 2017 level i.e. 19.3%. However, early indications are that this rate could increase.	LGPS Employer Contribution remains at 2017 level i.e. 19.3%. However, early indications are that this rate could increase.
Total	43	50	51	53				

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	Actual 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	2018-19 - 2019-20	2019-20 - 2020-21	2020-21 - 2021-22	2021-22 - 2022-23	Explanation for variance
Statement of Comprehensive income and expenditure (Consolidated)	£000	£000	£000	£000	£000	%	%	%	%	
INCOME										
Tuition fees and education contracts	0	0	0	0	0					
Funding council/RSB grants	445	465	442	450	458	4.5%	-4.9%	1.8%	1.8%	
Research grants and contracts	0	0	0	0	0					
Other income	0	0	0	0	0					
Investment income	0	0	0	0	0					
Total income before donations and endowments	445	465	442	450	458	4.5%	-4.9%	1.8%	1.8%	
Donations and endowments	0	0	0	0	0					
Total income	445	465	442	450	458	4.5%	-4.9%	1.8%	1.8%	
EXPENDITURE										
Staff costs	391	325	372	379	386	-16.9%	14.5%	1.9%	1.8%	
Staff costs - exceptional restructuring costs	0	0	0	0	0					
Exceptional costs - non-staff	0	0	0	0	0					
Other operating expenses	80	79	70	71	72	-1.3%	-11.4%	1.4%	1.4%	
Donation to Arms Length Foundation	0	0	0	0	0					
Depreciation	0	0	0	0	0					
Interest and other finance costs	2	0	0	0	0	-100.0%				
Total expenditure	473	404	442	450	458	-14.6%	9.4%	1.8%	1.8%	
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	(28)	61	0	0	0	-317.9%	-100.0%			
Gain/(loss) on disposal of fixed assets	0	0	0	0	0					
Gain/(loss) on investments	0	0	0	0	0					
Share of operating surplus/(deficit) in joint venture(s)	0	0	0	0	0					
Share of operating surplus/(deficit) in associate(s)	0	0	0	0	0					
Surplus/(deficit) before tax	(28)	61	0	0	0	-317.9%	-100.0%			
Other taxation	0	0	0	0	0					
Surplus/(deficit) for the year	(28)	61	0	0	0	-317.9%	-100.0%			
Unrealised surplus on revaluation of land and buildings	0	0	0	0	0					
Actuarial (loss)/gain in respect of pension schemes	(55)	0	0	0	0	-100.0%				
Other comprehensive income	0	0	0	0	0					
Total comprehensive income for the year	(83)	61	0	0	0	-173.5%	-100.0%			

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INCOME	Actual 2018-19	Forecast 2019-20	Forecast 2020-21	2018-19 - 2019-20	2019-20 - 2020-21	Explanation for variance
	£000	£000	£000	%	%	
1 Tuition fees and education contracts						
a) FE - UK	0	0	0			
b) FE - EU	0	0	0			
c) HE	0	0	0			
d) Non-EU	0	0	0			
e) SDS contracts	0	0	0			
f) Education contracts	0	0	0			
g) Other	0	0	0			
Total tuition fees and education contracts	0	0	0			
2 SFC / RSB Grants						
a) SFC / RSB FE recurrent grant (including fee waiver)	445	465	442	4%	(5%)	
b) UHI recurrent grant - HE provision	0	0	0			
c) FE Childcare funds	0	0	0			
d) Release of SFC / RSB deferred capital grants	0	0	0			
e) SFC capital grant	0	0	0			
f) SFC grant for NPD	0	0	0			
g) Other SFC / RSB grants - FE provision	0	0	0			
h) Other UHI grants - HE provision	0	0	0			
Total SFC / RSB Grants	445	465	442	4%	(5%)	
3 Research grants and contracts						
a) European Commission	0	0	0			
b) Other grants and contracts	0	0	0			
Total research grants and contracts	0	0	0			
4 Other Income						
a) Catering and residences	0	0	0			
b) Other European Income	0	0	0			
c) Other income generating activities	0	0	0			
d) Grants from ALF	0	0	0			
i) Revenue	0	0	0			
ii) Capital	0	0	0			
e) Non-government capital grant	0	0	0			
f) Other grant income	0	0	0			
g) Release of non-SFC government deferred capital grant	0	0	0			
h) Income from Coronavirus Job Retention Scheme	0	0	0			
i) Other income	0	0	0			
Total other income	0	0	0			
5 Investment income						
a) Investment income on endowments	0	0	0			
b) Investment income on restricted reserves	0	0	0			
c) Other investment income	0	0	0			
d) Other interest receivable	0	0	0			
e) Net return on pension scheme	0	0	0			
Total investment income	0	0	0			
6 Donations and endowment income						
a) New endowments	0	0	0			
b) Donations with restrictions	0	0	0			
c) Unrestricted donations	0	0	0			
Total donation and endowment income	0	0	0			

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EXPENDITURE**

	Actual 2018-19	Forecast 2019-20	Forecast 2020-21	2018-19 - 2019-20	2019-20 - 2020-21	Explanation for variance
	£000	£000	£000	%	%	
STAFF COSTS						
1 Teaching departments	0	0	0			
2 Teaching support services	0	0	0			
3 Other support services	0	0	0			
4 Administration and central services	371	325	372	(12%)	14%	
5 Premises	0	0	0			
6 Catering and residences	0	0	0			
7 Other income generating activities	0	0	0			
8 Other staff costs	0	0	0			
9 Impact of FRS 102 pensions reported costs (less contributions paid included above)	20					
Normal staff costs	391	325	372	(17%)	14%	
10 Exceptional restructuring costs	0	0	0			
Total staff costs	391	325	372	(17%)	14%	
Additional breakdown of staff costs						
Salaries	296	254	291	(14%)	15%	
Social security costs	31	28	31	(10%)	11%	
Pension contributions	44	43	50	(2%)	16%	
Non-cash pension adjustments - net service cost	20					
Non-cash pension adjustments - early retirement provision	0					
Severance payments	0					
Total staff costs	391	325	372	(17%)	14%	
Estimated National Bargaining costs for lecturers pay harmonisation (excluding cost of living pay awards) included above	0	0	0			
NON-STAFF COSTS						
1 Exceptional costs - non-staff	0	0	0			
2 Other operating expenses						
a) Teaching departments	0	0	0			
b) Teaching support services	0	0	0			
c) Other support services	0	0	0			
d) Administration and central services	80	79	70	(1%)	(11%)	
e) General education	0	0	0			
f) Premises	0	0	0			
(i) Maintenance	0	0	0			
(ii) Utilities	0	0	0			
(iii) Other	0	0	0			
g) Catering and residences	0	0	0			
h) Other income generating activities	0	0	0			
i) Overspend on student support funds *	0	0	0			
j) Planned maintenance	0	0	0			
k) Movement on early retirement pension provision	0	0	0			
l) NPD	0	0	0			
m) Other	0	0	0			
Total other operating expenses	80	79	70	(1%)	(11%)	
3 Depreciation						
a) Government funded assets	0	0	0			
b) Non-government funded assets	0	0	0			
c) NPD funded assets	0	0	0			
Total depreciation	0	0	0			
4 Interest						
a) On bank loans, overdrafts and other loans	0	0	0			
b) Finance lease interest	0	0	0			
b) Other	0	0	0			
c) Net charge on pension scheme	2	0	0	(100%)		
d) NPD interest	0	0	0			
Total interest	2	0	0	(100%)		

* Includes any overspend on bursaries, discretionary funds, and student funds received from SAAS, but excludes childcare funds.

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ADJUSTED OPERATING RESULT	Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21 - 2021-22 %	2021-22 - 2022-23 %	Explanation for variance
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	(28)	61	0	0	0					
Add:										
Total depreciation (Government-funded, privately funded and NPD-funded assets) net of deferred capital grant release (<i>incorporated colleges only</i>)	0	0	0	0	0					
Exceptional non-restructuring items (e.g. impairment costs)	0	0	0	0	0					
Donation to Arms-Length Foundation (incorporated colleges only)	0	0	0	0	0					
Non-cash pension adjustment - net service cost	20									
Non-cash pension adjustment - ERP	0									
Non-cash pension adjustment -net interest costs	2									
Deduct:										
Non-Government capital grants (e.g. ALF capital grant)	0	0	0	0	0					
Exceptional income (if disclosed as exceptional in accounts) - PLEASE DO NOT INCLUDE CJRS INCOME HERE	0	0	0	0	0					
CBP allocated to loan repayments and other capital items (<i>incorporated colleges only</i>)	0	0	0	0	0					
NPD payments to reduce NPD balance sheet debt	0	0	0	0	0					
Adjusted operating result	(6)	61	0	0	0	-1116.7%	-100.0%			
Cash budget for priorities (<i>incorporated colleges</i>) :										
Revenue priorities										
Student support funding	0	0	0	0	0					
2015-16 pay award	0	0	0	0	0					
Voluntary severance	0	0	0	0	0					
Estates costs	0	0	0	0	0					
Other - please describe	0	0	0	0	0					
Total impact on operating position	0	0	0	0	0					
Capital priorities										
Loan repayments	0	0	0	0	0					
NPD / PFI repayments	0	0	0	0	0					
Estates costs	0	0	0	0	0					
Provisions pre 1 April 2014	0	0	0	0	0					
Total capital	0	0	0	0	0					
Total cash budget for priorities spend	0	0	0	0	0					

Balance Sheet		Actual	Forecast	Forecast	Forecast	Forecast	2018-19 -	2019-20 -	2020-21 -	2021-22 -	Explanation for variance
		2018-19	2019-20	2020-21	2021-22	2022-23	2019-20	2020-21	2021-22	2022-23	
		£000	£000	£000	£000	£000	%	%	%	%	
1	Non-current assets										
	a) Intangible assets	0	0	0	0	0					
	b) Fixed assets	0	0	0	0	0					
	c) Investments	0	0	0	0	0					
	Total non-current assets	0	0	0	0	0					
2	Current assets										
	a) Stock	0	0	0	0	0					
	b) Debtors	4	4	4	4	4	0.0%	0.0%	0.0%	0.0%	
	c) Investments	0	0	0	0	0					
	d) Cash and cash equivalents	81	142	142	142	142	75.3%	0.0%	0.0%	0.0%	
	e) Other (e.g. assets for resale)	0	0	0	0	0					
	Total current assets	85	146	146	146	146	71.8%	0.0%	0.0%	0.0%	
3	Creditors: amounts falling due within one year										
	a) Bank loans and external borrowing	0	0	0	0	0					
	b) Bank overdrafts	0	0	0	0	0					
	c) Lennartz creditor	0	0	0	0	0					
	d) Obligations under finance leases and service concessions	0	0	0	0	0					
	e) Payments received in advance	0	0	0	0	0					
	f) Amounts owed to Funding Council	0	0	0	0	0					
	g) Obligations under PFI/NPD	0	0	0	0	0					
	h) Deferred capital grant	0	0	0	0	0					
	i) Other creditors and accruals	96	96	96	96	96	0.0%	0.0%	0.0%	0.0%	
	Total creditors < 1 year	96	96	96	96	96	0.0%	0.0%	0.0%	0.0%	
	Share of net assets/(liabilities) in associate	0	0	0	0	0					
	NET CURRENT ASSETS/LIABILITIES	(11)	50	50	50	50	-554.5%	0.0%	0.0%	0.0%	
	TOTAL ASSETS LESS CURRENT LIABILITIES	(11)	50	50	50	50	-554.5%	0.0%	0.0%	0.0%	
4	Creditors: amounts falling due after more than one year										
	a) Local authority loans	0	0	0	0	0					
	b) Bank loans and external borrowing	0	0	0	0	0					
	c) Lennartz creditor	0	0	0	0	0					
	d) Finance leases and service concessions	0	0	0	0	0					
	e) Obligations under PFI/NPD	0	0	0	0	0					
	f) Deferred capital grant	0	0	0	0	0					
	g) Amounts repayable to Funding Council	0	0	0	0	0					
	h) Other creditors	0	0	0	0	0					
	Total creditors >1 year	0	0	0	0	0					
5	Provisions										
	a) Pension provisions	122	122	122	122	122	0.0%	0.0%	0.0%	0.0%	
	b) Other	0	0	0	0	0					
	Total provisions	122	122	122	122	122	0.0%	0.0%	0.0%	0.0%	
	TOTAL NET ASSETS	(133)	(72)	(72)	(72)	(72)	-45.9%	0.0%	0.0%	0.0%	
9	Restricted Reserves										
	a) Endowment Reserve	0	0	0	0	0					
	b) Restricted Reserve	0	0	0	0	0					
10	Unrestricted reserves										
	a) Income and Expenditure Reserve	-133	-72	-72	-72	-72	-45.9%	0.0%	0.0%	0.0%	
	b) Revaluation reserve	0	0	0	0	0					
11	Non-controlling interest										
		0	0	0	0	0					
	TOTAL RESERVES	(133)	(72)	(72)	(72)	(72)	-45.9%	0.0%	0.0%	0.0%	

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Cashflow	Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21- 2021- 22 %	2021-22 - 2022-23 %	Explanation for variance
1 Cash flow from operating activities										
a) Surplus / (deficit) for the year	-28	61	0	0	0	(318%)	(100%)			
2 Adjustment for non-cash items										
a) Depreciation	0	0	0	0	0					
b) Amortisation of intangibles	0	0	0	0	0					
c) Benefit on acquisition	0	0	0	0	0					
d) Amortisation of goodwill	0	0	0	0	0					
e) Loss / (gain) on investments	0	0	0	0	0					
f) Decrease / (increase) in stock	0	0	0	0	0					
g) Decrease / (increase) in debtors	7	0	0	0	0					(100%)
h) Increase / (decrease) in creditors	48	0	0	0	0					(100%)
i) Increase / (decrease) in pension provision	22	0	0	0	0					(100%)
j) Increase / (decrease) in other provisions	0	0	0	0	0					
k) Receipt of donated equipment	0	0	0	0	0					
l) Share of operating surplus / (deficit) in joint venture	0	0	0	0	0					
m) Share of operating surplus / (deficit) in associate	0	0	0	0	0					
n) Other	0	0	0	0	0					
Total adjustment for non-cash items	77	0	0	0	0					(100%)
3 Adjustment for investing or financing activities										
a) Investment income	0	0	0	0	0					
b) Interest payable	2	0	0	0	0					(100%)
c) Endowment income	0	0	0	0	0					
d) Loss / (gain) on the sale of assets	0	0	0	0	0					
e) Capital grant income	0	0	0	0	0					
Total adjustment for investing or financing activities	2	0	0	0	0					(100%)
4 Net cash inflow from operating activities	51	61	0	0	0	20%	(100%)			
5 Cash flow from investing activities										
a) Proceeds from sales of fixed assets	0	0	0	0	0					
b) Proceeds from sales of intangible assets	0	0	0	0	0					
c) Capital grants receipts	0	0	0	0	0					
d) Disposal of non-current asset investments	0	0	0	0	0					
e) Withdrawal of deposits	0	0	0	0	0					
f) Investment income	0	0	0	0	0					
g) Payments made to acquire fixed assets	0	0	0	0	0					
h) Payments made to acquire intangible assets	0	0	0	0	0					
i) New non-current asset investments	0	0	0	0	0					
j) New deposits	0	0	0	0	0					
Total cash flows from investing activities	0	0	0	0	0					
6 Cash flows from financing activities										
a) Interest paid	(2)	0	0	0	0					(100%)
b) Interest element of finance lease and service concession	0	0	0	0	0					
c) Endowment cash received	0	0	0	0	0					
d) New secured loans	0	0	0	0	0					
e) New unsecured loans	0	0	0	0	0					
f) Repayments of amounts borrowed	0	0	0	0	0					
g) Capital element of finance lease and service concession payments	0	0	0	0	0					
Total cash flows from financing activities	(2)	0	0	0	0					(100%)
7 (Decrease) / increase in cash and cash equivalents in the year	49	61	0	0	0	24%	(100%)			
8 Cash and cash equivalents at beginning of the year	32	81	142	142	142	153%	75%	0%	0%	
9 Cash and cash equivalents at the end of the year	81	142	142	142	142	75%	0%	0%	0%	

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Capital Expenditure Projects and Forecast Methods of Financing

Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21- 2021-22 %	2021-22 - 2022-23 %	#REF!	#REF!
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Expenditure:

Land & Buildings	0	0	0	0	0					#REF!
Equipment & Others	0	0	0	0	0					#REF!
	0	0	0	0	0					#REF!

Financed by:

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

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

Capital disposals

Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000
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Disposal proceeds:

Asset description	0	0	0	0	0
Asset description	0	0	0	0	0
Asset description	0	0	0	0	0
Asset description	0	0	0	0	0
	0	0	0	0	0

Gain/(loss) on disposal:

Asset description	0	0	0	0	0
Asset description	0	0	0	0	0
Asset description	0	0	0	0	0
Asset description	0	0	0	0	0

0 0 0 0 0

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ALF Funding

	Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000
Estimated balance of cash in ALF as at 1 August	0	0	0	0	0
Donation to Arms Length Foundation	0	0	0	0	0
Grant from Arms Length Foundation - capital	0	0	0	0	0
Grant from Arms Length Foundation - revenue	0	0	0	0	0
Estimated balance of cash in ALF as at 31 July	0	0	0	0	0

Note:
For most foundations, the most recent accounts available are for periods ending in 2019. Colleges' forecast movements will not include governance costs, donations from third parties, payments to third parties or investment income.

	Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000
Grant from Arms Length Foundation - capital:					
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Total	0	0	0	0	0

Grant from Arms Length Foundation - revenue					
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Total	0	0	0	0	0

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FINANCIAL SUMMARY

Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000
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Income ratios					
Total Income	445	465	442	450	458
Total Funding Council Grant (excluding release of deferred capital grant) as % of Total Income	100%	100%	100%	100%	100%
Total non-Funding Council Grant (including release of SFC DCG) as % of Total Income	0%	0%	0%	0%	0%
Total Education Contracts and Tuition Fees as % of Total Income	0%	0%	0%	0%	0%
Total Research Grants and Contracts as % of Total Income	0%	0%	0%	0%	0%
Total Other Income as % of Total Income	0%	0%	0%	0%	0%

Expenditure ratios					
Total Expenditure	473	404	442	450	458
Salaries as % of Total Expenditure	83%	80%	84%	84%	84%
Other operating costs as % of Total Expenditure	17%	20%	16%	16%	16%
Depreciation/amortisation as % of Total Expenditure	0%	0%	0%	0%	0%

Operating position					
Operating Surplus/(deficit)	-28	61	0	0	0
Operating Surplus/(deficit) as % of Total Income	-6%	13%	0%	0%	0%
Adjusted operating surplus/(deficit)	-6	61	0	0	0
Adjusted operating surplus/(deficit) as % of Total Income	-1.3%	13.1%	0.0%	0.0%	0.0%

Cash Position					
Cash and Current Asset Investments	81	142	142	142	142
Overdrafts	0	0	0	0	0
Days Ratio of Cash to Total Expenditure	63	128	117	115	113
Net cash inflow/(outflow) from operating activities	51	61	0	0	0
Net cash inflow/(outflow) from operating activities as % of Total Income	11.5%	13.1%	0.0%	0.0%	0.0%

Balance Sheet strength					
Unrestricted reserves	(133)	(72)	(72)	(72)	(72)
Current Ratio	0.89	1.52	1.52	1.52	1.52
Unrestricted reserves as % of Total Income	-30%	-15%	-16%	-16%	-16%
Total borrowing (Overdrafts, Loans, Finance Leases, PFI/NPD)	0	0	0	0	0
Interest cover	-13.00	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

Financial Forecast Return 2020

College/Region

Contact

Telephone

Email:

DECLARATION:	The attached worksheets represent the financial forecasts for the College/Region. They reflect a financial statement of our academic and physical plans from 2019-20 to 2022-23. Adequate explanations have been provided where requested on the return. The worksheets and their underpinning assumptions have been reviewed and approved by the Board of Management in accordance with their agreed practices. In preparing this financial forecast the College/Region has fully considered the financial implications of all aspects of its strategy and has properly reflected these in the forecast.
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Signed:
Principal/Chief Executive Officer

Date:

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KEY RISKS

Please use the boxes below to provide a commentary on material risks to income and expenditure as identified in the Risk Register. Where possible these risks should be quantified.

Please use the boxes below to describe the actions planned by the College to address/mitigate the identified risks.

Please add further lines as required

Pension Assumptions Employer Contributions	2019-20	2020-21	2021-22	2022-23	2019-20	2020-21	2021-22	2022-23
	£000	£000	£000	£000	Details of Methodology and Valuation	Details of Methodology and Valuation	Details of Methodology and Valuation	Details of Methodology and Valuation
STSS	5,602,849	5,835,784	5,922,618	5,889,913	n/a	n/a	n/a	n/a
Strathclyde Pension Fund - LGPS	2,526,617	2,611,598	2,650,462	2,635,834	LGPS Employer Contribution as per 2017 valuation i.e. 19.3%	LGPS Employer Contribution as per 2017 valuation i.e. 19.3%. This is valid to 31 March 2021.	LGPS Employer Contribution remains at 2017 level i.e. 19.3%. However, early indications are that this rate could increase.	LGPS Employer Contribution remains at 2017 level i.e. 19.3%. However, early indications are that this rate could increase.
Total	8,129,466	8,447,382	8,573,080	8,525,747				

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	Actual 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	2018-19 - 2019-20	2019-20 - 2020-21	2020-21 - 2021-22	2021-22 - 2022-23	Explanation for variance
	£000	£000	£000	£000	£000	%	%	%	%	
Statement of Comprehensive income and expenditure (Consolidated)										
INCOME										
Tuition fees and education contracts	30,883	28,421	24,790	28,935	30,499	-8.0%	-12.8%	16.7%	5.4%	
Funding council/RSB grants	129,620	130,525	133,666	134,356	134,242	0.7%	2.4%	0.5%	-0.1%	
Research grants and contracts	0	0	0	0	0					
Other income	13,145	12,702	11,343	12,626	11,243	-3.4%	-10.7%	11.3%	-11.0%	
Investment income	32	15	15	15	15	-53.1%	0.0%	0.0%	0.0%	
Total income before donations and endowments	173,680	171,663	169,815	175,932	175,999	-1.2%	-1.1%	3.6%	0.0%	
Donations and endowments	0	0	0	0	0					
Total income	173,680	171,663	169,815	175,932	175,999	-1.2%	-1.1%	3.6%	0.0%	
EXPENDITURE										
Staff costs	112,809	113,591	113,639	113,529	111,613	0.7%	0.0%	-0.1%	-1.7%	
Staff costs - exceptional restructuring costs	67	582	685	1,221	1,570	768.4%	17.8%	78.2%	28.5%	
Exceptional costs - non-staff	0	0	0	0	0					
Other operating expenses	46,772	33,921	34,731	36,340	36,750	-27.5%	2.4%	4.6%	1.1%	
Donation to Arms Length Foundation	0	0	0	0	0					
Depreciation	17,866	15,990	12,248	11,936	11,810	-10.5%	-23.4%	-2.5%	-1.1%	
Interest and other finance costs	14,258	13,751	13,304	12,825	12,325	-3.6%	-3.3%	-3.6%	-3.9%	
Total expenditure	191,772	177,835	174,607	175,850	174,067	-7.3%	-1.8%	0.7%	-1.0%	
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	(18,092)	(6,172)	(4,792)	82	1,932	-65.9%	-22.4%	-101.7%	2257.5%	
Gain/(loss) on disposal of fixed assets	5,792	0	0	0	0	-100.0%				
Gain/(loss) on investments	0	0	0	0	0					
Share of operating surplus/(deficit) in joint venture(s)	0	0	0	0	0					
Share of operating surplus/(deficit) in associate(s)	0	0	0	0	0					
Surplus/(deficit) before tax	(12,300)	(6,172)	(4,792)	82	1,932	-49.8%	-22.4%	-101.7%	2257.5%	
Other taxation	0	0	0	0	0					
Surplus/(deficit) for the year	(12,300)	(6,172)	(4,792)	82	1,932	-49.8%	-22.4%	-101.7%	2257.5%	
Unrealised surplus on revaluation of land and buildings	22,178	0	0	0	0	-100.0%				
Actuarial (loss)/gain in respect of pension schemes	-14,392	0	0	0	0	-100.0%				
Other comprehensive income	0	0	0	0	0					
Total comprehensive income for the year	(4,514)	(6,172)	(4,792)	82	1,932	36.7%	-22.4%	-101.7%	2257.5%	

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INCOME	Actual	Forecast	Forecast	2018-19 -	2019-20 -	Explanation for variance
	2018-19	2019-20	2020-21	2019-20	2020-21	
	£000	£000	£000	%	%	
1 Tuition fees and education contracts						
a) FE - UK	1,598	1,541	1,570	(4%)	2%	
b) FE - EU	10	0	0	(100%)		
c) HE	15,070	14,686	13,889	(3%)	(5%)	
d) Non-EU	2,357	1,703	1,082	(28%)	(36%)	
e) SDS contracts	542	808	440	49%	(46%)	
f) Education contracts	10,721	9,324	7,439	(13%)	(20%)	
g) Other	585	359	370	(39%)	3%	
Total tuition fees and education contracts	30,883	28,421	24,790	(8%)	(13%)	
2 SFC / RSB Grants						
a) SFC / RSB FE recurrent grant (including fee waiver)	90,189	95,369	97,978	6%	3%	
b) UHI recurrent grant - HE provision	0	0	0			
c) FE Childcare funds	4,142	3,600	3,850	(13%)	7%	
d) Release of SFC / RSB deferred capital grants	8,496	6,057	4,360	(29%)	(28%)	
e) SFC capital grant	925	1,524	2,287	65%	50%	
f) SFC grant for NPД	20,102	20,157	20,217	0%	0%	
g) Other SFC / RSB grants - FE provision	5,766	3,818	4,973	(34%)	30%	
h) Other UHI grants - HE provision	0	0	0			
Total SFC / RSB Grants	129,620	130,525	133,666	1%	2%	
3 Research grants and contracts						
a) European Commission	0	0	0			
b) Other grants and contracts	0	0	0			
Total research grants and contracts	0	0	0			
4 Other Income						
a) Catering and residences	4,825	3,580	2,287	(26%)	(36%)	
b) Other European Income	465	443	244	(5%)	(45%)	
c) Other income generating activities	2,233	2,208	1,539	(1%)	(30%)	
d) Grants from ALF	1,813	2,095	4,357	16%	108%	
i) Revenue	627	1,741	1,214	178%	(30%)	
ii) Capital	1,186	354	3,143	(70%)	788%	
e) Non-government capital grant	411	750	750	82%	0%	
f) Other grant income	1,212	588	283	(51%)	(52%)	
g) Release of non-SFC government deferred capital grant	425	490	490	15%	0%	
h) Income from Coronavirus Job Retention Scheme	0	738	380		(49%)	
i) Other income	1,761	1,810	1,013	3%	(44%)	
Total other income	13,145	12,702	11,343	(3%)	(11%)	
5 Investment income						
a) Investment income on endowments	0	0	0			
b) Investment income on restricted reserves	0	0	0			
c) Other investment income	0	0	0			
d) Other interest receivable	32	15	15	(53%)	0%	
e) Net return on pension scheme	0	0	0			
Total investment income	32	15	15	(53%)	0%	
6 Donations and endowment income						
a) New endowments	0	0	0			
b) Donations with restrictions	0	0	0			
c) Unrestricted donations	0	0	0			
Total donation and endowment income	0	0	0			

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EXPENDITURE**

	Actual 2018-19	Forecast 2019-20	Forecast 2020-21	2018-19 - 2019-20	2019-20 - 2020-21	Explanation for variance
	£000	£000	£000	%	%	
STAFF COSTS						
1 Teaching departments	56,837	62,623	63,054	10%	1%	
2 Teaching support services	8,097	8,432	8,441	4%	0%	
3 Other support services	0	0	0			
4 Administration and central services	12,312	12,919	13,011	5%	1%	
5 Premises	3,234	3,326	3,389	3%	2%	
6 Catering and residences	1,704	1,629	1,463	(4%)	(10%)	
7 Other income generating activities	1,002	1,235	1,275	23%	3%	
8 Other staff costs	22,801	23,427	23,006	3%	(2%)	
9 Impact of FRS 102 pensions reported costs (less contributions paid included above)	6,822					
Normal staff costs	112,809	113,591	113,639	1%	0%	
10 Exceptional restructuring costs	67	582	685	768%	18%	
Total staff costs	112,876	114,173	114,325	1%	0%	
Additional breakdown of staff costs						
Salaries	88,835	93,188	92,971	5%	(0%)	
Social security costs	6,305	6,812	6,844	8%	0%	
Pension contributions	10,209	13,590	13,824	33%	2%	
Non-cash pension adjustments - net service cost	6,570					
Non-cash pension adjustments - early retirement provision	252					
Severance payments	705					
Total staff costs	112,876	113,591	113,639	1%	0%	
Estimated National Bargaining costs for lecturers pay harmonisation (excluding cost of living pay awards) included above	0	0	0			
NON-STAFF COSTS						
1 Exceptional costs - non-staff	0	0	0			
2 Other operating expenses						
a) Teaching departments	4,896	4,202	4,176	(14%)	(1%)	
b) Teaching support services	1,376	1,175	1,212	(15%)	3%	
c) Other support services	0	0	0			
d) Administration and central services	5,317	5,075	4,796	(5%)	(5%)	
e) General education	0	0	0			
f) Premises	9,778	8,912	9,390	(9%)	5%	
(i) Maintenance	1,131	1,201	1,270	6%	6%	
(ii) Utilities	2,372	2,246	2,473	(5%)	10%	
(iii) Other	6,275	5,465	5,647	(13%)	3%	
g) Catering and residences	2,797	2,114	2,096	(24%)	(1%)	
h) Other income generating activities	925	746	775	(19%)	4%	
i) Overspend on student support funds *	0	0	0			
j) Planned maintenance	0	0	0			
k) Movement on early retirement pension provision	0	0	0			
l) NPD	0	0	0			
m) Other	21,683	11,698	12,285	(46%)	5%	
Total other operating expenses	46,772	33,921	34,731	(27%)	2%	
3 Depreciation						
a) Government funded assets	10,981	9,469	7,772	(14%)	(18%)	
b) Non-government funded assets	1,503	1,712	1,345	14%	(21%)	
c) NPD funded assets	5,382	4,809	3,131	(11%)	(35%)	
Total depreciation	17,866	15,990	12,248	(11%)	(23%)	
4 Interest						
a) On bank loans, overdrafts and other loans	0	0	0			
b) Finance lease interest	0	0	0			
b) Other	0	0	0			
c) Net charge on pension scheme	90	0	0	(100%)		
d) NPD interest	14,168	13,751	13,304	(3%)	(3%)	
Total interest	14,258	13,751	13,304	(4%)	(3%)	

* Includes any overspend on bursaries, discretionary funds, and student funds received from SAAS, but excludes childcare funds.

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ADJUSTED OPERATING RESULT	Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	2018-19 - 2019-20 %	2019-20 - 2020-21 %	2020-21- 2021-22 %	2021-22 - 2022-23 %	Explanation for variance
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	(18,092)	(6,172)	(4,792)	82	1,932					
Add:										
Total depreciation (Government-funded, privately funded and NPD-funded assets) net of deferred capital grant release (<i>incorporated colleges only</i>)	8,945	9,443	7,398	7,265	7,265	5.6%	-21.7%	-1.8%	0.0%	
Exceptional non-restructuring items (e.g. impairment costs)	0	0	0	0	0					
Donation to Arms-Length Foundation (incorporated colleges only)	0	0	0	0	0					
Non-cash pension adjustment - net service cost	6,570									
Non-cash pension adjustment - ERP	252									
Non-cash pension adjustment -net interest costs	90									
Deduct:										
Non-Government capital grants (e.g. ALF capital grant)	1,597	1,104	3,893	2,675	1,500	-30.9%	252.6%	-31.3%	-43.9%	
Exceptional income (if disclosed as exceptional in accounts) - PLEASE DO NOT INCLUDE CJRS INCOME HERE	(9,350)	0	0	0	0	-100.0%				
CBP allocated to loan repayments and other capital items (<i>incorporated colleges only</i>)	181	181	181	181	181	0.1%	0.0%	0.0%	0.0%	
NPD payments to reduce NPD balance sheet debt	4,366	4,700	5,011	5,248	5,470	7.7%	6.6%	4.7%	4.2%	
Adjusted operating result	971	(2,714)	(6,480)	(758)	2,045	-379.6%	138.7%	-88.3%	-369.9%	
Cash budget for priorities (<i>incorporated colleges</i>) :										
Revenue priorities										
Student support funding	0	0	0	0	0					
2015-16 pay award	881	881	881	881	881					
Voluntary severance	0	131	0	0	0					
Estates costs	835	575	706	706	706					
Other - please describe	442	442	0	0	0					
Total impact on operating position	2,158	2,029	1,587	1,587	1,587					
Capital priorities										
Loan repayments	0	0	0	0	0					
NPD / PFI repayments	0	0	0	0	0					
Estates costs	0	0	0	0	0					
Provisions pre 1 April 2014	181	181	181	181	181					
Total capital	181	181	181	181	181					
Total cash budget for priorities spend	2,339	2,210	1,768	1,768	1,768					

Balance Sheet		Actual	Forecast	Forecast	Forecast	Forecast	2018-19 -	2019-20 -	2020-21 -	2021-22 -	Explanation for variance
		2018-19	2019-20	2020-21	2021-22	2022-23	2019-20	2020-21	2021-22	2022-23	
		£000	£000	£000	£000	£000	%	%	%	%	
1 Non-current assets	a) Intangible assets	59	10	0	0	0	-83.1%	-100.0%			
	b) Fixed assets	436,608	422,422	415,520	407,201	397,834	-3.2%	-1.6%	-2.0%	-2.3%	
	c) Investments	4	4	4	4	4	0.0%	0.0%	0.0%	0.0%	
Total non-current assets		436,671	422,436	415,524	407,205	397,838	-3.3%	-1.6%	-2.0%	-2.3%	
2 Current assets	a) Stock	55	55	55	55	55	0.0%	0.0%	0.0%	0.0%	
	b) Debtors	9,706	11,232	8,218	8,280	8,343	15.7%	-26.8%	0.8%	0.8%	
	c) Investments	0	0	0	0	0					
	d) Cash and cash equivalents	12,581	9,031	-4	-450	2,162	-28.2%	-100.0%	11429.3%	-580.4%	
	e) Other (e.g. assets for resale)	0	0	0	0	0					
Total current assets		22,342	20,317	8,270	7,885	10,560	-9.1%	-59.3%	-4.6%	33.9%	
3 Creditors: amounts falling due within one year	a) Bank loans and external borrowing	0	0	0	0	0					
	b) Bank overdrafts	0	0	0	0	0					
	c) Lennartz creditor	711	461	301	301	301	-35.2%	-34.7%	0.0%	0.0%	
	d) Obligations under finance leases and service concessions	0	0	0	0	0					
	e) Payments received in advance	190	190	190	190	190	0.0%	0.0%	0.0%	0.0%	
	f) Amounts owed to Funding Council	1,361	1,928	244	100	100	41.7%	-87.3%	-59.0%	0.0%	
	g) Obligations under PFI/NPD	4,700	5,011	5,248	5,470	5,789	6.6%	4.7%	4.2%	5.8%	
	h) Deferred capital grant	8,119	6,435	6,256	6,130	6,103					
	i) Other creditors and accruals	16,228	16,077	11,865	11,911	11,971	-0.9%	-26.2%	0.4%	0.5%	
Total creditors < 1 year		31,309	30,102	24,104	24,102	24,454	-3.9%	-19.9%	0.0%	1.5%	
Share of net assets/(liabilities) in associate		0	0	0	0	0					
NET CURRENT ASSETS/LIABILITIES		(8,967)	(9,784)	(15,835)	(16,217)	(13,894)	9.1%	61.8%	2.4%	-14.3%	
TOTAL ASSETS LESS CURRENT LIABILITIES		427,704	412,652	399,689	390,988	383,944	-3.5%	-3.1%	-2.2%	-1.8%	
4 Creditors: amounts falling due after more than one year	a) Local authority loans	0	0	0	0	0					
	b) Bank loans and external borrowing	0	0	0	0	0					
	c) Lennartz creditor	0	0	0	0	0					
	d) Finance leases and service concessions	0	0	0	0	0					
	e) Obligations under PFI/NPD	0	0	0	0	0					
	f) Deferred capital grant	124,397	120,398	117,419	114,066	110,740					
	g) Amounts repayable to Funding Council	0	0	0	0	0					
	h) Other creditors	0	0	0	0	0					
Total creditors >1 year		124,397	120,398	117,419	114,066	110,740	-3.2%	-2.5%	-2.9%	-2.9%	
5 Provisions	a) Pension provisions	30,935	30,754	30,573	30,391	30,210	-0.6%	-0.6%	-0.6%	-0.6%	
	b) Other	139,549	134,849	129,838	124,590	119,120	-3.4%	-3.7%	-4.0%	-4.4%	
Total provisions		170,484	165,603	160,411	154,981	149,330	-2.9%	-3.1%	-3.4%	-3.6%	
TOTAL NET ASSETS		132,823	126,651	121,859	121,941	123,874	-4.6%	-3.8%	0.1%	1.6%	
9 Restricted Reserves	a) Endowment Reserve	0	0	0	0	0					
	b) Restricted Reserve	462	462	462	462	462	0.0%	0.0%	0.0%	0.0%	
10 Unrestricted reserves	a) Income and Expenditure Reserve	-1,860	-6,709	-10,178	-8,773	-5,518	260.7%	51.7%	-13.8%	-37.1%	
	b) Revaluation reserve	134,221	132,898	131,575	130,252	128,929	-1.0%	-1.0%	-1.0%	-1.0%	
11 Non-controlling interest		0	0	0	0	0					
TOTAL RESERVES		132,823	126,651	121,859	121,941	123,873	-4.6%	-3.8%	0.1%	1.6%	

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Cashflow	Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000	2018-19- 2019-20 %	2019-20- 2020-21 %	2020-21- 2021- 22 %	2021-22- 2022-23 %	Explanation for variance
1 Cash flow from operating activities										
a) Surplus / (deficit) for the year	-12300	-6171.771	-4791.844	81.951545	1931.9893	(50%)	(22%)	(102%)	2257%	
2 Adjustment for non-cash items										
a) Depreciation	17,866	15,990	12,248	11,936	11,810	(11%)	(23%)	(3%)	(1%)	
b) Amortisation of intangibles	0	0	0	0	0					
c) Benefit on acquisition	0	0	0	0	0					
d) Amortisation of goodwill	0	0	0	0	0					
e) Loss / (gain) on investments	0	0	0	0	0					
f) Decrease / (increase) in stock	(9)	0	0	0	0	(100%)				
g) Decrease / (increase) in debtors	(235)	(1,526)	3,013	(62)	(63)	549%	(297%)	(102%)	2%	
h) Increase / (decrease) in creditors	(1,631)	(3,196)	(9,076)	(3,119)	(2,961)	96%	184%	(66%)	(5%)	
i) Increase / (decrease) in pension provision	3,859	(181)	(181)	(181)	(181)	(105%)	0%	0%	0%	
j) Increase / (decrease) in other provisions	(86)	0	0	0	0	(100%)				
k) Receipt of donated equipment	0	0	0	0	0					
l) Share of operating surplus / (deficit) in joint venture	0	0	0	0	0					
m) Share of operating surplus / (deficit) in associate	0	0	0	0	0					
n) Other	6,641	324	(263)	222	320	(95%)	(181%)	(184%)	44%	
Total adjustment for non-cash items	26,405	11,410	5,740	8,795	8,924	(57%)	(50%)	53%	1%	
3 Adjustment for investing or financing activities										
a) Investment income	(1)	0	0	0	0	(100%)				
b) Interest payable	14,258	13,751	13,304	12,825	12,325	(4%)	(3%)	(4%)	(4%)	
c) Endowment income	0	0	0	0	0					
d) Loss / (gain) on the sale of assets	0	0	0	0	0					
e) Capital grant income	(6,921)	(4,089)	(4,472)	(3,575)	(2,274)	(41%)	9%	(20%)	(36%)	
Total adjustment for investing or financing activities	7,336	9,662	8,832	9,250	10,051	32%	(9%)	5%	9%	
4 Net cash inflow from operating activities	21,441	14,901	9,780	18,127	20,907	(31%)	(34%)	85%	15%	
5 Cash flow from investing activities										
a) Proceeds from sales of fixed assets	0	0	0	0	0					
b) Proceeds from sales of intangible assets	0	0	0	0	0					
c) Capital grants receipts	3,337	1,755	4,335	3,117	1,942	(47%)	147%	(28%)	(38%)	
d) Disposal of non-current asset investments	0	0	0	0	0					
e) Withdrawal of deposits	0	0	0	0	0					
f) Investment income	1	0	0	0	0	(100%)				
g) Payments made to acquire fixed assets	(4,720)	(1,755)	(4,835)	(3,671)	(2,442)	(63%)	176%	(25%)	(32%)	
h) Payments made to acquire intangible assets	0	0	0	0	0					
i) New non-current asset investments	0	0	0	0	0					
j) New deposits	0	0	0	0	0					
Total cash flows from investing activities	(1,382)	0	(500)	(500)	(500)	(100%)		0%	0%	
6 Cash flows from financing activities										
a) Interest paid	(86)	0	0	0	0	(100%)				
b) Interest element of finance lease and service concession	(14,167)	(13,751)	(13,304)	(12,825)	(12,325)	(3%)	(3%)	(4%)	(4%)	
c) Endowment cash received	0	0	0	0	0					
d) New secured loans	0	0	0	0	0					
e) New unsecured loans	0	0	0	0	0					
f) Repayments of amounts borrowed	0	0	0	0	0					
g) Capital element of finance lease and service concession payments	(4,366)	(4,700)	(5,011)	(5,248)	(5,470)	8%	7%	5%	4%	
Total cash flows from financing activities	(18,619)	(18,451)	(18,315)	(18,073)	(17,795)	(1%)	(1%)	(1%)	(2%)	
7 (Decrease) / increase in cash and cash equivalents in the year	1,440	(3,550)	(9,035)	(446)	2,612	(347%)	154%	(95%)	(686%)	
8 Cash and cash equivalents at beginning of the year	11,145	12,581	9,031	(4)	(450)	13%	(28%)	(100%)	11429%	
9 Cash and cash equivalents at the end of the year	12,581	9,031	(4)	(450)	2,162	(28%)	(100%)	11429%	(580%)	

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Capital Expenditure Projects and Forecast Methods of Financing

	Actual 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23	2018-19 - 2019-20	2019-20 - 2020-21	2020-21- 2021-22	2021-22 - 2022-23
	£000	£000	£000	£000	£000	%	%	%	%
Expenditure:									
Land & Buildings	2,270	1,755	3,835	3,117	1,942	-22.7%	118.6%	-18.7%	-37.7%
Equipment & Others	2,449	800	1,750	1,250	1,250	-67.3%	118.8%	-28.6%	0.0%
	4,719	2,555	5,585	4,367	3,192	-45.9%	118.6%	-21.8%	-26.9%
Financed by:									
Cash reserves	-	-	-	-	-				
Arms Length Foundation	1,140	354	2,643	1,925	750	-69.0%	647.0%	-27.2%	-61.0%
Leasing	-	-	-	-	-				
SFC/RSB grant	3,579	2,201	2,942	2,442	2,442	-38.5%	33.7%	-17.0%	0.0%
Re-investment of proceeds from disposal of assets *	-	-	-	-	-				
Non-SFC/RSB grants	-	-	-	-	-				
PFI/NPD	-	-	-	-	-				
Other - please specify if material	-	-	-	-	-				
	4,719	2,555	5,585	4,367	3,192	-45.9%	118.6%	-21.8%	-26.9%

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

Capital disposals

Disposal proceeds:

	Actual 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
	£000	£000	£000	£000	£000
Asset description	2	-	-	-	-
Asset description	-	-	-	-	-
Asset description	-	-	-	-	-
Asset description	-	-	-	-	-
	2	-	-	-	-

Gain/(loss) on disposal:

	Actual 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
	£000	£000	£000	£000	£000
Asset description	5,792	-	-	-	-
Asset description	-	-	-	-	-
Asset description	-	-	-	-	-
Asset description	-	-	-	-	-
	5,792	-	-	-	-

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ALF Funding

	Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000
Estimated balance of cash in ALF as at 1 August	17,761	15,948	13,853	9,496	6,798
Donation to Arms Length Foundation	0	0	0	0	0
Grant from Arms Length Foundation - capital	(1,186)	(354)	(3,143)	(1,925)	(750)
Grant from Arms Length Foundation - revenue	(627)	(1,741)	(1,214)	(773)	(348)
Estimated balance of cash in ALF as at 31 July	15,948	13,853	9,496	6,798	5,700

Note:

For most foundations, the most recent accounts available are for periods ending in 2019. Colleges' forecast movements will not include governance costs, donations from third parties, payments to third parties or investment income.

	Actual 2018-19 £000	Forecast 2019-20 £000	Forecast 2020-21 £000	Forecast 2021-22 £000	Forecast 2022-23 £000
Grant from Arms Length Foundation - capital:					
ICT Projects - GKC	625	200	250	250	250
Capital Projects - GCC	298	154	1,893	1,175	0
ICT & Equipment - CoGC	263	0	1,000	500	500
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Total	1,186	354	3,143	1,925	750

Grant from Arms Length Foundation - revenue					
Revenue Support - GKC	61	470	162	0	127
Revenue Support - GCC	266	1,271	1,052	773	221
Nautical and IT Expenditure - CoGC	300	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Description	0	0	0	0	0
Total	627	1,741	1,214	773	348

GCRB
FINANCIAL SUMMARY

Actual 2018-19	Forecast 2019-20	Forecast 2020-21	Forecast 2021-22	Forecast 2022-23
£000	£000	£000	£000	£000

Income ratios					
Total Income	173,680	171,663	169,815	175,932	175,999
Total Funding Council Grant (excluding release of deferred capital grant) as % of Total Income	75%	76%	79%	76%	76%
Total non-Funding Council Grant (including release of SFC DCG) as % of Total Income	25%	24%	21%	24%	24%
Total Education Contracts and Tuition Fees as % of Total Income	18%	17%	15%	16%	17%
Total Research Grants and Contracts as % of Total Income	0%	0%	0%	0%	0%
Total Other Income as % of Total Income	8%	7%	7%	7%	6%

Expenditure ratios					
Total Expenditure	191,772	177,835	174,607	175,850	174,067
Salaries as % of Total Expenditure	59%	64%	65%	65%	64%
Other operating costs as % of Total Expenditure	24%	19%	20%	21%	21%
Depreciation/amortisation as % of Total Expenditure	9%	9%	7%	7%	7%

Operating position					
Operating Surplus/(deficit)	-18,092	-6,172	-4,792	82	1,932
Operating Surplus/(deficit) as % of Total Income	-10%	-4%	-3%	0%	1%
Adjusted operating surplus/(deficit)	971	-2,714	-6,480	-758	2,045
Adjusted operating surplus/(deficit) as % of Total Income	0.6%	-1.6%	-3.8%	-0.4%	1.2%

Cash Position					
Cash and Current Asset Investments	12,581	9,031	-4	-450	2,162
Overdrafts	0	0	0	0	0
Days Ratio of Cash to Total Expenditure	26	20	0	-1	5
Net cash inflow/(outflow) from operating activities	21,441	14,901	9,780	18,127	20,907
Net cash inflow/(outflow) from operating activities as % of Total Income	12.3%	8.7%	5.8%	10.3%	11.9%

Balance Sheet strength					
Unrestricted reserves	(1,860)	(6,709)	(10,178)	(8,773)	(5,518)
Current Ratio	0.71	0.67	0.34	0.33	0.43
Unrestricted reserves as % of Total Income	-1%	-4%	-6%	-5%	-3%
Total borrowing (Overdrafts, Loans, Finance Leases, PFI/NPD)	5,411	5,472	5,549	5,771	6,090
Interest cover	-0.27	0.55	0.64	1.01	1.16