



**west lothian**  
college

# **Financial Strategy**

**2015-2018**

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## 1 Introduction and Context

- 1.1 The Board of Governors (“the Board”) is charged with setting the strategic direction for the College. The Board is required to safeguard public funding by ensuring services are delivered to the general public. The Board’s leadership drives forward improvement in services.
- 1.2 The Financial Strategy is concerned with financing and resourcing the College’s Regional Outcome Agreement for 2015-17. It seeks to ensure that the College will remain sustainable over the medium to longer-term.
- 1.3 With a vision “to be a high performing and creative College with a regional and national reputation for excellence in demand led learning and skills development”, the Regional Outcome Agreement 2015-17 contains the following Regional Aim:
- Excellent and Sustainable Business.
- 1.4 The College’s 2015-17 Regional Outcome Agreement will be monitored against Scottish Funding Council’s national priorities for 2015-16. The Scottish Funding Council’s Strategic Aim which has specific relevance to this Strategy is **“Sustainable Institutions – To secure well managed and financially and environmentally sustainable colleges”**. In relation to this Aim the Scottish Funding Council Outcome Agreement Priorities are:
- **College regions have in place appropriate and effective governance structures which ensure sound governance, internal control and risk management.**
  - **College regions’ governing bodies have clear ownership of institutional sustainability.**
  - **College regions have in place robust and coherent plans and processes for performance management and monitoring institutional sustainability.**
  - **College regions explore and exploit opportunities to improve efficiency and effectiveness through collaborations and shared services.**
  - **College regions comply with the terms of the Financial Memorandum with the Scottish Funding Council.**

In the SFC Strategic Plan covering the period 2015-2018 the Strategic Actions which have most relevance to this Strategy are:

*Programme for change*

Theme	What we will do	Strategic actions
Investment	<ul style="list-style-type: none"> <li>• <b>Invest our resources strategically</b></li> <li>• <b>Work with other public bodies and align our investments to achieve the greatest impact</b></li> <li>• <b>Work with colleges and universities to make the best use of public resources</b></li> </ul>	<ul style="list-style-type: none"> <li>• We will develop a ten-year strategy for investing in the infrastructure in the college and university sectors</li> <li>• We will seek opportunities proactively to align our investments and enter into joint funding arrangements with other public bodies where this will achieve greater impact or deliver value for money</li> <li>• We will promote the achievement of Value for Money in the use of public funding and support the work of colleges and universities to maximise the impact of their funding, including through joint funding activities, shared services, and better procurement.</li> </ul>

## 1.5 ONS Reclassification

The UK Office of National Statistics reclassified all incorporated colleges as central government entities for the purposes of accounting and budgeting from 1 April 2014. For the purposes of HM Treasury budgeting, colleges are classified as Arms-Length Bodies. This places budgeting requirements on them analogous to that for Non Departmental Public Bodies (NDPBs). The key changes which impact on this Strategy are:

- All income and expenditure, including that funded from reserves or borrowing, counts as part of the Scottish Government's own income and expenditure for budgeting purposes.
- All expenditure (net of income) requires budget cover from within the Scottish Government's own budget limits.
- The need to break even on a resource basis on an April-March fiscal year.
- The need to achieve break-even on income and expenditure on a financial year basis (August-July) as there is very little scope to carry forward surpluses to future years.
- Cash Surpluses need to be transferred to an Arms-Length Charitable Foundation.
- Minimum levels of cash to be held.
- New loan arrangements cannot be entered into without the prior approval of the Scottish Ministers.

## 1.6 Shared Services and Joint Provision with West Lothian Council.

In order to demonstrate that West Lothian could deliver the expected benefits from regionalisation, the College produced a Business Case for shared services and joint provision with West Lothian Council to contribute to the financial sustainability of the region.

This is recognised in the College's Regional Outcome Agreement 2015-17 which contains the following Priority Outcome:

- West Lothian will benefit from the provision of sustainable post 16 vocational education supported by the efficiencies of continued embedding of shared services and increasing joint provision with West Lothian Council.

## 2 Financial Reporting Framework

The College will continue to comply with the Statement of Recommended Practice (SORP) – Accounting for Further and Higher Education Institutions and other

relevant accounting standards. A new IFRS-based SORP will become effective from financial year 2015-16. However the ONS reclassification means that the College must also comply with the requirements of the Government's Consolidated Budgeting Guidance and the Government Financial Reporting Manual (FReM).

### **3 Arms-Length Charitable Foundation**

- The most feasible option in order to protect future surpluses is the use of the Arms-Length Charitable Foundation. The College has opted to participate in the umbrella Arms-Length Charitable Foundation (The Scottish Colleges Foundation) set up by the Scottish Funding Council.

### **4 Financial Memorandum**

The College will comply with the terms of the Financial Memorandum with SFC.

### **5 Strategy**

#### **5.1 Operating Surplus**

- Generate sufficient cash surplus to meet the Scottish Funding Council (SFC) loan repayment obligations.
- Gift aid any cash surpluses over and above that required to repay the SFC loan to The Scottish Colleges Foundation. All funds transferred will align with the objectives of the Scottish Colleges Foundation.
- Utilise the contribution from commercial and project activities for re-investment in the College infrastructure.
- Secure efficiencies across support and curriculum areas through continued delivery of shared services and joint provision with West Lothian Council.

#### **5.2 Working Capital**

The College will ensure that it has sufficient working capital to meet its liabilities.

### 5.3 Capital Expenditure

All capital expenditure projects will be consistent with delivering the Regional Plan and Outcome Agreement 2015-17 and any capital grant not used within a financial year will be returned to the SFC.

### 5.4 Arms-Length Charitable Foundation

The College will continue to keep under review whether it should establish its own Arms-Length Charitable Foundation.

## 6 Key Financial Performance Indicators

The achievement of the financial strategies will be measured by the following key financial performance indicators:

### 6.1 Financial Performance

#### *Target – College surplus*

Plan 1 April 2014 – 31 July 2015	Plan 1 August 2015 – 31 July 2016	Plan 1 August 2016 – 31 July 2017	Plan 1 August 2017 - 31 July 2018
561k	313k	313k	313k

#### *Target – Operating Surplus*

Plan 1 April 2014 – 31 July 2015	Plan 1 August 2015 – 31 July 2016	Plan 1 August 2016 – 31 July 2017	Plan 1 August 2017 - 31 July 2018
346k	158k	158k	158k

#### *Target – Non SFC Income as a % of total income*

Plan 1 April 2014 – 31 July 2015	Plan 1 August 2015 – 31 July 2016	Plan 1 August 2016 – 31 July 2017	Plan 1 August 2017 - 31 July 2018
26%	30%	32%	34%

*Target – Trading surplus on commercial activities as a % of income*

Plan 1 April 2014 – 31 July 2015	Plan 1 August 2015 – 31 July 2016	Plan 1 August 2016 – 31 July 2017	Plan 1 August 2017 - 31 July 2018
23%	26%	28%	30%

*Target – Staff costs as a % of total income*

Plan 1 April 2014 – 31 July 2015	Plan 1 August 2015 – 31 July 2016	Plan 1 August 2016 – 31 July 2017	Plan 1 August 2017 - 31 July 2018
70%	67%	66%	65%

*Target – Current Assets: Current Liabilities*

Plan 1 April 2014 – 31 July 2015	Plan 1 August 2015 – 31 July 2016	Plan 1 August 2016 – 31 July 2017	Plan 1 August 2017 - 31 July 2018
0.8: 1	0.8: 1	0.8: 1	0.8:1

*Target – Days Cash to Total Expenditure*

Plan 1 April 2014 – 31 July 2015	Plan 1 August 2015 – 31 July 2016	Plan 1 August 2016 – 31 July 2017	Plan 1 August 2017 - 31 July 2018
13	17	17	17

## **7 Roles and Responsibilities**

The Assistant Principal, Curriculum Support & Finance will be responsible for implementation of this strategy. The strategy will be monitored through Centre and Service Operating Plans and Self-Evaluation Reports.

## **8 Monitoring**

The Board of Governors will monitor the implementation and success of the strategy through the Finance and General Purposes Committee.

Monitoring will take the form of:

- Annual budget setting;
- Regular monitoring of financial performance to budget;



- Regular reporting of the key financial performance indicators;
- Regular reporting of capital investment;
- Approval of capital projects greater than £100,000.

## **9 Review**

The strategy will be reviewed every three years in line with the Regional Plan and Outcome Agreement by the Assistant Principal, Curriculum Support and Finance, and monitored by the Finance and General Purposes Committee.