

FINANCE & GENERAL PURPOSES COMMITTEE REPORT

Subject: Business Review to 30 April 2017	Purpose: For Approval <input type="checkbox"/> For Discussion <input checked="" type="checkbox"/> For Information <input type="checkbox"/>
Prepared by: Peter D Smith, Vice Principal – Finance and Resources	Date: 22 May 2017
Purpose: To update the Committee on College performance for the year to date, including management accounts, balance sheet, financial KPIs and student activity targets. It also details changes made in the Quarter 3 Budget Review.	
Linked to Strategic Goal 5: Build Sustainability.	
Executive Summary: <p>The attached reports summarise the Income and Expenditure for the nine months to 30 April 2017, with reasons for significant variances, and budget revisions at 30 April with reasons for those also. Also attached are a reconciliation of Income and Expenditure to Resource DEL and Cash, a Balance Sheet, Key Performance Indicators, Aged Debtors Report, Student Funding Analysis and a Projected Credit Count Report.</p> <p>The management accounts show the budget against actuals for the academic year to 31 July 2017. Revisions at Quarter 1 reduced our projected deficit from £111k to £33k and included utilisation of all available cash resource from SFC. The projected deficit remained at that level following Quarter 2 revisions.</p> <p>Income and Expenditure</p> <p>Variances to date are noted in the management accounts. These variances show that we have operated to a net negative variance of some £121k to date. Many of the variances are timing related or have offsetting income and expenditure. Significant variances are: -</p> <ul style="list-style-type: none"> Commercial and Consultancy – negative variance of £202k, with £180k being in the BDU. While a small amount of this is offset by a reduction in income, the majority is timing-related and the subject of a separate report. Staff Costs – negative variance of £27k, although this includes an accrual for annual leave of £136k. Excluding this actually gives a positive variance of £110k, mainly as a result of an underspend in the BDU of £36k, project staffing of £37k and ELS £22k. Other Institutional Costs – positive variance of £41k – mostly as a result of an underspend in irrecoverable VAT and adjusted at Quarter 3. <p>Revisions to the budget are also noted. Making the changes as noted will increase our projected deficit to £38k. This will still allow us to use all available cash resource from SFC, as the increase is as a result of changes to depreciation resulting from ICT project spend.</p>	

Balance Sheet

The balance sheet shows total net liabilities of £3.3M at 30 April 2017, compared to net assets of £0.7M at 30 April 2016. The main changes are: -

- Decrease to Debtors of £673k, due to changes in the profile of grant received from SFC.
- Increased cash balance of £1.1M, due to timing and the drawdown of funding for the Tweedbank project. Also, increase of £250k in the sinking fund.
- Increase to Creditors Falling Due Within One Year of £625k, due to capital drawdown and increase to the sinking fund.
- Increase to the Creditors Falling Due After One Year of £3.5M. This change is due to the additional pension liability as a result of actuarial valuation at 31 July 2016.

KPIs

KPIs, with the exception of Cash in Hand, are currently behind target mainly due to the variances noted above.

The Staff Costs percentage remains behind target to date, with staff costs typically lower in the latter part of the academic year.

Aged Debtors

The aged debt profile is typical for this point in the year.

Student Funding

At this stage, total expenditure plus commitment is £1.654M against an allocation of £2.051M. With outstanding applications totalling £178k, we do not anticipate any overspend in this area.

Projected Credits

The projected credits show that we may fall slightly short of our target for the year by approximately 123 Credits. We continue to work to meet the target with plans in place for further delivery by the BDU and through summer schools to reduce the likelihood of clawback of SFC funding.

Recommendation: That Committee discuss the paper.

Previous Committee Approvals: n/a

For publication ☒

For publication with redactions ☐

Not for publication ☐

Borders College

Income & Expenditure – April 2017

	<u>ACADEMIC YEAR Aug16 - Jul17</u>			
	<u>Annual Budget</u>	<u>YTD Budget</u>	<u>YTD Actual</u>	<u>YTD Variance</u>
INCOME				
SFC - Grant-in-Aid	7,359,726	5,519,795	5,519,795	1
Other SFC Grants	453,930	407,935	393,155	-14,780
Other Grants	286,844	187,964	211,929	23,965
Tuition Fees	648,541	525,627	533,295	7,669
Student Accommodation	74,440	59,552	60,862	1,310
Commercial & Consultancy	860,474	712,021	509,858	-202,163
SLA Income	727,255	545,441	552,892	7,451
Other Income	558,981	394,367	400,571	6,204
INCOME	10,970,191	8,352,701	8,182,358	-170,344
EXPENDITURE				
Lecturing Salaries	3,870,206	3,005,729	3,071,302	-65,573
Administration	3,081,814	2,309,714	2,295,239	14,475
Teaching Support	520,538	400,520	376,530	23,990
Facilities	403,776	303,309	303,177	132
TOTAL WAGES & SALARIES	7,876,335	6,019,271	6,046,247	-26,976
Other Employee Costs	274,424	218,221	200,260	17,961
Premises Related Costs	881,631	664,147	656,687	7,460
Supplies & Services	760,344	590,928	586,174	4,754
Transport	56,346	44,020	43,116	904
Student Accommodation	79,900	59,922	64,452	-4,530
Other Institutional Costs	488,764	407,037	365,856	41,181
Donation to ALF	0	0	0	0
Bad Debts	16,000	11,167	1,560	9,607
SLA Expenditure	81,000	63,500	57,707	5,793
Agency & Other Costs	57,950	48,850	50,553	-1,703
Capital Finance Costs	161,022	107,348	108,497	-1,149
EXPENDITURE	10,733,716	8,234,412	8,181,109	53,303
Surplus/(Deficit)	236,475	118,290	1,249	
Depreciation (govt)	991,945	752,128	756,188	-4,060
Deferred Capital Grants (govt)	-756,984	-575,907	-575,941	34
Depreciation (non-govt)	29,256	21,942	21,960	-18
Accruing pension liability	5,234	5,234	5,334	-99
I & E Surplus/(Deficit) before exclusions	-32,976	-85,107	-206,292	-121,185
SFC - Childcare Funds (income)	167,757	142,925	0	142,925
SFC - Childcare Funds (expenditure)	-167,757	-142,925	-96,290	-46,635
Excluded Income - Student Funds	2,115,546	1,846,227	1,448,255	397,972
Excluded Expenditure - Student Funds	-2,115,546	-1,846,227	-1,360,181	-486,046
Excluded Income - Catering Contract	410,000	307,500	373,071	-65,571
Excluded Expenditure - Catering Contract	-410,000	-307,500	-373,122	65,622
I & E Surplus/(Deficit) after exclusions	-32,976	-85,107	-214,558	-129,451
Revaluation Reserve movement	9,308	6,981	6,981	0
Historic Cost Surplus/(Deficit)	-23,668	-78,126	-207,577	-129,451
Capital funds - Non-govt	0	0	0	0

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Summary Variances for Academic Year to 30 April 2017

- 1 The variance in Other SFC Grants relates to the timing of ESOL activity.
- 2 Other Grants is ahead of YTD budget due to the receipt of funding for the Catering for Life program £25.7k (budget is currently within Commercial & Consultancy).
- 3 Tuition Fees - this variance mainly relates to an increase in CEL apprentices with a shortfall in evening class fees (both certificate and leisure courses) - both of these areas have been adjusted in the Q3 budget review.
- 4 Commercial & Consultancy - the main areas under budget are BDU Management (£29k); BDU Care & Childcare (£31k); BDU short courses (£100k); CEL (£8k); SDS programs £36k (BDU £20k/curriculum £16k).
- 5 Staff Costs - between now and the end of the Academic Year there is a cost of £136k for OAL which is not in the budget, adjustment for this would show a YTD underspend of £110k. Lecturers are mainly under budget in the BDU (£36k), CEL commercial (£5k) and ESOL; Administration (£37k) is under in project staffing and on-costs; the main underspend in Teaching Support is in ELS (£22k) and on-costs.
- 6 Other Employee Costs - the main variances are relocation expenses (£11k) and external staffing BDU (£6k).
- 7 Premises Related Costs - there are a number of minor variances across all areas.
- 8 Supplies & Services - teaching budgets are under and IT spend is over budget - both of these areas have been amended in the Q3 budget review.
- 9 The majority of the underspend in Other Institutional Costs relates to VAT - this budget has been reduced in the Q3 review.
- 10 Bad Debts - YTD recovery has been good; the AY write-off will be posted in July.
- 11 SLA Expenditure - timing

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Revised Budget Proposal for Year 2016-17 (AY)

	Initial Budget	Q1 Revised Budget	Q2 Revised Budget	Adjustments	Q3 Proposed Budget	
INCOME						
SFC - Grant-in-Aid	7,359,726	7,359,726	7,359,726		7,359,726	
Other SFC Grants	357,138	430,297	453,930		453,930	
Other Grants	182,030	187,030	286,844	11,039	297,883	Reduce Erasmus+ (£6.2k); reduce ESOL (£8.4k); move Catering for Life from Commercial (£25.7k)
Tuition Fees	678,321	648,541	648,541	7,440	655,981	minor adjustments to FT & PT curricular income; CEL apprentices inc £18k; BDU reduced by £21.5k
Student Accommodation	49,140	74,440	74,440		74,440	
Commercial & Consultancy	886,447	866,974	860,474	-54,700	805,774	Catering for Life (£25.7k) moved to grants above; reduction in BDU income by £30k
SLA Income	727,255	727,255	727,255		727,255	
Other Income	568,232	568,232	558,982	2,300	561,282	
INCOME	10,808,289	10,862,495	10,970,192	-33,921	10,936,271	
EXPENDITURE						
Lecturers - Permanent	3,045,941	2,896,729	2,924,574	-14,753	2,909,821	
Lecturers - Temporary	916,282	954,435	945,634	-56,592	889,042	
Lecturing Salaries	3,962,223	3,851,164	3,870,208	-71,345	3,798,863	reduce ESOL (£8.1k); reduce BDU (£23.3k); savings from initial strike days (£22k); reduce course develop/misc adjustments
Administration	3,033,139	3,034,187	3,081,814	-10,490	3,071,324	reduce OT (£6k); misc adjustments
Teaching Support	515,798	522,555	520,539	-3,450	517,089	
Facilities	404,141	403,403	403,777	-3,123	400,654	
TOTAL WAGES & SALARIES	7,915,301	7,811,309	7,876,338	-88,408	7,787,930	
Other Employee Costs	229,370	293,654	279,654	49,764	329,418	inc staff provision (£59k); reduce staff adverts & relocation costs (£13k); misc adjustments
Premises Related Costs	847,131	856,631	881,631	-9,000	872,631	reduce reactive repairs (£5k); misc adjustments
Supplies & Services	721,408	727,608	760,344	16,719	777,063	inc IT for CELCAT/Advantage; reduce teaching budgets
Transport	56,346	56,346	56,346		56,346	
Student Accommodation	54,600	79,900	79,900		79,900	
Other Institutional Costs	492,514	490,014	488,764	-2,384	486,380	inc BofM exp (£8k); reduce VAT (£10k); misc adjustments
Donation to ALF	0	0	0		0	
Bad Debts	16,000	16,000	16,000		16,000	
SLA Expenditure	76,000	81,000	81,000		81,000	
Agency & Other Costs	57,950	57,950	57,950	-600	57,350	misc adjustments
Capital Finance Costs	161,022	161,022	161,022		161,022	
EXPENDITURE	10,627,642	10,631,434	10,738,949	-33,909	10,705,040	
Surplus/(Deficit)	180,647	231,061	231,243	-12	231,231	
Depreciation (govt)	959,269	991,945	991,945	15,316	1,007,261	IT projects
Deferred Capital Grants (govt)	-724,308	-756,984	-756,984	-10,316	-767,300	IT projects
Depreciation (non-govt)	29,256	29,256	29,256		29,256	
Accruing pension liability	27,000	0	0		0	
I & E Surplus/(Deficit) before exclusions	-110,570	-33,156	-32,974	-5,012	-37,986	
SFC - Childcare Funds (income)	167,757	167,757	167,757		167,757	
SFC - Childcare Funds (expenditure)	-167,757	-167,757	-167,757		-167,757	
Excluded Income - Student Funds	1,945,546	1,945,546	1,945,546		1,945,546	
Excluded Expenditure - Student Funds	-1,945,546	-1,945,546	-1,945,546		-1,945,546	
Excluded Income - Catering Contract	410,000	410,000	410,000		410,000	
Excluded Expenditure - Catering Contract	-410,000	-410,000	-410,000		-410,000	
I & E Surplus/(Deficit) after exclusions	-110,570	-33,156	-32,974	-5,012	-37,986	
Revaluation Reserve movement	9,308	9,308	9,308		9,308	
Historic Cost Surplus/(Deficit)	-101,262	-23,848	-23,666	-5,012	-28,678	
Capital funds - Non-govt	0	0	0		0	

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Balance Sheet as at 30 April 2017

	<u>2016-17</u> <u>BALANCE £</u>	<u>2015-16</u> <u>BALANCE £</u>
TOTAL FIXED ASSETS	28,011,791	28,242,052
CURRENT ASSETS		
STOCK	0	0
DEBTORS	846,687	1,520,117
INVESTMENTS	584,999	617,674
CASH AT BANK AND IN HAND	3,112,077	2,022,438
TOTAL CURRENT ASSETS	<u>4,543,763</u>	<u>4,160,229</u>
CURRENT LIABILITIES		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	3,055,096	2,430,856
NET CURRENT ASSETS	<u>1,488,667</u>	<u>1,729,373</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	29,500,458	29,971,424
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	32,809,970	29,272,231
TOTAL NET ASSETS	<u><u>-3,309,511</u></u>	<u><u>699,193</u></u>
REPRESENTED BY:		
CAPITAL & RESERVES	832,889	842,148
Income & Expenditure Account – Current Year	-207,577	187,198
Income & Expenditure Account – Previous Years	<u>-3,934,823</u>	<u>-330,153</u>
	-4,142,400	-142,955
TOTAL NET CAPITAL	<u><u>-3,309,511</u></u>	<u><u>699,193</u></u>

BORDERS COLLEGE							
Budget 2016-2017 (AY)							
Summary							
	Income & Expenditure	Resource DEL	Resource AME	Non-Cash Resource DEL	Capital DEL	Cash	Outwith Budgeting
Net Surplus/(Deficit)	-37,986	231,231	-29,256	-239,961	0	503	-153,528
INCOME							
SFC - Grant-in-Aid / Fee Waiver	7,359,726	7,359,726	0	0	0	7,359,726	0
SFC & Other Grants	3,632,416	2,865,116	0	767,300	147,000	3,012,116	0
Tuition Fees	655,981	655,981	0	0	0	655,981	0
Total Catering Operations	410,000	410,000	0	0	0	410,000	0
Student Accommodation	74,440	74,440	0	0	0	74,440	0
Commercial & Consultancy	805,774	805,774	0	0	0	805,774	0
SLA Income	727,255	727,255	0	0	0	856,061	0
Other Income	561,282	561,282	0	0	403,000	566,532	0
TOTAL INCOME	14,226,874	13,459,574	0	767,300	550,000	13,740,630	0
EXPENDITURE							
Employee Costs	8,117,348	8,117,348	0	0	0	8,117,348	0
Premises Related Costs	872,631	872,631	0	0	60,000	1,061,437	0
Supplies & Services	1,041,336	1,041,336	0	0	463,500	1,504,836	0
Transport	56,346	56,346	0	0	26,500	82,846	0
Student Accommodation	79,900	79,900	0	0	0	79,900	0
Other Institutional Costs	2,761,410	2,761,410	0	0	0	2,755,410	153,528
SLA Expenditure	81,000	81,000	0	0	0	81,000	0
Total Agency & Other	57,350	57,350	0	0	0	57,350	0
Total Capital Finance Costs	1,197,539	161,022	29,256	1,007,261	0	0	0
TOTAL EXPENDITURE	14,264,860	13,228,343	29,256	1,007,261	550,000	13,740,127	153,528

Breakdown of Aged Debtors as at: 30 April 2017

	Current	> 30 days	> 60 days	> 90 days	> 120 days	Total	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16	Oct-16	Sep-16	Aug-16	Jul-16	Jun-16	May-16	Apr-16
Trade debtors incl Tuition Fees	25,674	63,021	21,289	1,120	32,402	143,506	179,820	231,318	140,349	313,752	322,125	385,719	301,493	274,134	175,004	143,527	102,534	158,796
HWU	86,524	-21,675				64,849	119,324	86,524	173,048	86,524	86,524	173,048	0	182,048	419	71,075	83,446	137,921
Student Funds	30					30	0	49	49	0	0	0	0	0	22	580	570	494
Bursary Funds	607					607	0	1,457	1,577	860	860	-47	0	0	0	10,821	10,319	10,041
	112,835	41,346	21,289	1,120	32,402	208,992	299,144	319,349	315,023	401,136	409,509	558,720	301,493	456,181	175,445	226,002	196,869	307,253

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In-Year Financial Indicators as at 30 April 2017

	Finance Strategy 2016/20	Borders College 2016/17	Borders College 2016/17 Budget to Date	Borders College 2016/17 Actual to Date	Comments
Total Non-SFC Income as % of Turnover	27.0%	27.03%	26.73%	25.91%	
Total Education Contracts & Tuition Fees as % of Turnover		12.96%	13.01%	11.23%	
Non SFC Grants as % of Turnover		2.21%	1.75%	2.10%	
European Income as % of Turnover		0.50%	0.32%	0.32%	
Total Other Income as % of Turnover		11.36%	11.65%	12.26%	
Staff Costs as % of Turnover	67.0%	67.65%	68.82%	71.38%	
Ratio - Cash to Total Expenditure (days) - working accounts	10			43	per Cash Flow return (monthly to SFC)
Ratio - Cash to Total Expenditure (days) - all accounts	10			79	per Financial Statement return (annual to SFC)

Borders College

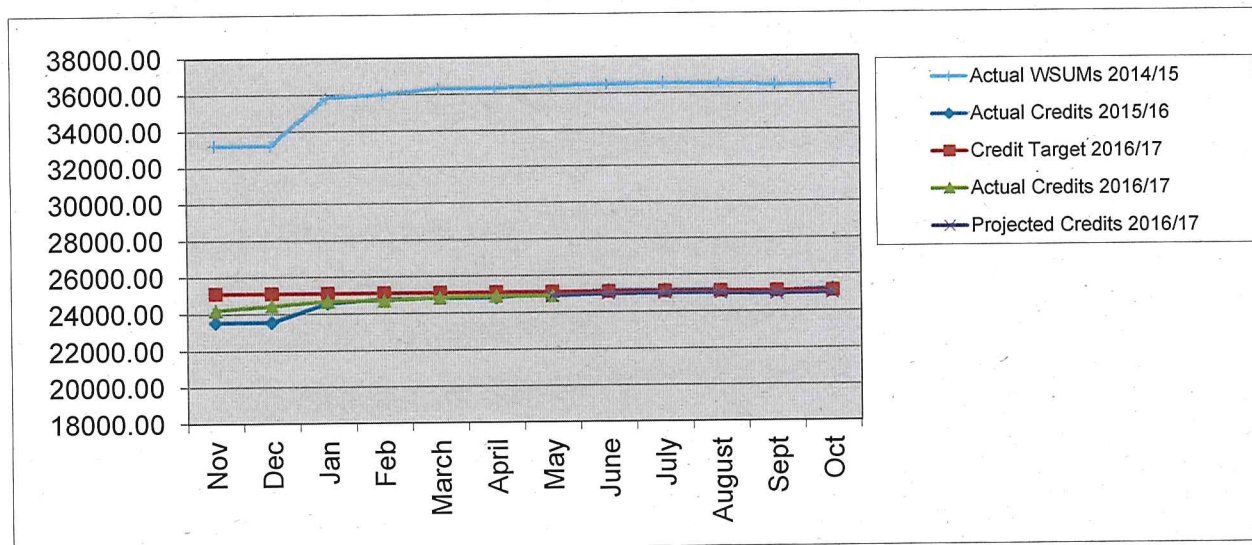
Bursary and FE Discretionary Funds Income & Expenditure – 30 April 2017

	Initial Budget (FY)	Revised Budget (AY)	YTD Budget	YTD Actual	YTD Variance	YTD Outstanding Actual Commitments	Total	Variance to Annual Budget	Outstanding Applications not committed
INCOME									
SFC - Bursary Fund	1,796,216	1,796,216	1,631,026	1,311,305	-319,721	1,311,305	484,911	1,796,216	0
SFC - FE Discretionary Fund	96,516	96,516	77,315	0	-77,315	0	96,516	96,516	0
SFC - FE Childcare Fund	158,437	158,437	142,925	0	-142,925	0	158,437	158,437	0
SFC - HE Childcare Fund	0	0	0	0	0	0	0	0	0
TOTAL INCOME	2,051,169	2,051,169	1,851,267	1,311,305	-539,962	1,311,305	739,864	2,051,169	0
EXPENDITURE									
Travel									
(First Bus	0	0	0	-3,283	3,283	-3,283	3,283	0	0
(One Ticket	0	262,295	209,836	146,787	63,049	146,787	65,433	212,220	50,075
(SEN Taxis	0	90,187	72,150	50,649	21,501	50,649	29,539	80,188	9,999
(Contract Buses	0	115,935	92,748	92,541	207	92,541	23,130	115,671	264
(Administration	0	24,445	19,556	9,932	9,624	9,932	14,513	24,445	0
(Management Fee	0	7,019	5,615	12,215	-6,600	12,215	-5,196	7,019	0
(Misc	0	0	0	2,875	-2,875	2,875	-2,875	0	0
(VAT	0	47,517	38,014	29,994	8,020	29,994	15,471	45,465	2,052
TOTAL TRANSPORT COSTS	0	547,398	437,918	341,708	96,210	341,708	143,299	485,007	62,391
Bursary Awards									
(Living Expenses (inc course costs)	1,796,216	1,178,818	943,054	797,185	145,870	797,185	171,146	968,330	210,488
(Course Costs to College	0	70,000	56,000	68,106	-12,106	68,106	-1,357	66,749	3,251
FE Discretionary Fund	96,516	96,516	77,315	9,069	68,246	9,069	1,379	10,448	86,068
FE Childcare Fund	158,437	158,437	142,925	78,933	63,993	78,933	22,005	100,938	57,499
HE Childcare Fund	0	0	0	17,357	-17,357	17,357	4,999	22,356	-22,356
TOTAL AWARD COSTS	2,051,169	1,503,771	1,219,295	970,650	248,645	970,650	198,172	1,168,822	334,949
TOTAL EXPENDITURE	2,051,169	2,051,169	1,657,214	1,312,358	344,855	1,312,358	341,471	1,653,829	397,340
TOTAL SURPLUS (DEFICIT)	0	0	194,053	-1,053	-195,106	-1,053	398,393	397,340	-397,340

BORDERS COLLEGE

Projected Credit count 2016/17

Updated May 2017



Notes

- 1 The graph shows the College's Credit target of 25,095 for 2016/17 (red). This target includes the original allocation of 24,521 Credits, plus 574 ESF Credits. Mapped against this are the WSUMs count by month for 2014/15 actuals (light blue), 2015/16 actual Credits (dark blue), and the 2016/17 actual Credits to date (green) and the actuals to date extrapolated to the end of the year (purple).
- 2 Recorded Credits to date, at 24,890 Credits, are 124 Credits behind the same point last year.
- 3 Projecting forward and, assuming that data cleansing follows a similar pattern to previous years, we would fall short of our Credit Target by 123 Credits - 0.5% (2014/15 exceeded by 0.6%, 2015/16 exceeded by 0.4%). As previously reported, initial full-time enrolments have been slightly lower than targetted, and ther target for the BDU was increased to compensate with additional activity being put in place to ensure we meet our target of 25,095 Credits.