F

FINANCE & GENERAL PURPOSES COMMITTEE

Subject: Business Review	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Peter D Smith, Vice Principal – Finance and Resources	**Date:** 19 October 2017

Purpose: To update the Committee on College performance for the year to date, including management accounts, balance sheet, financial KPIs and enrolments.

Linked to Strategic Goal 5: Build Sustainability.

Executive Summary:

The attached reports summarise the Income and Expenditure (I&E) for the two months to 30 September 2017, with reasons for significant variances. Also attached are a Balance Sheet, Key Performance Indicators, Aged Debtors Report, student funding report and enrolment report.

The format of the management accounts shows both financial and academic years. In August 2017, the Chairs Committee approved a budgeted resource deficit of £110k for the academic year, noting that management would take action to bring back a balanced outturn position. In I&E terms, the current budget translates to a deficit of £128k to ensure we utilise all cash available to us.

Committee should note that, since that budget was posted, management have identified a number of potential savings. The College has also been notified of an additional £7k to assist in meeting the cost of lecturing pay. It is still likely that structural efficiencies will be required to meet the shortfall. A more detailed report will be presented to the Committee as part of the quarterly budget review in November.

Income and Expenditure

Variances to date are noted in the management accounts. These variances show a total positive variance of £27k against our budgeted position to date. Many of the variances are timing related or have offsetting income and expenditure. At this point, none of the variances are significant.

Balance Sheet

Significant variances are: -

- Increase in Debtors of £624k, mainly attributable to HWU SLA (£178k), student accommodation (£80k), prepaid software licences (£27k), prepaid water (£40k) and accrued SFC income (347k).
- Increase in Creditors: Amounts Falling Due Within One Year of £553k, mainly attributable to accrual for redundancy costs (£55k), capital costs for Tweedbank (£60k), ICT infrastructure ((£380k), CEEP project (£42k) and student accommodation (£30k).

- Increase in Creditors: Amounts Falling Due After One Year of £1,285k, mainly attributable to pension provision (£997k) and sinking fund (£199k).

KPIs

Non-SFC income percentages are behind target because of timing.

Similarly, the staff cost expenditure percentage is affected by timing.

Aged Debtors

The aged debt profile is typical for this point in the year, with the exception of Heriot-Watt University, where three months SLA charges are outstanding. This was due to a delay in their providing a purchase order for the service.

Student Funding

At this stage, total expenditure plus commitment is £1.707M against an allocation of £1.996M. Outstanding applications are £708k. This means we currently have the potential to overspend the total student funding allocation by 21% or £419k. Contextually, we would normally be committed to around 114% of the total allocation, knowing that not all initial applications would be completed or awarded. Even then, we have underspent the allocation. The main reason for the increase this year is our effort to reduce withdrawals but also due to increases in costs for those students who are identified as care-experienced. While there is a risk of overspend, at this stage, it is small and can be mitigated. We intend to review the position at the beginning of November to agree any corrective action, if necessary.

Enrolments

The enrolment report shows that we are 56 enrolments ahead of our full-time target of 1195, meaning we should achieve our Credit target and fully draw down our grant funding. We are now considering how we can make a case to the SFC for additional Credit delivery.

Recommendation: Report is for discussion.

Previous Committee Approvals: n/a

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

Borders College

Income & Expenditure – September 2017

	FINANCIAL YEAR Apr17-Mar18				ACADEMIC YEAR Aug17 - Jul18			
	Annual Budget	YTD Budget	YTD Actual	YTD Variance	Annual Budget	YTD Budget	YTD Actual	YTD Variance
INCOME								
SFC - Grant-in-Aid	7,495,063	3,713,697	3,713,697	0	7,562,732	1,260,455	1,260,455	0
Other SFC Grants	410,319	155,648	155,557	-91	402,920	94,321	94,322	0
Other Grants	363,368	202,202	158,523	-43,679	344,369	53,722	45,683	-8,039
Tuition Fees	687,434	266,211	269,064	2,853	699,670	68,426	65,452	-2,974
Student Accommodation	74,440	29,776	33,686	3,910	74,440	7,444	9,849	2,405
Commercial & Consultancy	791,866	351,446	359,032	7,586	793,362	97,495	83,777	-13,718
SLA Income	725,728	363,246	385,778	22,532	724,965	120,828	120,827	0
Other Income	530,875	194,747	210,124	15,377	512,788	14,832	21,408	6,576
INCOME	**11,079,094**	**5,276,974**	**5,285,461**	**8,487**	**11,115,246**	**1,717,523**	**1,701,773**	**-15,751**
EXPENDITURE								
Lecturing Salaries	4,019,581	1,764,363	1,532,635	231,727	4,021,965	535,395	522,531	12,864
Administration	3,114,731	1,521,912	1,488,467	33,444	3,138,139	521,773	526,431	-4,657
Teaching Support	545,623	195,511	162,941	32,570	573,394	60,264	72,101	-11,837
Facilities	400,946	199,923	191,219	8,704	401,072	67,008	64,597	2,411
TOTAL WAGES & SALARIES	**8,080,881**	**3,681,708**	**3,375,262**	**306,446**	**8,134,570**	**1,184,440**	**1,185,660**	**-1,219**
Other Employee Costs	286,804	167,721	154,362	13,358	225,315	26,443	27,783	-1,341
Premises Related Costs	922,089	416,582	389,712	26,870	914,496	136,063	116,105	19,958
Supplies & Services	765,947	386,594	288,399	98,195	769,327	133,573	113,612	19,962
Transport	55,437	25,247	21,873	3,375	54,007	8,799	5,200	3,599
Student Accommodation	79,903	39,953	34,415	5,538	79,900	13,317	9,975	3,342
Other Institutional Costs	486,904	204,412	210,513	-6,101	501,183	73,663	72,095	1,568
Donation to ALF	0	0	0	0	0	0	0	0
Bad Debts	16,300	7,700	-339	8,039	16,000	2,867	-4,024	6,891
SLA Expenditure	82,404	35,340	34,998	342	82,043	12,007	11,666	341
Agency & Other Costs	58,079	26,511	16,614	9,897	54,800	10,300	6,399	3,902
Capital Finance Costs	154,460	53,674	52,525	1,149	149,757	0	0	0
EXPENDITURE	**10,989,208**	**5,045,442**	**4,578,333**	**467,109**	**10,981,398**	**1,601,473**	**1,544,470**	**57,003**
Surplus/(Deficit)	**89,886**	**231,532**	**707,128**		**133,848**	**116,051**	**157,303**	
Depreciation (govt)	1,036,074	502,665	499,171	3,494	1,066,818	177,803	163,628	14,175
Deferred Capital Grants (govt)	-800,933	-383,889	-378,879	-5,011	-834,088	-139,015	-123,120	-15,895
Depreciation (non-govt)	29,256	14,628	14,640	-12	29,256	4,876	4,880	-4
Accruing pension liability	3	3	666,102	-666,099	0	0	0	0
I & E Surplus/(Deficit) before exclusions	**-174,513**	**98,126**	**-93,906**	**-192,032**	**-128,138**	**72,386**	**111,915**	**39,528**
SFC - Childcare Funds (income)	177,701	56,061	121,711	65,650	181,485	17,755	0	17,755
SFC - Childcare Funds (expenditure)	-177,701	-56,061	-43,090	-12,971	-181,485	-17,755	-15,864	-1,891
Excluded Income - Student Funds	1,988,790	541,450	447,692	93,758	1,833,072	141,812	224,212	-82,400
Excluded Expenditure - Student Funds	-1,988,790	-541,450	-526,314	-15,135	-1,833,072	-141,812	-208,348	66,536
Excluded Income - Catering Contract	491,576	219,136	164,214	54,922	410,000	82,469	68,986	13,483
Excluded Expenditure - Catering Contract	-491,576	-219,136	-174,658	-44,477	-410,000	-82,469	-81,489	-980
I & E Surplus/(Deficit) after exclusions	**-174,513**	**98,126**	**-104,351**	**-202,477**	**-128,138**	**72,386**	**99,411**	**27,025**
Revaluation Reserve movement	9,308	4,654	4,654	0	9,308	1,551	1,551	0
Historic Cost Surplus/(Deficit)	**-165,205**	**102,780**	**-99,697**	**-202,477**	**-118,830**	**73,938**	**100,962**	**27,025**
Capital funds - Non-govt	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

Borders College

Summary Variances for Academic Year to 30 September 2017

1 Other Grants is under budget for the year to date due to the timing of project delivery.

2 Commercial & Consultancy: the main areas under budget are CEL £4k, G400 £4k and G402 £6k.

3 Other Income - this variance relates to the upfront payments received from students for Disclosure Scotland checks.

4 Staff Costs: the main underspend in lecturers is caused by the delay in implementing the Programme Leader increase; Teaching Support variance is the result of incorrect monthly budget breakdown for Learning Support (this will be amended at budget review).

5 Premises Related Costs are under budget in the areas of electricity and gas (timing related).

6 The positive variance in Supplies & Services is the result of the early transfer from bursary funding towards course costs, most of the expenditure will occur in the next 2 months.

7 Bad Debts - the level of recovery of previously written-off debt remains very good.

Borders College

Balance Sheet as at 30 September 2017

	2017-18 BALANCE £	2016-17 BALANCE £
TOTAL FIXED ASSETS	28,327,491	27,864,288
CURRENT ASSETS		
STOCK	0	0
DEBTORS	2,027,138	1,403,773
INVESTMENTS	584,999	584,999
CASH AT BANK AND IN HAND	1,933,702	2,101,699
TOTAL CURRENT ASSETS	4,545,840	4,090,471
CURRENT LIABILITIES		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	3,098,592	2,546,272
NET CURRENT ASSETS	1,447,248	1,544,199
TOTAL ASSETS LESS CURRENT LIABILITIES	29,774,738	29,408,487
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	33,725,546	32,440,560
TOTAL NET ASSETS	-3,950,808	-3,032,073
REPRESENTED BY:		
CAPITAL & RESERVES	829,010	838,295
Income & Expenditure Account – Current Year	100,962	64,455
Income & Expenditure Account – Previous Years	-4,880,780	-3,934,823
	-4,779,818	-3,870,368
TOTAL NET CAPITAL	-3,950,808	-3,032,073

Borders College

In-Year Financial Indicators as at 30 September 2017

	Finance Strategy 2016/20	Borders College 2017/18	Borders College 2017/18 Budget to Date	Borders College 2017/18 Actual to Date	Comments
Total Non-SFC Income as % of Turnover	27.0%	27.03%	19.35%	19.01%	
Total Education Contracts & Tuition Fees as % of Turnover		12.96%	8.35%	7.75%	
Non SFC Grants as % of Turnover		2.21%	2.68%	2.34%	
European Income as % of Turnover		0.50%	0.18%	0.16%	
Total Other Income as % of Turnover		11.36%	8.14%	8.76%	
Staff Costs as % of Turnover	67.0%	67.65%	64.60%	66.49%	
Ratio - Cash to Total Expenditure (days) - working accounts	10			22	per Cash Flow return (monthly to SFC)
Ratio - Cash to Total Expenditure (days) - all accounts	10			58	per Financial Statement return (annual to SFC)

Breakdown of Aged Debtors as at: **30 September 2017**

	Current	> 30 days	> 60 days	> 90 days	> 120 days	Total	Aug-17	Jul-17	Jun-17	May-17	Apr-17	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16	Oct-16	Sep-16
Trade debtors incl Tuition Fees	107,577	105,022	3,207	3,741	7,845	227,392	208,401	97,560	101,990	142,907	143,506	179,820	231,318	140,349	313,752	322,125	385,719	301,493
HWU	268,095					268,095	0	0	86,524	64,849	64,849	119,324	86,524	173,048	86,524	86,524	173,048	0
Student Funds	575					575	0	0	12	12	30	0	49	49	0	0	0	0
Bursary Funds						0	450	270	3,117	785	607	0	1,457	1,577	860	860	-47	0
	376,246	105,022	3,207	3,741	7,845	496,062	208,851	97,830	191,642	208,552	208,992	299,144	319,349	315,023	401,136	409,509	558,720	301,493

Borders College

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

	Initial Budget (FY)	Revised Budget (AY)	YTD Budget	YTD Actual	YTD Variance	YTD Actual	Outstanding Commitments	Total	Variance to Annual Budget	Outstanding Applications not committed	
INCOME											
SFC - Bursary Fund	1,739,598	1,739,598	138,214	224,212	85,999	224,212	1,515,386	1,739,598	0		
SFC - FE Discretionary Fund	93,474	93,474	3,598	0	-3,598	0	93,474	93,474	0		ESF 9320
SFC - FE Childcare Fund	162,804	162,804	17,755	0	-17,755	0	162,804	162,804	0		
SFC - HE Childcare Fund	0	0	0	0	0	0	0	0	0		
TOTAL INCOME	**1,995,876**	**1,995,876**	**159,567**	**224,212**	**64,645**	**224,212**	**1,771,664**	**1,995,876**	**0**		
EXPENDITURE											
Travel											
First Bus	0	0	0	0	0	0	0	0	0		
One Ticket	0	300,730	30,073	41,569	-11,496	41,569	170,953	212,522	88,208	88,208	
Scotrail	0	23,709	2,371	3,715	-1,344	3,715	9,060	12,776	10,934	10,934	
SEN Taxis	0	63,547	6,355	676	5,679	676	62,872	63,547	0		
Contract Buses	0	116,654	11,665	70	11,595	70	116,584	116,654	0		
Administration	0	25,928	2,593	0	2,593	0	25,928	25,928	0		
Management Fee	0	7,091	709	0	709	0	7,091	7,091	0		
Misc	0	0	0	5,154	-5,154	5,154	-5,154	0	0		
VAT	0	29,935	2,993	0	2,993	0	29,935	29,935	0		
TOTAL TRANSPORT COSTS	**0**	**567,593**	**56,759**	**51,183**	**5,576**	**51,183**	**417,268**	**468,452**	**99,142**	**99,142**	
Bursary Awards											
Living Expenses (inc course costs)	1,739,598	1,088,013	108,801	105,658	3,143	105,658	895,754	1,001,412	86,601	540,133	
Course Costs to College	0	83,992	8,399	49,437	-41,038	49,437	4,826	54,263	29,729	68,672	
FE Discretionary Fund	93,474	93,474	3,598	2,070	1,528	2,070	18,597	20,667	72,807		
FE Childcare Fund	162,804	162,804	17,755	15,864	1,891	15,864	146,489	162,353	451		
HE Childcare Fund	0	0	0	0	0	0	0	0	0		
TOTAL AWARD COSTS	**1,995,876**	**1,428,283**	**138,554**	**173,029**	**-34,475**	**173,029**	**1,065,666**	**1,238,694**	**189,589**	**608,806**	
TOTAL EXPENDITURE	**1,995,876**	**1,995,876**	**195,313**	**224,212**	**-28,899**	**224,212**	**1,482,934**	**1,707,146**	**288,731**	**707,948**	
TOTAL SURPLUS (DEFICIT)	**0**	**0**	**-35,746**	**0**	**35,746**	**0**	**288,730**	**288,730**	**-288,731**	**707,948**	

ENROLMENT REPORT – AS AT 3 OCTOBER 2017

BACKGROUND

This report provides a summary of the 2017-18 full time enrolments against the predicted enrolment figures. The college allocates a proportion of credits through the curriculum planning process for both further education (FE) and higher education (HE).

ENROLMENT AGAINST PREDICTION

	2016-17 Final Actual		2017-18 Prediction	Enrolled at 3 Oct	Variance
FEFT	998		951	1016	65
HEFT	226		244	235	-9
TOTAL	1224		1195	1251	56

The predicted enrolment target was set slightly lower than last year because we did not recruit our target for 2016-17. We have recruited 27 more full time students than last year and 56 students above our target for 2017-18.

The enrolment figure includes those who transfer to another course at the college and this figure has increased substantially this academic year. Last year 7 students transferred to another course but this year there are 20 students who have already chosen to transfer course (this also includes group changes). This reduces the variance above from 56 to 36.

The HE target was increased in May to meet the additional 16 HNC Childhood Practice places offered by the Scottish Funding Council. This raised the enrolment target for that course from 22 to 38 and we successfully recruited 32 students at this very short notice.

ANALYSIS

Early analysis of data for those who withdrew their application following a full offer of place, show a decrease in those withdrawing due to personal reasons although we have now separated out those withdrawing for financial reasons there is still a slight decrease. There is also a slight decrease in those entering employment or staying on at school.

	2016-17	**2017-18**	**Change**
Withdrawn due to employment	89	85	-4
Withdrawn due to personal/other reasons	118	83	-35
Withdrawn to Stay on at school	42	40	-2
Withdrawn other college or University	54	68	14
Withdrawn due to financial reasons		14	14
Unsuccessful – Referred to SDS/BDU	52	35	-17
	355	**325**	**-30**

CONCULSION

We have exceeded the enrolment target for further education but are only slightly below the higher education target. This indicates that we will meet our full time credit target and will continue to plan and recruit our part time activity throughout the academic year.