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FINANCE & GENERAL PURPOSES COMMITTEE

Subject: Business Review October 2017	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Peter D Smith, Vice Principal – Finance and Resources	**Date:** 17 November 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.

Linked to Strategic Goal 5: Build Sustainability.

Executive Summary:

The attached reports summarise the Income and Expenditure (I&E) for the three months to 31 October 2017, with reasons for significant variances plus budget revisions at 31 October with reasons for those also. Also attached are a Balance Sheet, Key Performance Indicators, Aged Debtors Report and student funding 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 initial budget translated to a deficit of £128k to ensure we utilised all cash available to us.

Income and Expenditure

Variances to date are noted in the management accounts. These variances show a total positive variance of £12k against our budgeted position to date. Many of the variances are timing related or have offsetting income and expenditure. Significant variances are: -

- Other Grants – negative variance of £27k due to the timing of project delivery.
- Lecturing Salaries – positive variance of £25k, mainly due to an underspend in Construction, Engineering and Landbased Faculty.

Budget revisions will bring the net deficit to £69k, and ensure we utilise cash and resource available to us. Included in the revisions are savings arising from restructuring.

Balance Sheet

Significant variances are: -

- Increase in Fixed Assets of £470k, mainly due to ICT investment.
- Increase in Debtors of £354k, mainly due to student accommodation, prepaid software licences, prepaid water and accrued SFC income.
- Increase in Creditors: Amounts Falling Due Within One Year of £301k, mainly attributable to deferred income.

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.

Student Funding

At this stage, total expenditure plus commitment is £1.833M against an allocation of £1.996M. Outstanding applications are £476k. As noted last month, there remains a risk that we may overspend our allocation. Taking into account our previous experience, we believe the risk to total only around £16k and have requested this as part of the SFC redistribution exercise..

Student Activity

Current projections indicate that we will achieve our Credit target and could undertake additional activity. We have requested an additional 800 Credits from SFC.

Recommendation: Report is for discussion.

Previous Committee Approvals: n/a

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

Borders College

Income & Expenditure – October 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	4,343,925	4,343,925	0	7,562,732	1,890,683	1,890,683	0
Other SFC Grants	410,319	196,434	196,342	-91	402,920	135,107	135,107	0
Other Grants	363,368	229,063	165,931	-63,132	344,369	80,583	53,091	-27,492
Tuition Fees	687,434	335,603	337,428	1,825	699,670	137,818	133,816	-4,002
Student Accommodation	74,440	37,220	44,769	7,549	74,440	14,888	20,932	6,044
Commercial & Consultancy	791,866	413,411	411,041	-2,370	793,362	159,461	135,786	-23,674
SLA Income	725,728	423,660	454,320	30,660	724,965	181,241	189,369	8,128
Other Income	530,875	205,823	218,278	12,455	512,788	25,908	29,562	3,654
INCOME	**11,079,094**	**6,185,139**	**6,172,034**	**-13,105**	**11,115,246**	**2,625,689**	**2,588,346**	**-37,343**
EXPENDITURE								
Lecturing Salaries	4,019,581	2,108,270	1,864,330	243,940	4,021,965	879,303	854,226	25,077
Administration	3,114,731	1,783,548	1,740,877	42,672	3,138,139	783,410	778,840	4,570
Teaching Support	545,623	232,119	209,483	22,636	573,394	96,872	118,643	-21,771
Facilities	400,946	233,426	222,789	10,637	401,072	100,512	96,167	4,345
TOTAL WAGES & SALARIES	**8,080,881**	**4,357,364**	**4,037,479**	**319,885**	**8,134,570**	**1,860,096**	**1,847,876**	**12,220**
Other Employee Costs	286,804	182,592	178,208	4,383	225,315	41,314	51,630	-10,316
Premises Related Costs	922,089	490,572	458,760	31,812	914,496	210,053	185,153	24,900
Supplies & Services	765,947	441,762	369,181	72,581	769,327	188,741	194,394	-5,653
Transport	55,437	29,866	25,896	3,970	54,007	13,418	9,223	4,195
Student Accommodation	79,903	46,611	44,390	2,221	79,900	19,975	19,950	25
Other Institutional Costs	486,904	255,430	249,047	6,383	501,183	124,682	110,630	14,052
Donation to ALF	0	0	0	0	0	0	0	0
Bad Debts	16,300	9,133	-638	9,771	16,000	4,300	-4,323	8,623
SLA Expenditure	82,404	41,344	40,831	513	82,043	18,011	17,499	512
Agency & Other Costs	58,079	31,661	22,469	9,192	54,800	15,451	12,254	3,197
Capital Finance Costs	154,460	53,674	52,525	1,149	149,757	0	0	0
EXPENDITURE	**10,989,208**	**5,940,009**	**5,478,148**	**461,861**	**10,981,398**	**2,496,039**	**2,444,285**	**51,755**
Surplus/(Deficit)	**89,886**	**245,130**	**693,887**		**133,848**	**129,649**	**144,061**	
Depreciation (govt)	1,036,074	591,566	580,985	10,581	1,066,818	266,705	245,442	21,263
Deferred Capital Grants (govt)	-800,933	-453,397	-440,438	-12,958	-834,088	-208,522	-184,680	-23,842
Depreciation (non-govt)	29,256	17,066	17,080	-14	29,256	7,314	7,320	-6
Accruing pension liability	3	3	666,102	-666,099	0	0	0	0
I & E Surplus/(Deficit) before exclusions	**-174,513**	**89,892**	**-129,842**	**-219,734**	**-128,138**	**64,153**	**75,979**	**11,827**
SFC - Childcare Funds (income)	177,701	72,489	121,711	49,222	181,485	34,184	0	34,184
SFC - Childcare Funds (expenditure)	-177,701	-72,489	-56,810	-15,679	-181,485	-34,184	-29,584	-4,599
Excluded Income - Student Funds	1,988,790	712,222	601,222	111,000	1,833,072	312,584	377,742	-65,158
Excluded Expenditure - Student Funds	-1,988,790	-712,222	-675,443	-36,779	-1,833,072	-312,584	-357,477	44,893
Excluded Income - Catering Contract	491,576	255,905	208,896	47,008	410,000	119,238	113,668	5,570
Excluded Expenditure - Catering Contract	-491,576	-255,905	-207,507	-48,398	-410,000	-119,238	-114,338	-4,900
I & E Surplus/(Deficit) after exclusions	**-174,513**	**89,892**	**-137,773**	**-227,665**	**-128,138**	**64,153**	**65,990**	**1,837**
Revaluation Reserve movement	9,308	5,430	5,430	0	9,308	2,327	2,327	0
Historic Cost Surplus/(Deficit)	**-165,205**	**95,322**	**-132,343**	**-227,665**	**-118,830**	**66,480**	**68,317**	**1,837**
Capital funds - Non-govt	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**

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Summary Variances for Academic Year to 31 October 2017

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

2 Tuition fees is under budget in FT HE and rUK fees - this target will be reduced in the budget review.

3 Student accommodation: the College has increased the number of rooms this year - an adjustment will be made to both income and expenditure in the budget review.

4 Commercial & Consultancy: the main areas under budget are CEL £4k, G400 £6k, G402 £8k, TEL £3k and G403 £4k

5 The variance in SLA income is timing related

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

7 Staff Costs: the main underspend in lecturers is in CEL; Teaching Support variance is the result of incorrect monthly budget breakdown for Learning Support - a review of all staffing areas will be carried out in the budget review.

8 Other Employee Costs: the main area over budget is external staffing as a result of cover for vacancies (admin and facilties)

9 Premises Related Costs are under budget in the areas of electricity and gas - a reduction in the electricity budget is being made as a result of the CEEP funded works.

10 There is a negative variance in Supplies & Services due to the timing of IT expenditure

11 Other Institutional Costs: there is currently a positive variance in Irrecoverable VAT (timing related)

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

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Revised Budget Proposal for Year 2017-18 (AY)

	Initial Budget	Adjustments	Q1 Proposed Budget	
INCOME				
SFC - Grant-in-Aid	7,562,732	7,316	7,570,048	Additional funding for lecturers pay 2017-18
Other SFC Grants	402,920	112,564	515,484	Flexible Workforce Development Fund (FWDF)
Other Grants	344,369	1,826	346,195	reduce ESOL £5k; inc Cycling Scotland project
Tuition Fees	699,670	-11,824	687,846	FT HE (SAAS); rUK
Student Accommodation	74,440	25,875	100,315	additional rooms
Commercial & Consultancy	793,362	5,000	798,362	ESP contribution
SLA Income	724,965	-6,283	718,682	due to increase in staffing & decrease in electricity
Other Income	512,788	5,842	518,630	BFET towards teaching equipment
INCOME	**11,115,246**	**140,316**	**11,255,562**	
EXPENDITURE				
Lecturing Salaries	4,021,965	50,842	4,072,807	mainly delivery of FWDF £87k
Administration	3,138,139	-50,837	3,087,302	mainly restructure within Executive/SLT and BDU
Teaching Support	573,394	7,587	580,981	minor amendments incl pension
Facilities	401,072	-6,084	394,988	remove funded post to external staffing
TOTAL WAGES & SALARIES	**8,134,570**	**1,508**	**8,136,078**	
Other Employee Costs	225,315	20,757	246,072	HWU funded post; inc to staff development
Premises Related Costs	914,496	-16,812	897,684	reduce electricity £22.5k; Cycling Scotland funded works
Supplies & Services	769,327	10,452	779,779	teaching budgets (part funded)
Transport	54,007		54,007	
Student Accommodation	79,900	25,875	105,775	additional rooms
Other Institutional Costs	501,183	-5,513	495,670	minor amendments
Donation to ALF	0		0	
Bad Debts	16,000		16,000	
SLA Expenditure	82,043	-5,000	77,043	reduce ESOL
Agency & Other Costs	54,800	730	55,530	
Capital Finance Costs	149,757		149,757	
EXPENDITURE	**10,981,398**	**31,997**	**11,013,395**	
Surplus/(Deficit)	**133,848**	**108,319**	**242,167**	
Depreciation (govt)	1,066,818	42,107	1,108,925	CEEP project
Deferred Capital Grants (govt)	-834,088	-42,107	-876,195	CEEP project
Depreciation (non-govt)	29,256	49,375	78,631	IT infrastructure
Accruing pension liability	0		0	
I & E Surplus/(Deficit) before exclusions	**-128,138**	**58,944**	**-69,194**	
SFC - Childcare Funds (income)	181,485		181,485	
SFC - Childcare Funds (expenditure)	-181,485		-181,485	
Excluded Income - Student Funds	1,833,072		1,833,072	
Excluded Expenditure - Student Funds	-1,833,072		-1,833,072	
Excluded Income - Catering Contract	410,000		410,000	
Excluded Expenditure - Catering Contract	-410,000		-410,000	
I & E Surplus/(Deficit) after exclusions	**-128,138**	**58,944**	**-69,194**	
Revaluation Reserve movement	9,308		9,308	
Historic Cost Surplus/(Deficit)	**-118,830**	**58,944**	**-59,886**	
Capital funds - Non-govt	**0**	**395,000**	395,000	BFET - IT infrastructure

Borders College

Balance Sheet as at 31 October 2017

	2017-18 BALANCE £	2016-17 BALANCE £
TOTAL FIXED ASSETS	28,256,134	27,786,002
CURRENT ASSETS		
STOCK	0	0
DEBTORS	1,859,350	1,505,515
INVESTMENTS	584,999	584,999
CASH AT BANK AND IN HAND	2,068,452	2,142,410
TOTAL CURRENT ASSETS	4,512,801	4,232,924
CURRENT LIABILITIES		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	3,099,527	2,798,284
NET CURRENT ASSETS	1,413,274	1,434,640
TOTAL ASSETS LESS CURRENT LIABILITIES	29,669,408	29,220,643
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	33,653,637	32,364,972
TOTAL NET ASSETS	-3,984,229	-3,144,329
REPRESENTED BY:		
CAPITAL & RESERVES	828,235	837,520
Income & Expenditure Account – Current Year	68,317	-47,026
Income & Expenditure Account – Previous Years	-4,880,780	-3,934,823
	-4,812,464	-3,981,849
TOTAL NET CAPITAL	-3,984,229	-3,144,329

Borders College

In-Year Financial Indicators as at 31 October 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%	20.91%	20.29%	
Total Education Contracts & Tuition Fees as % of Turnover		12.96%	9.85%	9.14%	
Non SFC Grants as % of Turnover		2.21%	2.63%	1.81%	
European Income as % of Turnover		0.50%	0.18%	0.11%	
Total Other Income as % of Turnover		11.36%	8.26%	9.23%	
Staff Costs as % of Turnover	67.0%	67.65%	66.29%	68.50%	
Ratio - Cash to Total Expenditure (days) - working accounts	10			17	per Cash Flow return (monthly to SFC)
Ratio - Cash to Total Expenditure (days) - all accounts	10			59	per Financial Statement return (annual to SFC)

Breakdown of Aged Debtors as at: **31 October 2017**

	Current	> 30 days	> 60 days	> 90 days	> 120 days	Total	Sep-17	Aug-17	Jul-17	Jun-17	May-17	Apr-17	Mar-17	Feb-17	Jan-17	Dec-16	Nov-16
Trade debtors incl Tuition Fees	138,013	72,177	87,379	1,546	9,957	309,072	227,392	208,401	97,560	101,990	142,907	143,506	179,820	231,318	140,349	313,752	322,125
HWU	88,598	2,300				90,898	268,095	0	0	86,524	64,849	64,849	119,324	86,524	173,048	86,524	86,524
Student Funds		575				575	575	0	0	12	12	30	0	49	49	0	0
Bursary Funds						0	0	450	270	3,117	785	607	0	1,457	1,577	860	860
	226,611	75,052	87,379	1,546	9,957	400,545	496,062	208,851	97,830	191,642	208,552	208,992	299,144	319,349	315,023	401,136	409,509

Borders College

Bursary and FE Discretionary Funds Income & Expenditure – 31 October 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	302,799	346,768	43,969	346,768	1,392,830	1,739,598	0	
SFC - FE Discretionary Fund	93,474	93,474	9,785	0	-9,785	0	93,474	93,474	0	
SFC - FE Childcare Fund	162,804	162,804	34,184	0	-34,184	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**	**346,768**	**346,768**	**0**	**346,768**	**1,649,108**	**1,995,876**	**0**	
EXPENDITURE										
Travel										
First Bus	0	0	0	0	0	0	0	0	0	
One Ticket	0	300,730	60,146	40,501	19,645	40,501	179,294	219,795	80,934	57,508
Scotrail	0	23,709	4,742	3,715	1,027	3,715	13,588	17,303	6,407	6,636
SEN Taxis	0	63,547	12,709	6,050	6,660	6,050	57,497	63,547	0	
Contract Buses	0	116,654	23,331	350	22,981	350	116,304	116,654	0	
Administration	0	25,928	5,186	0	5,186	0	25,928	25,928	0	
Management Fee	0	7,091	1,418	0	1,418	0	7,091	7,091	0	
Misc	0	0	0	30,395	-30,395	30,395	-30,395	0	0	
VAT	0	29,935	5,987	1,927	4,060	1,927	28,008	29,935	0	
TOTAL TRANSPORT COSTS	**0**	**567,593**	**113,519**	**82,938**	**30,581**	**82,938**	**397,315**	**480,253**	**87,341**	**64,143**
Bursary Awards										
Living Expenses (inc course costs)	1,739,598	1,088,013	217,603	220,731	-3,128	220,731	880,258	1,100,989	-12,976	351,872
Course Costs to College	0	83,992	16,798	49,437	-32,639	49,437	14,670	64,107	19,885	59,914
FE Discretionary Fund	93,474	93,474	9,785	4,351	5,434	4,351	18,585	22,936	70,538	
FE Childcare Fund	162,804	162,804	34,184	29,584	4,599	29,584	135,342	164,927	-2,123	
HE Childcare Fund	0	0	0	0	0	0	0	0	0	
TOTAL AWARD COSTS	**1,995,876**	**1,428,283**	**278,370**	**304,103**	**-25,733**	**304,103**	**1,048,855**	**1,352,958**	**75,325**	**411,785**
TOTAL EXPENDITURE	**1,995,876**	**1,995,876**	**391,889**	**387,041**	**4,848**	**387,041**	**1,446,170**	**1,833,211**	**162,666**	**475,929**
TOTAL SURPLUS (DEFICIT)	**0**	**0**	**-45,121**	**-40,273**	**4,848**	**-40,273**	**202,938**	**162,665**	**-162,666**	**475,929**

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