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FINANCE & GENERAL PURPOSES COMMITTEE

Subject: Business Review January 2018	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Peter D Smith, Vice Principal – Finance and Corporate Services	**Date:** 22 February 2018

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 six months to 31 January 2018, with reasons for significant variances plus budget revisions at 31 January with reasons for those also. Also attached are a Balance Sheet, Key Performance Indicators, Aged Debtors Report, and student activity 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. Subsequent revisions reported in November brought the planned I&E deficit to £69k with all cash being utilised.

Income and Expenditure

Variances to date are noted in the management accounts. These variances show a total positive variance of £98k 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 £24k due to the timing of project delivery.
- Tuition Fees – positive variance of £46k due to higher than anticipated HE and evening class fees
- Commercial and Consultancy – negative variance of £107k in the main due to timing, with concomitant underspend in staff costs. Projections show that the Business Development Unit will still achieve budgeted income and surplus overall.
- Lecturing Salaries – positive variance of £100k, mainly due to underspends in BDU as noted above, and also in Care an Access faculty, which is timing-related.

Budget revisions will leave the net deficit unchanged at £69k, and ensure we utilise cash and resource available to us.

Balance Sheet

Significant variances are: -

- Increase in Fixed Assets of £454k, mainly due to ICT investment.
- Increase in Debtors of £744k, mainly due to student accommodation, prepaid software licences, prepaid water and accrued SFC income.
- Decrease in Cash at Bank and In hand, in the main due to payment of grant for the CEEP project.
- Decrease in Creditors: Amounts Falling Due Within One Year of £495k, mainly attributable to deferred income.

KPIs

KPI's are all positive, with staff costs being ahead of target because of current underspends..

Aged Debtors

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

Student Funding

At the time of writing, the Student Funding statistics were not available. Hard copies will be distributed at the meeting.

Student Activity

We have already achieved our annual target and have requested additional 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 – January 2018

	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	7,499,935	6,238,262	6,238,262	0	7,570,048	3,785,020	3,785,020	0
Other SFC Grants	485,359	375,070	374,982	-88	515,484	313,743	313,747	4
Other Grants	366,866	313,976	254,369	-59,607	346,195	165,496	141,529	-23,967
Tuition Fees	679,160	539,754	591,632	51,878	687,846	341,969	388,020	46,051
Student Accommodation	91,688	72,488	77,142	4,654	100,315	50,156	53,305	3,149
Commercial & Consultancy	794,010	645,194	559,905	-85,289	798,362	391,243	284,650	-106,593
SLA Income	721,544	601,763	840,599	238,836	718,682	359,345	371,092	11,747
Other Income	538,253	251,004	906,426	655,422	518,630	71,089	82,152	11,063
INCOME	**11,176,816**	**9,037,512**	**9,843,317**	**805,806**	**11,255,562**	**5,478,061**	**5,419,515**	**-58,546**
EXPENDITURE								
Lecturing Salaries	4,057,877	3,180,808	2,879,864	300,945	4,072,807	1,951,841	1,869,760	82,081
Administration	3,080,866	2,543,060	2,487,041	56,019	3,087,302	1,542,921	1,525,005	17,917
Teaching Support	550,515	380,033	338,773	41,261	580,981	244,786	247,933	-3,147
Facilities	396,897	330,902	311,972	18,930	394,988	197,987	185,350	12,637
TOTAL WAGES & SALARIES	**8,086,155**	**6,434,804**	**6,017,650**	**417,154**	**8,136,078**	**3,937,536**	**3,828,047**	**109,488**
Other Employee Costs	300,361	250,661	240,550	10,111	246,072	109,383	113,971	-4,588
Premises Related Costs	912,777	705,391	885,871	-180,481	897,684	424,872	407,707	17,165
Supplies & Services	774,307	636,291	560,730	75,561	779,779	383,269	385,943	-2,673
Transport	55,437	45,407	38,043	7,364	54,007	28,959	21,370	7,589
Student Accommodation	97,151	79,522	76,752	2,770	105,775	52,886	52,313	573
Other Institutional Costs	480,617	402,918	413,222	-10,304	495,670	272,170	274,805	-2,635
Donation to ALF	0	0	0	0	0	0	0	0
Bad Debts	16,300	13,433	-1,029	14,462	16,000	8,600	-4,715	13,315
SLA Expenditure	77,404	65,397	58,330	7,067	77,043	42,064	34,998	7,066
Agency & Other Costs	58,567	47,478	33,003	14,475	55,530	31,267	22,788	8,479
Capital Finance Costs	154,460	53,674	52,525	1,149	149,757	0	0	0
EXPENDITURE	**11,013,536**	**8,734,976**	**8,375,647**	**359,328**	**11,013,395**	**5,291,006**	**5,137,227**	**153,779**
Surplus/(Deficit)	**163,280**	**302,536**	**1,467,670**		**242,167**	**187,055**	**282,288**	
Depreciation (govt)	1,064,146	879,325	884,467	-5,142	1,108,925	554,463	548,924	5,539
Deferred Capital Grants (govt)	-829,005	-682,973	-684,343	1,371	-876,195	-438,098	-428,585	-9,513
Depreciation (non-govt)	60,672	46,820	40,457	6,363	78,631	37,068	30,697	6,371
Accruing pension liability	3	3	666,102	-666,099	0	0	0	0
I & E Surplus/(Deficit) before exclusions	**-132,535**	**59,361**	**560,987**	**501,626**	**-69,194**	**33,622**	**131,251**	**97,629**
SFC - Childcare Funds (income)	177,701	125,276	121,711	-3,565	181,485	86,971	0	86,971
SFC - Childcare Funds (expenditure)	-177,701	-125,276	-101,221	-24,055	-181,485	-86,971	-73,995	-12,975
Excluded Income - Student Funds	1,848,117	1,344,731	1,202,827	141,904	1,833,072	945,093	979,347	-34,254
Excluded Expenditure - Student Funds	-1,848,117	-1,344,731	-1,223,329	-121,402	-1,833,072	-945,093	-905,363	-39,730
Excluded Income - Catering Contract	491,576	398,440	335,072	63,368	410,000	261,773	239,844	21,930
Excluded Expenditure - Catering Contract	-493,642	-400,506	-348,079	-52,427	-410,000	-263,839	-254,910	-8,930
I & E Surplus/(Deficit) after exclusions	**-134,601**	**57,295**	**547,968**	**490,673**	**-69,194**	**31,556**	**116,173**	**84,617**
Revaluation Reserve movement	9,308	7,757	7,757	0	9,308	4,654	4,654	0
Historic Cost Surplus/(Deficit)	**-125,293**	**65,052**	**555,725**	**490,673**	**-59,886**	**36,210**	**120,827**	**84,617**

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Summary Variances for Academic Year to 31 January 2018

1 Other Grants is under budget for the year to date due to the timing of Erasmus Funding.

2 Commercial and Consultancy Income : G400 Business Services, 20k variance - timing issue. G402 - 38k variance - 2 courses should have started in Jan but delayed to Feb i.e. Keys to Employment & Catering for life.

3 Staff Costs: the main underspend in lecturers is in BDU and CAF; Administration on-costs are currently under budget.

4 Other Employee Costs: there are a number of small variances across all areas.

5 Premises Related Costs are under budget in the areas of electricity and hire of facilities.

6 The negative variance in Supplies & Services is due to an overspend in photocopying rental and copy charges.

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

8 Agency & Other Costs - there is currently an underspend in consultancy and legal costs.

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Revised Budget Proposal for Year 2017-18 (AY)

	Initial Budget	Q1 Revised Budget	Adjustments Q2	Q2 Proposed Budget
INCOME				
SFC - Grant-in-Aid	7,562,732	7,570,048		7,570,048
Other SFC Grants	402,920	515,484		515,484
Other Grants	344,369	346,195		346,195
Tuition Fees	699,670	687,846		687,846
Student Accommodation	74,440	100,315		100,315
Commercial & Consultancy	793,362	798,362	-19,602	778,760
SLA Income	724,965	718,682		718,682
Other Income	512,788	518,630		518,630
INCOME	**11,115,246**	**11,255,562**	**-19,602**	**11,235,960**
EXPENDITURE				
Lecturers - Permanent	3,034,950	3,036,690	-17,000	3,019,690
Lecturers - Temporary	987,015	1,036,117		1,036,117
Lecturing Salaries	4,021,965	4,072,807		4,055,807
Administration	3,138,139	3,087,302	-2,695	3,084,607
Teaching Support	573,394	580,981		580,981
Facilities	401,072	394,988		394,988
TOTAL WAGES & SALARIES	**8,134,570**	**8,136,078**	**-2,695**	**8,116,383**
Other Employee Costs	225,315	246,072		246,072
Premises Related Costs	914,496	897,684		897,684
Supplies & Services	769,327	779,779		779,779
Transport	54,007	54,007		54,007
Student Accommodation	79,900	105,775		105,775
Other Institutional Costs	501,183	495,670		495,670
Donation to ALF	0	0		0
Bad Debts	16,000	16,000		16,000
SLA Expenditure	82,043	77,043		77,043
Agency & Other Costs	54,800	55,530		55,530
Capital Finance Costs	149,757	149,757		149,757
EXPENDITURE	**10,981,398**	**11,013,395**	**-2,695**	**10,993,700**
Surplus/(Deficit)	**133,848**	**242,167**		**242,260**
Depreciation (govt)	1,066,818	1,108,925		1,108,925
Deferred Capital Grants (govt)	-834,088	-876,195		-876,195
Depreciation (non-govt)	29,256	78,631		78,631
Accruing pension liability	0	0		0
I & E Surplus/(Deficit) before exclusions	**-128,138**	**-69,194**	**0**	**-69,101**

Borders College

Balance Sheet as at 31 January 2018

	2017-18 BALANCE £	2016-17 BALANCE £
TOTAL FIXED ASSETS	27,981,702	27,528,475
CURRENT ASSETS		
STOCK	0	0
DEBTORS	1,831,340	1,086,547
INVESTMENTS	584,999	584,999
CASH AT BANK AND IN HAND	2,365,873	3,065,335
TOTAL CURRENT ASSETS	4,782,212	4,736,881
CURRENT LIABILITIES		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2,780,512	3,351,987
NET CURRENT ASSETS	2,001,700	1,384,894
TOTAL ASSETS LESS CURRENT LIABILITIES	29,983,402	28,913,369
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	33,558,270	32,121,194
TOTAL NET ASSETS	-3,574,869	-3,207,825
REPRESENTED BY:		
CAPITAL & RESERVES	825,911	835,206
Income & Expenditure Account – Current Year	480,001	-108,208
Income & Expenditure Account – Previous Years	-4,880,780	-3,934,823
	-4,400,779	-4,043,031
TOTAL NET CAPITAL	-3,574,869	-3,207,825

Breakdown of Aged Debtors as at: **31 January 2018**

	Current	> 30 days	> 60 days	> 90 days	> 120 days	Total	Dec-17	Nov-17	Oct-17	Sep-17	Aug-17	Jul-17	Jun-17	May-17	Apr-17	Mar-17	Feb-17	Jan-17
Trade debtors incl Tuition Fees	185,759	20,345	10,618	1,739	21,283	239,744	239,209	217,124	309,072	227,392	208,401	97,560	101,990	142,907	143,506	179,820	231,318	140,349
HWU					2,405	2,405	78,544	179,496	90,898	268,095	0	0	86,524	64,849	64,849	119,324	86,524	173,048
Student Funds	1,141					1,141	1,116	1,193	575	575	0	0	12	12	30	0	49	49
Bursary Funds	3,231					3,231	1,502	369	0	0	450	270	3,117	785	607	0	1,457	1,577
	190,131	20,345	10,618	1,739	23,688	246,520	320,371	398,182	400,545	496,062	208,851	97,830	191,642	208,552	208,992	299,144	319,349	315,023

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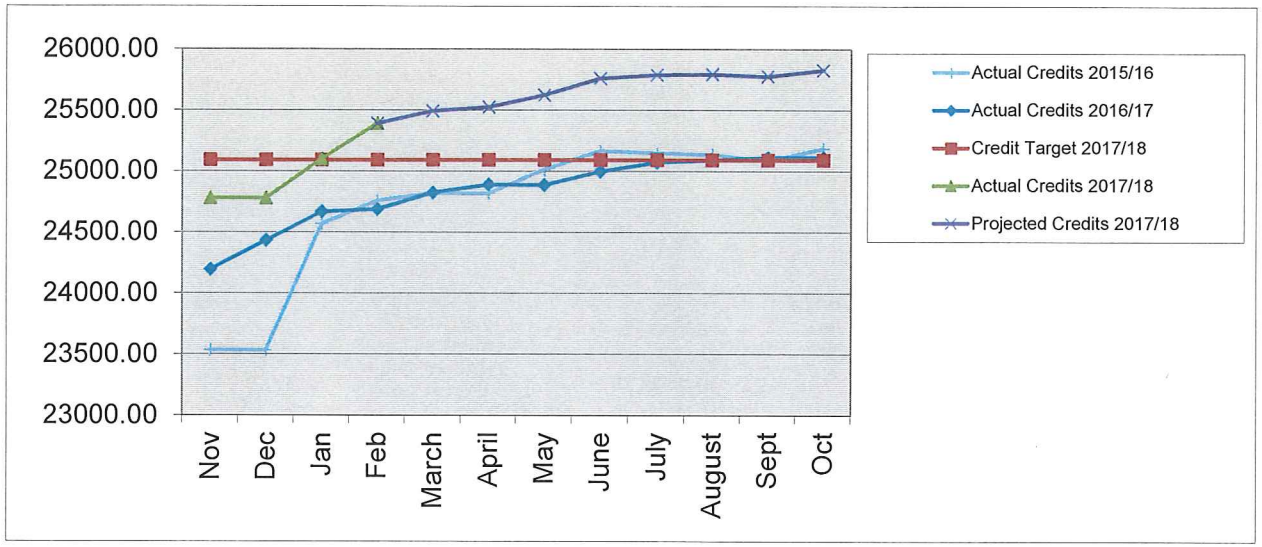
In-Year Financial Indicators as at 31 January 2018

	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%	24.36%	27.06%	
Total Education Contracts & Tuition Fees as % of Turnover		12.96%	11.48%	10.67%	
Non SFC Grants as % of Turnover		2.21%	2.54%	2.15%	
European Income as % of Turnover		0.50%	0.17%	0.13%	
Total Other Income as % of Turnover		11.36%	10.18%	14.11%	
Staff Costs as % of Turnover	67.0%	67.65%	66.20%	63.51%	
Ratio - Cash to Total Expenditure (days) - working accounts	10			20	per Cash Flow return (monthly to SFC)
Ratio - Cash to Total Expenditure (days) - all accounts	10			51	per Financial Statement return (annual to SFC)

BORDERS COLLEGE

Projected Credit count 2017/18

Updated February 2018



Commentary

1 The graph shows the College's Credit target of 25,387 for 2017/18 (red). This target includes the core allocation of 24,521 Credits, plus 292 additional childcare credits and 574 ESF Credits. Mapped against this are the Creditss count by month for 2015/16 actuals (light blue), 2016/17 actuals (dark blue), and the 2017/18 actual Credits to date (green) and the actuals to date extrapolated to the end of the year, based on prior years' patterns (purple).

2 Recorded Activity to date, at 25,393 Credits, is 703 Credits ahead of the same point last year, and already 6 Credits ahead of our annual target.

3 Projecting this forward using prior years' experience would see us overachieve our target by 735 Credits. We continue to negotiate with SFC for additional Credits.

PDS
15/02/2018