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FINANCE & GENERAL PURPOSES COMMITTEE

Subject: Business Review October 2018	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Hazel Robertson, Vice Principal – Finance and Corporate Services	**Date:** 19 November 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 financial position to 31 October 2018:

- The management accounts in the form on an Income and Expenditure (I&E), with reasons for significant variances plus a note of budget revisions with reasons for those also. The management accounts shows both financial and academic years.
- Balance Sheet
- Key Performance Indicators
- Aged Debtors Report
- Student Funding Report and student activity report.

Budget 2018/19

In June 2018, the Board approved the 2018/19 budget and capital commitment, and agreed that once the guidance for the FFR was produced, the Chairs Committee would meet to approve the five year forecast. The draft budget would result in an Income and Expenditure (I&E) deficit of £46k.

Planning for a small deficit allows us to fully utilise our cash resources. However to reach this position we will need to make continued efficiencies within staff budgets. Management have plans in place to achieve the savings requirement for 2018/19.

The updated position based on the FFR submission shows a deficit of £41k. The main changes are updates to staff budget as a result of changes to structure and taking into account the curriculum plan updated following enrolment. The budget and the FFR was approved by the Chairs Committee in August.

Income and Expenditure

Variances to date are noted in the management accounts. These variances show a total positive variance of £161k (before exclusions) against our budgeted position to date. The Quarter 1 review process is commencing week beginning 19 November and will ascertain to what extent these are due to budget phasing issues. Significant variances are:

- Other Grants – positive variance of £38k due to SBC Schools, DYW and Catering for Life.

- Tuition Fees – skill-seekers income is much less than budget, and income from private students is less than budget.
- Other Income – there are several areas with significant adverse variances and will be explored as part of the quarter one review.
- Lecturing Salaries – positive variance of £144k.
- Administration and Teaching Support - positive variances which will reduce when back pay is processed next month.

The net budgeted deficit remains unchanged. The net actual position is much more favourable than budgeted however it is important to appreciate that there is currently an overall adverse variance on income of £37k. Until the phasing issues are better understood, the overall positive position should be treated with caution. The Quarter 1 review process is an essential step in assessing our likely outturn position.

Balance Sheet

Matters of note are:

- Reduction in Debtors of £483k, due to trade debtors (£140k), accrued income (£217k) and other debtors (£130k).
- Increase in Cash at Bank and In hand of £315k.
- Decrease in Creditors: Amounts Falling Due Within One Year of £1.29m. The most significant movement is a reduction in deferred income of £1.m.

In year financial indicators

In year indicators are all positive, with staff costs being close of target currently, although the effect of national bargaining, will see a 2% reduction in the planned staff cost ratio from 67% to 69%.

Aged Debtors

The aged debt profile is significantly improved compared to this time last year. £90k of the improvement relates is due to HWU being up to date, and a £40k improvement in trade debtors and tuition fees.

Recommendation: Report is for discussion.

Previous Committee Approvals: n/a

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

Borders College

Income & Expenditure – October 2018

	FINANCIAL YEAR Apr18-Oct18				ACADEMIC YEAR Aug18 - Oct18					Comments
	Annual Budget	YTD Budget	YTD Actual	YTD Variance	Annual Budget	YTD Budget	YTD Actual	YTD Variance		
INCOME										
SFC - Grant-in-Aid	8,969,785	4,672,165	4,672,165	0	8,595,241	2,148,810	2,148,810	0	10010	
Other SFC Grants	328,116	170,340	248,659	78,318	1,455,062	105,888	112,692	6,804	10020	
Other Grants	385,855	222,183	289,577	67,395	339,093	94,374	132,803	38,429	10021	**Positive variance on SBC Schools, DYW and Catering for Life course compared to budget.**
Tuition Fees	733,869	361,971	298,141	-63,830	681,499	155,500	91,263	-64,237	10030	**Skillseekers income much lower than budget (£35k) and income from private students lower than budget (£25k).**
Student Accommodation	53,639	36,629	35,482	-1,147	28,350	5,670	3,402	-2,268	10045	
Commercial & Consultancy	809,730	427,077	390,852	-36,225	751,383	111,843	110,659	-1,184	10050	**Commercial Short courses postpone to Jan & Feb. Main client - Scottish Borders Council. Phasing amended to reflect delivery.**
SLA Income	824,188	434,434	396,175	-38,259	779,501	194,877	191,566	-3,311	10065	
Other Income	566,275	302,283	215,162	-87,121	531,617	141,991	25,990	-116,001	10060	**Hire of accomodation and equipment (to students) - last year we had 13 students in accomodation. This year we have rented 5 from HWU and have 2 students. The shortfall is being made up by renting accomodation to staff. Negative variances exist on Sale of Course Services & Prod (£13k), Coin Box/Library and Photocopying income (£10k), Sale of Assets/Equipment (£6k) and SCRO Check (£7k).**
INCOME	**12,671,457**	**6,627,082**	**6,546,213**	**-80,869**	**13,161,746**	**2,958,953**	**2,817,186**	**-141,767**		
EXPENDITURE										
Lecturing Salaries	4,316,124	2,088,561	2,052,996	35,565	4,316,847	821,851	677,994	143,857		**Back pay will kick in November 18 for Support Staff so some of the positive variance will reduce. On average, Lecturing Permanent staff wages were budgeted to increase by 6.5% in AY 18/19. This is yet to materialise. Support staff wages were budgeted to increase by around 3.6% in AY 18/19.**
Administration	3,679,612	1,882,167	1,768,822	113,345	3,586,510	858,109	770,809	87,300	20030	
Teaching Support	582,671	286,944	303,042	-16,098	618,898	146,661	106,870	39,791	20040	
Facilities	439,436	233,816	222,275	11,541	411,240	99,109	86,429	12,680	20050	
TOTAL WAGES & SALARIES	**9,017,843**	**4,491,488**	**4,347,135**	**144,353**	**8,933,495**	**1,925,730**	**1,642,101**	**283,629**		
Other Employee Costs	407,896	259,282	169,382	89,900	296,221	114,293	128,189	-13,896	20060	**2 members of staff severrence payments amounted to £42K (budgeted) and recruitment fees for VP - £12k.**
Premises Related Costs	1,505,232	551,182	537,890	13,291	2,014,363	250,756	230,198	20,558	20110	**Positive variance on Repairs and Maintenance line and Energy costs. H&S and Waste Disposal costs lower than budgeted.**
Supplies & Services	899,683	475,120	378,473	96,647	803,132	196,627	203,007	-6,380	20120	
Transport	52,496	27,269	26,599	669	49,346	12,251	10,845	1,406	20130	
Student Accommodation	62,308	42,022	32,762	9,260	33,810	6,762	0	6,762	20145	
Other Institutional Costs	497,538	260,571	329,661	-69,090	484,288	116,835	137,412	-20,577	20150	**Higher than budgeted Membership/Subscription fees.**
Donation to ALF	0	0	0	0	0	0	0	0	20151	
Bad Debts	16,530	8,532	23,996	-15,464	16,000	3,999	-13,692	17,691	20155	**Able to recover previously w/off bad debts.**
SLA Expenditure	80,752	42,232	58,961	-16,729	77,043	19,260	17,499	1,761	20165	
Agency & Other Costs	69,133	32,575	22,249	10,325	54,280	19,401	6,873	12,528	20160	**Budget phasing - with respect to Professional fees/costs - e.g Legal/accountancy costs.**
Capital Finance Costs	139,809	48,971	49,919	-948	137,633	0	0	0	20170	
EXPENDITURE	**12,749,219**	**6,239,243**	**5,977,028**	**262,215**	**12,899,610**	**2,665,914**	**2,362,434**	**303,481**		
Surplus/(Deficit)	**-77,762**	**387,839**	**569,184**		**262,136**	**293,039**	**454,752**	**161,713**		
Depreciation (govt)	1,201,331	646,871	374,691	272,180	1,108,925	277,230	277,230	0	20171	
Deferred Capital Grants (govt)	-949,208	-511,112	-274,846	-236,266	-876,195	-219,048	-219,048	0	10022	
Depreciation (non-govt)	86,688	47,370	21,191	26,179	78,631	19,659	19,659	0	20172	
Accruing pension liability	0	0	846,000	-846,000	0	0	0	0	20173	
I & E Surplus/(Deficit) before exclusions	**-416,573**	**204,710**	**-397,851**	**-602,561**	**-49,225**	**215,198**	**376,911**	**161,713**		

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Balance Sheet as at 31 October 2018

	2018-19 BALANCE £	2017-18 BALANCE £
TOTAL FIXED ASSETS	27,496,919	28,256,134
CURRENT ASSETS		
STOCK	0	0
DEBTORS	1,376,476	1,859,472
INVESTMENTS	584,999	584,999
CASH AT BANK AND IN HAND	2,383,896	2,068,452
TOTAL CURRENT ASSETS	4,345,370	4,512,924
CURRENT LIABILITIES		
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	1,944,895	3,312,289
NET CURRENT ASSETS	2,400,476	1,200,634
TOTAL ASSETS LESS CURRENT LIABILITIES	29,897,395	29,456,769
CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR	29,408,159	33,428,543
TOTAL NET ASSETS	489,236	-3,971,774
REPRESENTED BY:		
CAPITAL & RESERVES	821,267	828,235
Income & Expenditure Account – Current Year	436,301	80,771
Income & Expenditure Account – Previous Years	-768,332	-4,880,780
	-332,031	-4,800,009
TOTAL NET CAPITAL	489,236	-3,971,774

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

	Current	> 30 days	> 60 days	> 90 days	> 120 days	Total
Trade debtors incl Tuition Fees	127,386	59,697	15,315	21,516	35,267	259,181
HWU						0
Student Funds						0
Bursary Funds		1,600	522			2,122
	127,386	61,297	15,837	21,516	35,267	261,303

Balances for the last year

	Sep-18	Aug-18	Jul-18	Jun-18	May-18	Apr-18	Mar-18	Feb-18	Jan-18	Dec-17	Nov-17	Oct-17
Trade debtors incl Tuition Fees	177,091	91,666	148,153	174,342	132,393	153,206	240,679	250,018	239,744	239,744	239,209	217,124
HWU	272,785	0	0	0	231,745	54,450	186,359	90,898	2,405	2,405	78,544	179,496
Student Funds	0	0	0	1,101	1,131	1,151	1,186	1,141	1,141	1,141	1,116	1,193
Bursary Funds	2,122	563	2,270	17,177	6,877	5,653	5,812	3,367	3,231	3,231	1,502	369
	451,998	92,229	150,423	192,619	246,520	246,520	320,371	398,182	400,545	496,062	208,851	97,830

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In-Year Financial Indicators as at 30 October 2018

	Finance Strategy 2016/20	Actual achievement 2017/18	Year to date 2018/19	Comments
Total Non-SFC Income as % of Turnover	27.0%	29.03%	26.49%	
Total Education Contracts & Tuition Fees as % of Turnover		10.77%	6.55%	
Non SFC Grants as % of Turnover		2.48%	4.71%	
European Income as % of Turnover		0.56%	0.00%	
Total Other Income as % of Turnover		15.22%	8.46%	
Staff Costs as % of Turnover	67.0%	68.86%	67.10%	