

FINANCE & GENERAL PURPOSES COMMITTEE REPORT

Subject: Business Review	Purpose: For Approval <input type="checkbox"/> For Discussion <input checked="" type="checkbox"/> For Information <input type="checkbox"/>
Prepared by: Hazel Robertson, Vice Principal Finance and Corporate Services	Date: 23 September 2019
Purpose: To provide the Committee with an analysis of the financial position at end July 2018 (end of the financial year)	
Linked to Strategic Goal 3: Provide a high quality College experience.	
Financial Forecast Return 2018-19 <ul style="list-style-type: none"> Approved deficit of £46k. Updated in August to £41k deficit. Revised in February to breakeven. MYR forecast breakeven Future years savings projections (prior to scenario planning) <ul style="list-style-type: none"> 2019-20 £106k 2020-21 £126k 2021-22 £177k 2022-23 £360k 2023-24 £178k 	In year budget changes <ul style="list-style-type: none"> Additional bursary support funding £330k SOSEP funding £2.2m Budgetary surplus of £163k and forecast positive variance of £45k donate £150k to BFET contingency budget for £80k overall outturn projection breakeven. £45k from in year redistribution of credits.
Management accounts £150k donation made to BFET Draft out-turn £28k deficit.	Cashflow Opening balance in August £900k Closing balance July £1,126k Cash holdings are greater than 20 days target
Debtors £17,556.95 was written off from college debtors. One bad debtor exceeded the £3,000 and £5,000 threshold. It included both accommodation and tuition fees. £21,727.43 was written off from bursary and student support fund debtors. No individual debt exceeded £1,601.	Financial ratios Total non SFC income as % of turnover 29.71% - better than target due to SOSEP Staff costs as % of turnover 68.67% - poorer than target due to national bargaining and job evaluation

Executive Summary

1. Financial Forecast Return

Based on the forecast assumptions previously reported to the Committee we submitted our mid-year FFR with a forecast breakeven position for 2018-19.

The FFR for 2019-2024 has been subject to scrutiny through the Chair's Committee, along with consideration of scenario planning for the next five years. The Committee expressed their concern about the forecast significant drop in SFC income, the potential impact of the changes in the funding formula, and the potential for several of the scenarios to come to pass. As a result a revised FFR was prepared for consideration. The revised FFR indicated a slight deficit for early years of the plan with a significant deficit in 2022/23 and 2023/24, and an expectation of a deficit again in 2024/25, ie the combination of loss in income and increased costs would take three years to be addressed.

Further discussion with SFC has indicated that all Colleges are required to submit FFRs which show a balanced position and a supporting narrative which explicitly sets out what mitigating actions need to be taken to break even. For these reasons we will be submitting the original FFR as discussed at the Chair's Committee along with narrative on our scenario planning and savings requirements.

The FFR is due to be submitted by end September.

The creation of a five year financial plan is advancing well and will pull all of the above into a single document for consideration by the Board.

2. In year budget changes

We received an in year redistribution of credit funding of circa £45k for the delivery of 300 additional credits.

As reported to the February meeting, staff budgets were rebased to reflect the changes made in curriculum areas. The outcome was an overall budgeted surplus of £163k. Reasons for the improvement include savings which had not been deducted from the base budget, and a rebasing of temporary lecturing costs.

The favourable position enabled the Committee to recommend to the Board a donation of £150k to Borders Further Education Trust. The Board supported this recommendation and the donation was made at the end of March 2019.

No further budget changes were made to in year budgets.

3. Management accounts

The review of the format of management accounts has completed, with a full summary report now able to be downloaded direct from Sun Accounts.

Appendix 1 contains an extract from the management accounts. This extract covers 70% of operational budgets. There is still some mismatch between budgets and actuals (being posted to different cost centres). A significant proportion of budgets are held centrally in a single cost centre. All of these factors require further work so that future reporting is meaningful to the lay reader.

The management accounts indicate a draft year end deficit of £28k.

4. Cashflow

The full cash flow statement (Appendix 2) demonstrates our efforts to keep our cash balances as low as possible. In the latter part of the year we have consistently held more than 20 days cash. Our KPI is to live within 10-20 days. The recent appointment of our Financial Controller will provide us with more management capacity to robustly manage our cash position. At end July our bank balance was £1,126k (excluding the sinking fund).

5. Debtors

Appendix 3 contains a full report on the aged debt.

The financial memorandum between the Scottish Funding Council (SFC) and the College sets out the financial limits and annual reporting requirements required by SFC. The annual reporting requirement for the write-off of bad debt is £3,000. In addition the Financial Regulations require the Chief Financial Officer (VP Finance and Corporate Services) to seek approval from the Finance and General Purposes Committee to write off any debt greater than £5,000. The narrative below outlines the debt written off.

College Debts

- During the year £17,556.95 was written off from college debtors. These related to 22 individual debts, 21 of which were less than £1,500.
- One bad debtor exceeded the £3,000 and £5,000 threshold: £8,920 this debt was unusually large as it included both accommodation and tuition fees. The debt was referred to our collection agency and the debtor has since agreed a payment plan.

Bursary and Student Support Fund Debts

- During the year £21,727.43 was written off from bursary and student support fund debtors. These related to 71 individual debts, no individual debt exceeded £1,601.
- The profile of the debt by fund was:

Bursary	£9,151.26
Childcare	£68.00
Discretionary	£182.90
EMA	£820.00
Laptop	£11,088.90
Transport	£416.37
Total	£21,727.43

- Since writing off the individual bad debts for laptops, nearly half of the affected students have either returned the laptop or paid for it.

6. Financial Ratios

Appendix 4 contains the high level financial ratios as set out in our Financial Strategy and performance at the year end.

As can be seen from the analysis, our proportion of non SFC income is above target, largely reflecting the impact of significant funds from SOSEP.

Staff costs are above target due to the impact of national bargaining and job evaluation.

7. Other

Following a successful recruitment campaign we have two new senior staff within the finance team, effecting a split between Business Support (Andy Jones who has been with us on an interim basis since February) and Financial Accounting and Transactional Services (Audra Hunter who has a varied background including time at SFC, Colleges and Universities).

We had a one day external audit interim visit in July, this provided an opportunity for us to raise some matters with the auditor prior to the full audit in October, and for the auditor to review certain aspects of the payroll.

A first draft of the annual accounts has been compiled. The strategic report and the SOCIE and Balance Sheet have been provided to the Finance and General Purposes Committee for review, and the draft Statement of Internal Control has been shared with the Audit Committee for review. We await the pensions report and still have to put through the effect of the revaluation, however all other material entries have been completed, well in advance of the audit visit, thus allowing us time to review and refine the annual report and financial statements.

A full review of the Financial Regulations has been completed and is separately on the agenda for approval.

We have committed to the upgrade of SUN accounts and the project initiation meeting will take place in October.

We will continue to explore a longer term collaborative approach to the provision of financial systems.

Recommendation:

Members to note

- the work ongoing to finalise the FFR submission, based on the draft considered by the Chair's Committee, and SFC requirements
- the draft outturn for 2018/19 as a deficit of £29k
- that cash balances are above the target of 20 days and efforts will be made to bring this back into target range
- that the ratio of non SFC income is better than target but the ratio of staff costs to turnover is poorer than target.

Members to approve the write of debt above £5,000 as outlined.

Previous Committee Approvals: n/a

For publication ☒

For publication with redactions ☐

Not for publication ☐

APPENDIX 1**July 2019 management accounts extract****Borders College Management Accounts 1 August 2018 to 31 July 2019**

		<u>Annual Budget</u>				<u>Pays Year to date</u>			<u>Non Pay Year to date</u>		
Cost centre	centre description	Pay £	Non Pay £	Income £	TOTAL £	Budget £	Actual £	Variance £	Budget £	Actual £	Variance £
<u>Care & Access</u>											
A171	Care & Childcare	342,116	37,382	(1,188,728)	(809,230)	240,646	241,084	(438)	25,763	59,042	(33,279)
A173	Supported Programmes	509,792	8,292	(838,122)	(320,038)	509,792	518,314	(8,522)	8,292	11,456	(3,164)
A283	Land Based	402,425	105,885	(730,278)	(221,968)	402,425	415,487	(13,062)	105,885	56,545	49,340
<u>Creative Industries, Sport & Business</u>											
A231	Catering & Hospitality	147,849	29,339	(229,258)	(52,070)	147,849	143,304	4,545	29,339	32,009	(2,670)
A233	Hairdressing & Beauty	368,087	40,501	(931,775)	(523,187)	368,087	377,054	(8,967)	40,501	49,210	(8,709)
A235	Sport	366,654	75,297	(1,179,060)	(737,108)	366,654	351,263	15,391	75,297	139,273	(63,975)
A237	Creative & Digital Industries	139,672	21,599	(352,871)	(191,600)	139,672	139,314	358	21,599	12,930	8,669
<u>Cons, Engineer & Land Based</u>											
A282	STEM	573,044	136	(895,139)	(321,959)	573,044	542,011	31,033	110	36,508	(36,398)
A175	Care & employability skills	240,014	22,482	(96,098)	166,398	240,014	245,780	(5,766)	22,482	24,476	(1,994)
A281	Cons & Engineer	658,022	105,392	(1,270,079)	(506,665)	658,022	598,000	60,022	105,392	116,153	(10,761)
A121	Business & Computing	195,275	5,378	(445,760)	(245,107)	195,275	207,451	(12,176)	5,378	8,247	(2,869)
<u>Business Development Unit (BDU) and Commercial</u>											
		815,318	145,370	(1,505,860)	(545,172)	815,318	889,789	(74,471)	145,370	106,249	39,122
<u>Curriculum Wide</u>		1,043,711	2,434,685	(2,477,746)	1,000,650	1,043,711	1,035,592	8,119	2,434,665	2,184,718	249,947
<u>Corporate</u>											
C20	Facilities	608,302	807,604	(597,831)	818,075	608,302	605,603	2,699	807,604	909,729	(102,125)
C04/C15	ISLT/TEL	563,838	339,179	(285,125)	617,892	563,838	441,317	122,521	339,179	598,800	(259,621)

Notes

1. This extract provides the future format of reporting to SLT and to the Finance and General Purposes Committee. The overall management accounts report is available however there are still too many areas where actual figures and budget figures are posted to different cost centres and/or phased in different ways, making the overall report less meaningful than it should be. This is being resolved for 2019/20 accounts
2. Fee income and credit income are now posted to cost centres however requires further refinement in order to make variance analysis more meaningful. We continue to work on zero basing budgets and this will further improve our management accounts going forward.
3. A number of budgets / income / spend are held at corporate levels and we are in the process of devolving these budgets as far as possible to improve financial control and monitoring.
4. Figures are first draft and subject to change up to time of finalising the annual accounts.
5. The overall outturn position is a small deficit of £28k.

APPENDIX 2

Cash flow

	AUGUST	SEPTEMBER	OCTOBER	NOVEMBER	DECEMBER	JANUARY	FEBRUARY	MARCH	APRIL	MAY	JUNE	JULY
Income from foundation (revenue)												
Other Income excluding EMA (revenue)	117,963	95,380	374,270	269,872	204,224	516,082	261,399	221,036	215,791	182,366	65,056	460,008
UHI HE funding (UHI colleges only)												
Total RDEL income (excluding drawdown)	117,963	95,380	374,270	269,872	204,224	516,082	261,399	221,036	215,791	182,366	65,056	460,008
Salaries	345,235	597,344	622,025	708,370	727,257	693,762	672,858	933,114	443,021	752,896	731,558	1,116,076
Exceptional Restructuring costs												
Very High Priority Capital Maintenance (SFC)												
Capital Maintenance												
Other Operating Expenditure excl' EMA	224,252	320,176	301,359	306,861	436,343	184,514	142,183	508,339	209,262	320,074	293,366	511,200
NPD Unitary charges (paid by colleges)												
Donation to Foundation	0	0	0	0	0	0	0	150,000	0	0	0	0
Student Support (excluding EMA)	-392	138,211	168,567	163,334	202,504	137,357	191,764	199,220	162,038	138,563	179,421	39,635
Total RDEL expenditure	569,096	1,055,731	1,091,951	1,178,565	1,366,104	1,015,633	1,006,804	1,790,673	814,321	1,211,533	1,204,345	1,666,912
Net RDEL expenditure (a)	-451,133	-960,351	-717,682	-908,693	-1,161,880	-499,551	-745,405	-1,569,637	-598,530	-1,029,167	-1,139,290	-1,206,904
Capital Expenditure												
Additions	24,033	10,273	9,794	0	42,108	40,467	30,648	252,423	0	0	0	290,130
Work in Progress (Assets Under Construction)												
Surrender of proceeds												
Total CDEL expenditure	24,033	10,273	9,794	0	42,108	40,467	30,648	252,423	0	0	0	290,130
Net CDEL expenditure (b)	-24,033	-10,273	-9,794	0	-42,108	-40,467	-30,648	-252,423	0	0	0	-290,130
ODEL												
Capital Loan/Lennartz Repayments (c)					38,382							
EMA												
EMA income	13,200	0	9,300	11,310	15,900	15,930	8,760	44,570	0	3,850	14,970	13,230
EMA expenditure	0	12,720	11,190	15,900	15,930	8,760	15,570	24,480	8,370	14,970	13,230	0
Net EMA (d)	13,200	-12,720	-1,890	-4,590	-30	7,170	-6,810	20,090	-8,370	-11,120	1,740	13,230
Total Net Outflows/(Inflows) (a)+(b)+(c)+(d)	-461,966	-983,345	-729,366	-913,283	-1,165,636	-532,848	-782,863	-1,801,970	-606,900	-1,040,287	-1,137,550	-1,483,804
Opening Bank Balance	910,114	598,148	309,385	681,710	591,037	507,279	1,029,098	1,386,646	936,942	1,251,780	1,309,181	1,178,002
Net Cash Available	448,148	-385,197	-419,981	-231,573	-574,599	-25,569	246,235	-415,324	330,042	211,492	171,632	-305,802
SFC Cash Drawdown Total	150,000	694,582	1,101,691	822,610	1,081,878	1,054,667	1,140,412	1,352,266	921,738	1,097,689	1,006,370	1,431,696
Closing Bank Balance	598,148	309,385	681,710	591,037	507,279	1,029,098	1,386,646	936,942	1,251,780	1,309,181	1,178,002	1,125,894

Cash days	18	13	22	15	29	39	23	46	36	35	24
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Target 10-20 days

APPENDIX 3

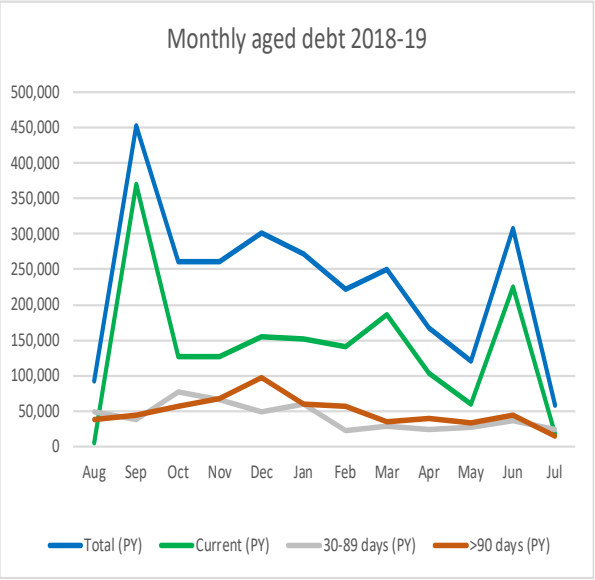
Aged debtors analysis

	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Total	96,290	0	0	0	0	0	0	0	0	0	0	0
Total (PY)	92,229	451,998	261,303	260,216	301,899	272,245	222,325	250,186	167,616	120,997	308,021	57,656
Trade	55,691	0	0	0	0	0	0	0	0	0	0	0
Trade (PY)	87,159	108,962	86,316	83,785	128,198	144,467	84,352	78,369	52,210	80,096	79,551	38,263
Commercial	11,374	0	0	0	0	0	0	0	0	0	0	0
Commercial (PY)	720	272,785	91,149	90,879	92,386	92,313	92,580	145,207	91,062	0	181,661	607
Student	29,225	0	0	0	0	0	0	0	0	0	0	0
Student (PY)	4,350	70,251	83,839	85,552	81,315	35,465	45,393	26,609	24,343	40,902	46,808	18,786
Current	49,650	0	0	0	0	0	0	0	0	0	0	0
Current (PY)	5,991	369,305	127,386	126,456	155,432	152,169	141,486	186,564	103,872	60,741	225,676	17,520
30-89 days	20,938	0	0	0	0	0	0	0	0	0	0	0
30-89 days (PY)	48,718	38,416	77,134	65,920	49,795	59,841	23,244	28,733	23,727	26,564	37,280	24,790
>90 days	25,702	0	0	0	0	0	0	0	0	0	0	0
>90 days (PY)	37,520	44,277	56,783	67,840	96,672	60,236	57,596	34,888	40,017	33,692	45,065	15,346

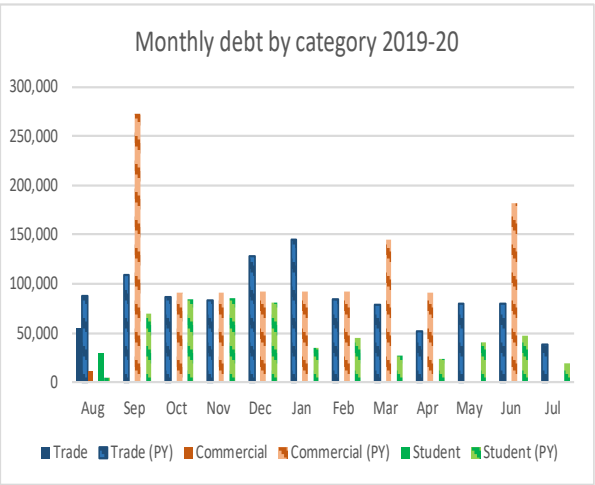
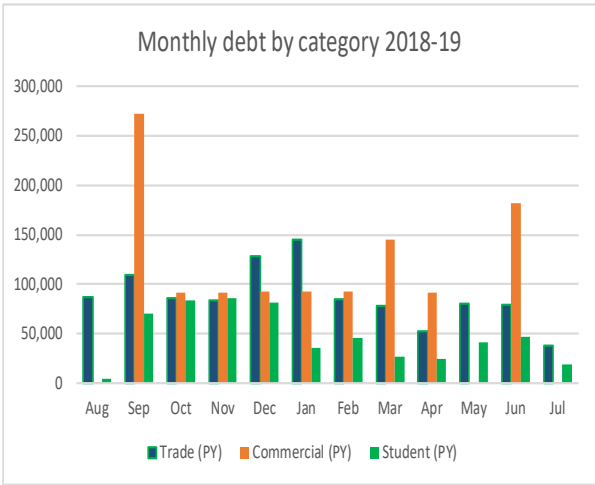
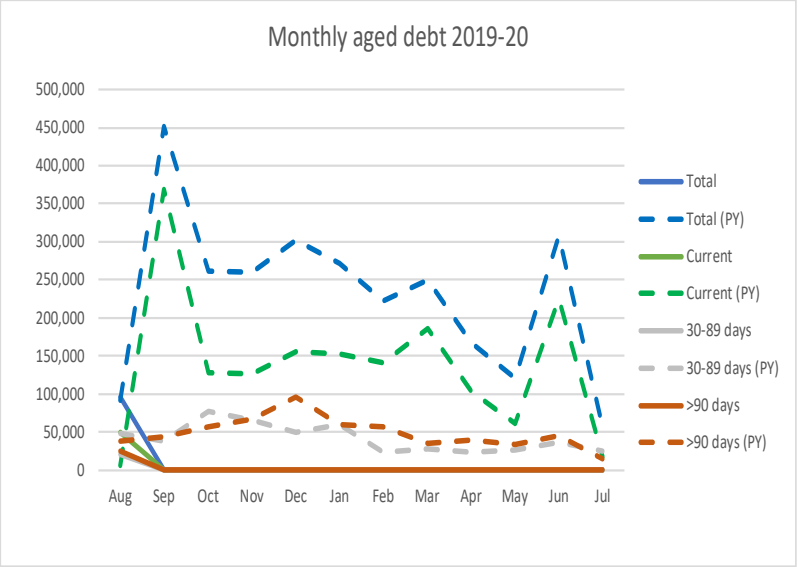
Total Income
Bad debt
Bad debt %
Amount to debt collection
Number to debt collection
Debt collection recovery

The monthly aged debt totals have a seasonal profile. The majority of sales invoices are generated at the start of the academic year. There is a smaller peak between the end of Block 1 and the start of Block 2, and there is a similar peak towards the end of the financial year. At these peaks the total debt increases due to the high levels of "current" debt. The riskier older debt levels normally remain relatively stable.

Student and Trade debt levels should normally increase in September/October (after enrolment). Student debt should subsequently decline as payment plans take effect. Commercial debt levels should remain constant at around 90k level during term time, if billing is up to date and regular. Increased debt levels normally occur when commercial billing has lower in the previous month. The total debt in Aug 2019 was 96k which is comparable to last year (92k). 51% of the debt is current, which is an improvement on last year 's 6%.



Graphs with prior year analysis



APPENDIX 4

Financial Ratios

Borders College

In-year Financial Indicators

	Finance Strategy 2016/20	Actual achievement 2017/18	Actual achievement 2018/19	
Total non SFC income as % of turnover	27.0%	29.03%	29.71%	
Staff costs as % of turnover	67.0%	68.86%	68.67%	<u>lor</u>