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# FINANCE & GENERAL PURPOSES COMMITTEE REPORT

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| **Subject:** Business Review | **Purpose:**<br>**For Approval** ☐<br>**For Discussion** ☒<br>**For Information** ☐ |
| **Prepared by:** Andy Jones, Finance Business Partner | **Date:** 26 May 2020 |
| **Purpose:** To provide the Board with an analysis of the current financial position. | |
| **Linked to Strategic Goal 3: Provide a high quality College experience.** | |

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| **Financial Forecast Return**<br><br>2019-20<br>• FFR approved surplus of £16k.<br>• Scenarios negative impact £55k.<br>• Savings required £161k<br><br>Future years savings projections (prior to scenario planning)<br>• 2020-21 £126k<br>• 2021-22 £177k<br>• 2022-23 £360k<br>• 2023-24 £178k | **In year budget changes**<br><br>Corporate Savings achieved<br>• Recurring £161k<br>• Non recurring £54k<br><br>Efficiency return deferred to 30 September.<br><br>Agreement to recruit two e-learning facilitators (both permanent). One now in post, other role is out to advert.<br><br>£190k additional student support funding.<br>£50k Garage for the sea funding.<br>£47k for SSTS pensions Apr-July. |
| **Management accounts**<br><br>Mid year review progress is complete and submitted to SFC. The overall position has improved to a forecast deficit of circa £219k (previously (£290k) taking account of the impact of COVID19 on<br><br>Teaching – fee / grant funding £(239k)<br>Commercial income £(81k)<br>Job retention scheme £114k<br><br>Appendix 1 | **Cashflow**<br><br>Opening balance in August £1,126k<br>Closing balance in March £1,764k<br><br>Cash holdings are regularly greater than 20 days (30-34). A low spot in October reflects temporary issues with HWU SLA.<br><br>Year end projection is adequate even with the projected I&E deficit.<br><br>Appendix 2 |
| **Debtors**<br><br>£537k aged debt, is substantially more than at this time last year, due to the pattern of monies due from HWU. Additional focus will be applied to debt recovery.<br><br>Appendix 3 | **Creditors**<br><br>Payment performance is improving, and further redesign of processes is ongoing. 70% of invoices were paid within 40 days.<br><br>Appendix 4 |

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| **Recommendation:**<br>Members to note<br>• The improvement in the projected deficit position taking account of the impact of COVID19 and the use of the job retention scheme<br>• the achievement of savings targets for 2019/20<br>• the delay in the submission date for the institutional return<br>• continued effective cash management supported by lower level of debtors and improved creditors payment performance | | |
| **Previous Committee Approvals:** n/a | | |
| **For publication** ☐ | **For publication with redactions** ☐ | **Not for publication** ☒ |

**APPENDIX 1 Mid Year Review Income and Expenditure Report – Revised to take account of Job Retention Scheme)**

**Borders College**

| Statement of Comprehensive income and expenditure (Consolidated) | FFR 2019-20 | Mid-year return 2019-20 | Variance | Variance |
|---|---|---|---|---|
| | £000 | £000 | % | £000 |
| **INCOME** | | | | |
| Tuition fees and education contracts | 1,737 | 1,374 | -21% | -363 |
| Funding council/RSB grants | 8,899 | 9,019 | 1% | 120 |
| Research grants and contracts | 0 | 0 | | 0 |
| Revenue grants from Arms Length Foundation | 0 | 0 | | 0 |
| Capital grants from Arms Length Foundation | 0 | 0 | | 0 |
| Other non-government capital grants | 0 | 0 | | 0 |
| Deferred capital grant release (SFC/RSB and non-SFC Government) | 1,273 | 1,191 | -6% | -82 |
| Other income | 2,242 | 2,429 | 8% | 187 |
| Investment income | 0 | 0 | | 0 |
| **Total income before donations and endowments** | **14,151** | **14,013** | -1% | -138 |
| Donations and endowments | 0 | 0 | | 0 |
| **Total income** | **14,151** | **14,013** | -1% | -138 |
| **EXPENDITURE** | | | | |
| Staff costs | 9,553 | 9,560 | 0% | 7 |
| Staff costs - exceptional restructuring costs | 0 | 0 | | 0 |
| Exceptional costs - non-staff | 0 | 0 | | 0 |
| Other operating expenses | 2,719 | 2,802 | 3% | 83 |
| Donation to Arms Length Foundation | 0 | 0 | | 0 |
| Depreciation | 1,563 | 1,569 | 0% | 6 |
| Interest and other finance costs | 300 | 300 | 0% | 0 |
| **Total expenditure** | **14,135** | **14,231** | 1% | 96 |
| **Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates** | **16** | **(218)** | -1463% | -234 |

## Notes

1. The main impact of COVID19 is on the level of income both commercial and fee/grant based.
2. Largely expenditure is unaffected as the majority of costs are fixed. We envisage a small reduction in direct teaching supplies, travel and certain estates costs.
3. The expenditure position reflects the impact on contracted out services where staff are furloughed and the College has agreed to pay the 20% top up.
4. The expenditure position also reflects the impact of the SLA review with HWU which had identified a refund due to them over this year and the previous two.
5. Job retention scheme provides a benefit of £114k to the College by end July 2020.

**APPENDIX 2** **DRAW DOWN AND CASH FLOW**

Additional drawdown agreed for Student Support Funding £190,000 and Garage for the Sea £50,000. Additional drawdown from SFC of £47,429 to cover SSTS pension costs April to July.

**May 20: Profile of grants to be paid to the College** **Borders College**

Individual grants will be paid to the college based on the profile entered below (actual payments can not be amended) with the exception of ESF funding which will be paid on an agreed profile. Payment will only be made up to the annu

| | | | | | | | | | | | Current | Forecast | | Budget v Forecast AY 2019/20 | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Payments** | **Jul-19 Actual** | **Aug-19 Actual** | **Sep-19 Actual** | **Oct-19 Actual** | **Nov-19 Actual** | **Dec-19 Actual** | **Jan-20 Actual** | **Feb-20 Actual** | **Mar-20 Actual** | **Apr-20** Current | **May-20 Current** | **Jun-20 Forecast** | **Jul-20 Forecast** | **Budget AY 2019-20** | **Forecast AY 2019-20** | **Variance** | **Comment** |
| College Maintenance | 0 | 0 | 26,200 | 26,200 | 26,200 | 26,200 | 26,200 | 0 | 138,000 | 0 | | | | | | | |
| Grant in aid | 898,557 | 250,000 | 750,000 | 350,000 | 1,000,000 | 875,000 | 300,000 | 550,000 | 1,190,200 | 350,000 | 950,000 | 1,000,000 | 765,812 | 8,331,012 | 8,331,012 | 0 | |
| Scottish Teachers Superannuation scheme | 0 | 0 | 11,800 | 11,800 | 11,800 | 11,800 | 11,800 | 11,800 | 12,200 | 0 | | | | 83,000 | 83,000 | 0 | |
| Pension costs April-July 20 | | | | | | | | | | 0 | 15,500 | 15,500 | 16,429 | 47,429 | 47,429 | 0 | |
| Student Support Consolidated | 2,772 | 15,000 | 100,000 | 199,070 | 192,890 | 239,148 | 162,212 | 276,465 | 99,126 | 261,359 | 183,637 | 193,798 | 108,801 | 2,031,506 | 2,031,506 | 0 | |
| AY1819 student support unspent funds Marcl | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | -65,548 | 0 | | | | -65,548 | -65,548 | 0 | |
| Student Support IYR1920 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 98,090 | 12,000 | 12,000 | 10,000 | 7,910 | 140,000 | 140,000 | 0 | |
| National Bargaining harmonisation AY1819 | 153,989 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 | 0 | 0 | |
| National Bargaining harmonisation AY1920 | 0 | 10,000 | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 | 12,500 | 8,615 | 16,500 | 16,500 | 16,500 | 20,952 | 164,067 | 164,067 | 0 | |
| | | | | | | | | | | | | | | | | | |
| SFC Capital Grant | 43,474 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | | | | 0 |
| | | | | | | | | | | | | | | | | | |
| ESOL Funding | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 0 | 0 | 0 | |
| FWDF 1819 | 0 | 0 | 13,828 | 13,828 | 0 | 0 | 0 | 0 | 0 | 0 | | | | 27,656 | 27,656 | 0 | |
| FWDF 1920 | 0 | 0 | 0 | 35,055 | 35,055 | 35,055 | 35,055 | 0 | 0 | 0 | | | | 140,220 | 140,220 | 0 | |
| South Scotland Skills and Learning network | 324,496 | 386,871 | 74,023 | 297,804 | 0 | 48,684 | 163,086 | 167,725 | 127,202 | 0 | | | | | | 0 | |
| Funding for counsellors | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 13,500 | 13,500 | 13,500 | | | | 81,000 | 40,500 | 40,500 | Commen |
| Access to sanitary products FY1920 | | | | | | | 0 | 0 | 0 | 0 | | | | 0 | 0 | 0 | |
| ESF 1516 DSW Clawback | | | | | | -1,244 | 0 | 0 | 0 | 0 | | | | -1,244 | -1,244 | 0 | |
| ESF Developing Scotland's Workforce (2019-2 | 0 | 8,429 | 8,429 | 8,429 | 8,429 | 8,429 | 8,429 | 8,429 | 8,429 | 8,429 | 8,429 | 8,429 | 8,429 | 101,146 | 101,146 | 0 | |
| ESF Developing Scotland's Workforce (2018-1 | 8,408 | 0 | 0 | 33,631 | 0 | 0 | 0 | 0 | 1,483 | 0 | 0 | 0 | 0 | 35,114 | 35,114 | 0 | |

**May 20: Profile of grants to be paid to the College** **Borders College**

| | Actual | | | | | | | | | | Current | Forecast | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 | Jul-20 | Total | Total |
| **RDEL** | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual OR Forecast | Actual OR Forecast | Current | Forecast | Forecast | FY 2019-20 | AY 2019-20 |
| Income from foundation (revenue) | | | | | | | | | | | | | | 0 | 0 |
| Other Income excluding EMA (revenue) | 460,006 | 63,920 | 206,531 | 137,153 | 178,472 | 477,658 | 491,094 | 184,801 | 247,831 | 305,536 | 125,231 | 137,347 | 161,171 | 2,910,679 | 2,716,745 |
| UHI HE funding (UHI colleges only) | | | | | | | | | | | | | | 0 | 0 |
| **Total RDEL income (excluding drawdown)** | **460,006** | **63,920** | **206,531** | **137,153** | **178,472** | **477,658** | **491,094** | **184,801** | **247,831** | **305,536** | **125,231** | **137,347** | **161,171** | **2,910,679** | **2,716,745** |
| Salaries | 1,116,076 | 393,476 | 689,772 | 739,313 | 787,626 | 802,938 | 799,968 | 786,332 | 1,095,835 | 450,965 | 907,383 | 882,924 | 1,226,627 | 9,138,811 | 9,563,159 |
| Exceptional Restructuring costs | | | | | | | | | | | | | | 0 | 0 |
| Very High Priority Capital Maintenance (SFC) | | | | | | | | | | | | | | 0 | 0 |
| Capital Maintenance | | | | | | | | | | | | | | 0 | 0 |
| Other Operating Expenditure excl' EMA | 531,724 | 190,078 | 381,605 | 379,038 | 441,721 | 265,163 | 228,496 | 125,806 | 99,567 | 126,544 | 126,995 | 145,220 | 227,945 | 3,315,523 | 2,738,178 |
| NPD Unitary charges (paid by colleges) | | | | | | | | | | | | | | 0 | 0 |
| Donation to Foundation | | | | | | | | | | | | | | 0 | 0 |
| Student Support (excluding EMA) | 39,635 | 12,826 | 151,782 | 240,952 | 157,988 | 140,437 | 193,205 | 149,864 | 187,118 | 156,448 | 240,637 | 259,888 | 63,286 | 1,753,829 | 1,954,431 |
| **Total RDEL expenditure** | **1,687,435** | **596,380** | **1,223,159** | **1,359,303** | **1,387,335** | **1,208,538** | **1,221,669** | **1,062,002** | **1,382,520** | **733,957** | **1,275,015** | **1,288,032** | **1,517,858** | **14,208,163** | **14,255,768** |
| **Net RDEL expenditure (a)** | **-1,227,429** | **-532,460** | **-1,016,628** | **-1,222,150** | **-1,208,863** | **-730,880** | **-730,575** | **-877,201** | **-1,134,689** | **-428,421** | **-1,149,784** | **-1,150,685** | **-1,356,687** | **-11,297,484** | **-11,539,023** |
| **CDEL** | | | | | | | | | | | | | | | |
| Income from foundation (capital) | | | | | | | | | | | | | | 0 | 0 |
| Proceeds of sale of fixed assets | | | | | | | | | | | | | | 0 | 0 |
| Other income (capital) | | | | | | | | | | | | | | 0 | 0 |
| **Total CDEL income** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Capital Expenditure | | | | | | | | | | | | | | 0 | 0 |
| Very High Priority Capital Maintenance (SFC) | | | | | | | | | | | | | | 0 | 0 |
| Additions - land | | | | | | | | | | | | | | 0 | 0 |
| Additions - buildings | 255,017 | 6,645 | 221,076 | 110,202 | 0 | 66,999 | 35,426 | 0 | 0 | | | | | 749,549 | 440,348 |
| Additions - fixtures and fittings | 0 | 0 | -3,955 | 5,771 | 0 | 3,375 | 1,536 | 0 | 0 | | | | | 11,088 | 6,726 |
| Additions- IT | 3,471 | 24,258 | 42,332 | 59,815 | 0 | 56,955 | 114,115 | 161,730 | 237,231 | 94,668 | | | | 762,703 | 791,104 |
| Work in Progress (Assets Under Construction) | 11,118 | 7,490 | -27,986 | 4,085 | 0 | 0 | 0 | 2,522 | 0 | | | | | 26,265 | -13,888 |
| Surrender of proceeds | | | | | | | | | | | | | | 0 | 0 |
| **Total CDEL expenditure** | 269,606 | 38,393 | 231,466 | 179,873 | 0 | 127,329 | 151,077 | 164,252 | 237,231 | 94,668 | 0 | 0 | 0 | 1,549,605 | 1,224,290 |
| **Net CDEL expenditure (b)** | -269,606 | -38,393 | -231,466 | -179,873 | 0 | -127,329 | -151,077 | -164,252 | -237,231 | -94,668 | 0 | 0 | 0 | -1,549,605 | -1,224,290 |
| **ODEL** | | | | | | | | | | | | | | | |
| **Capital Loan/Lennartz Repayments (c)** | | | | | | | | | | | | | | 0 | 0 |
| **EMA** | | | | | | | | | | | | | | | |
| EMA income | 13,230 | 165 | 0 | 9,870 | 11,850 | 14,310 | 13,140 | 13,140 | 43,040 | | | | | 137,565 | 105,515 |
| EMA expenditure | 0 | 0 | 9,870 | 11,850 | 14,310 | 13,560 | 13,140 | | 18,000 | 8,250 | | | | 117,300 | 88,980 |
| **Net EMA (d)** | 13,230 | 165 | -9,870 | -1,980 | -2,460 | 750 | 0 | 13,140 | 25,040 | -8,250 | 0 | 0 | 0 | 20,265 | 16,535 |
| | | | | | | | | | | | | | | | |
| **Total Net Outflows/(Inflows) (a) +(b)+(c )+(d)** | **-1,483,805** | **-570,688** | **-1,257,964** | **-1,404,003** | **-1,211,323** | **-857,459** | **-881,652** | **-1,028,313** | **-1,346,880** | **-531,339** | **-1,149,784** | **-1,150,685** | **-1,356,687** | **-12,826,824** | **-12,746,778** |
| | | | | | | | | | | | | | | | |
| **Opening Bank Balance** | **1,178,003** | **1,125,894** | **1,225,505** | **964,321** | **548,634** | **624,185** | **1,022,298** | **859,928** | **872,034** | **1,156,451** | **1,286,900** | **1,323,182** | **1,416,724** | | |
| **Net Cash Available** | -305,802 | 555,205 | -32,459 | -439,683 | -662,689 | -233,274 | 140,646 | -168,385 | -474,846 | 625,112 | 137,116 | 172,497 | 60,037 | | |
| **SFC Cash Drawdown Total** | 1,431,696 | 670,300 | 996,780 | 988,317 | 1,286,874 | 1,255,572 | 719,282 | 1,040,419 | 1,631,297 | 661,788 | 1,186,066 | 1,244,227 | 928,333 | 13,046,333 | 12,609,254 |
| **Closing Bank Balance** | **1,125,894** | **1,225,505** | **964,321** | **548,634** | **624,185** | **1,022,298** | **859,928** | **872,034** | **1,156,451** | **1,286,900** | **1,323,182** | **1,416,724** | **988,370** | | |
| | | | | | | | | | | | | | | | |
| **Closing bank balance / Actual Expenditure per day = days at that rate** | 59 | 29 | 21 | 14 | 22 | 35 | 25 | 19 | 65 | 34 | 34 | 31 | | | |

Cash days at end March are elevated due to requirement to fully draw down funds for the SFC FY end March. This is a strong indicator that the College has a healthy cash flow position. Cash days return to a more average level of 30-40 days for the remainder of the AY. Impact of deficit of circa £200k on cash flow can be accommodated.

Low spot in October 2019 due to issues with non payment of the HWU SLA. We have resolved SLA costing issues and they are paying invoices as expected.

**APPENDIX 3 DEBTORS**

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. 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 riskier older debt levels normally remain relatively stable.

The total debt in March 2020 was £325k which is considerably higher than last year (£167k) and is entirely due to trade debt. Student debt is well managed with the levels of debt this year being substantially less than last year.

**APPENDIX 4 CREDITORS**

The College's standard payment terms are to pay within 30 days. We operate two payment runs per month, on the 6th and 20th of the month. The prompt payment code suggests payment of SMEs within 10 days. Our ability to pay within 10 days is severely constrained by current processes and payment run frequency.

The chart on the left shows that only 3% of invoices are paid within 10 days. Historically our ability to pay within 30 days has been very challenging, although the performance improved in 2017-18 and dipped again to the current level of 39%. We have been steadily increasing the volume of invoices processed through PECOS and effective use of this electronic process should give us more ability to pay promptly.

The chart on the right shows that the average number of days to pay peaked at 44 days in 2014-15, dropped to 37 days in 2017-18 and currently sits at 39 days.

Prompt payment is a key improvement area for the finance team to work with budget managers to progress. Once we have completed the SUN upgrade we will focus our efforts on speeding up the purchase to pay process.