

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		Date: 14 September 2020																																					
Purpose: To provide members with an overview of the current financial position.																																							
Linked to Strategic Goal: We will take a leading role in enabling an inclusive, resilient and sustainable Scotland																																							
Financial Forecast Return Three years projection <table border="1"> <thead> <tr> <th>AY</th> <th>Outturn</th> <th>Savings</th> </tr> </thead> <tbody> <tr> <td>2020-21</td> <td>£67k</td> <td>£772k</td> </tr> <tr> <td>2021-22</td> <td>£120k</td> <td>£177k</td> </tr> <tr> <td>2022-23</td> <td>£78k</td> <td>£360k</td> </tr> </tbody> </table> <p>Efficiency return will be provided to Audit Committee in October 2020.</p>		AY	Outturn	Savings	2020-21	£67k	£772k	2021-22	£120k	£177k	2022-23	£78k	£360k	In year budget changes Savings achieved <table border="1"> <thead> <tr> <th>Category</th> <th>Rec</th> <th>NR</th> <th>Target</th> </tr> </thead> <tbody> <tr> <td>Turnover</td> <td>-</td> <td>-</td> <td>£96k</td> </tr> <tr> <td>Contracts</td> <td>£115k</td> <td>-</td> <td>£115k</td> </tr> <tr> <td>Income</td> <td>-</td> <td>-</td> <td>£138k</td> </tr> <tr> <td>Grant</td> <td>-</td> <td>-</td> <td>£178k</td> </tr> <tr> <td>Structure</td> <td>-</td> <td>-</td> <td>£245k</td> </tr> </tbody> </table> <p>Additional grant allocations £84k maintenance funds £38k for digital poverty</p>		Category	Rec	NR	Target	Turnover	-	-	£96k	Contracts	£115k	-	£115k	Income	-	-	£138k	Grant	-	-	£178k	Structure	-	-	£245k
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Management accounts (Appendix 1) In year position not yet available, first management accounts will be produced at end September.		Cashflow (Appendix 2) <ul style="list-style-type: none"> • Opening balance in August £1,516k • Cash days are strong, between 20 and 30. Elevated at end July and March due to draw down of full grant. • Closing balance July 2021 is £927k. • Assuming savings targets are met, there are no concerns about cash. 																																					
Debtors (Appendix 3) Debt in July 2020 was £53,635 which is slightly lower than last year (£57,656) and is a combination of trade debt and student debt.		Creditors (Appendix 4) Payment performance has improved this year, and further redesign of processes is required now that the Sun upgrade is complete. 70% of invoices were paid within 40 days.																																					
Recommendation: Members to seek clarification on any aspects of the report and note the strong cash position.																																							

Previous Committee Approvals: Nil		
For publication <input checked="" type="checkbox"/>	For publication with redactions <input type="checkbox"/>	Not for publication <input type="checkbox"/>

APPENDIX 1 Management Accounts

Management accounts will be produced as at end September 2020, information not available for this report.

APPENDIX 2

DRAW DOWN AND CASH FLOW

Changes in grant income:

- Capital for economic recovery £83,636 (maintenance of estates)
- Digital support funding £30,338 (digital poverty)

September 20: Profile of grants to be paid to the College

Borders

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 if

	2021001	2021002	2021003	2021004	2021005	2021006	2021007	2021008	2021009	2021010	2021010	2021011	2021012	2022002	2022003	2022004
	Actual					Current	Forecast									
	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
Payments	Actual	Actual	Actual	Actual	Actual	Current	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
College Maintenance	0	0	0	0	0											
Teaching and Fee Waiver Grant	350,000	950,000	1,000,000	765,812	0	750,000	1,050,000	750,000	750,000	500,000	750,000	1,035,983	450,000	950,000	800,000	1,052,597
Student Support Consolidated	261,359	183,637	193,798	108,801	50,000	180,400	199,681	180,138	217,785	183,019	193,672	220,004	236,270	265,043	286,840	41,420
Student Support IYR1920	12,000	12,000	17,910	0	0											
National Bargaining harmonisation AY1920	16,500	16,500	16,500	20,952	0											
Pension costs (April-July only)	0	0	35,572	11,857	0											
In-year credit transfer	0	0	0	50,745	0											
High priority backlog (resource)	0	0	0	0	0		28,000									
Lifecycle maintenance (resource)	0	0	0	0	0											
High priority backlog((capital)	0	0	0	0	0		179,000									
Lifecycle maintenance (capital)	0	0	0	0	0		30,000	40,000	55,000	30,000	30,000	11,000				
additional capital	0	0	0	0	0						40,000	43,636				
Flexible Workforce development fund 192	0	0	0	0	0											
Funding for Counsellors 1920	13,500	0	0	0	0	3,394	3,394	3,394	3,394	3,394	3,394	3,394				
In-year credit transfer	0	0	0	50,745	0											
ESF AY2019-20	8,429	8,429	8,429	8,429	0	0	33,716	0	0	0	0	0	0	0	0	0
Total Resource Drawdown	639,859	1,162,137	1,263,780	958,167	50,000	930,400	1,277,681	930,138	967,785	683,019	943,672	1,255,987	686,270	1,215,043	1,086,840	1,094,017
Total Capital Drawdown	0	0	0	0	0	0	209,000	40,000	55,000	30,000	70,000	54,636	0	0	0	0
Total Strategic Drawdown	21,929	8,429	8,429	59,174	0	3,394	37,110	3,394	3,394	3,394	3,394	3,394	0	0	0	0

Note the lower level of draw down of main grant in April 2021. This reflects the requirement to draw down the financial year grant in March and a resulting higher level of cash in April to cover operating spend.

Monthly cashflow forecast: Sept 20

Borders

Sept 20 to be updated by the college for actual expenditure. Oct 20 to July 21 to be completed with forecast (best estimate of outturn) figures. All figures to the nearest £ (whole numbers only)

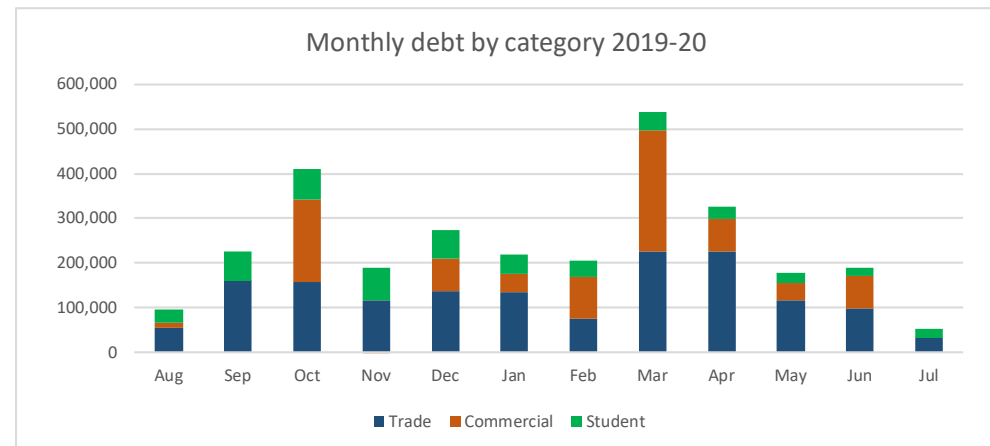
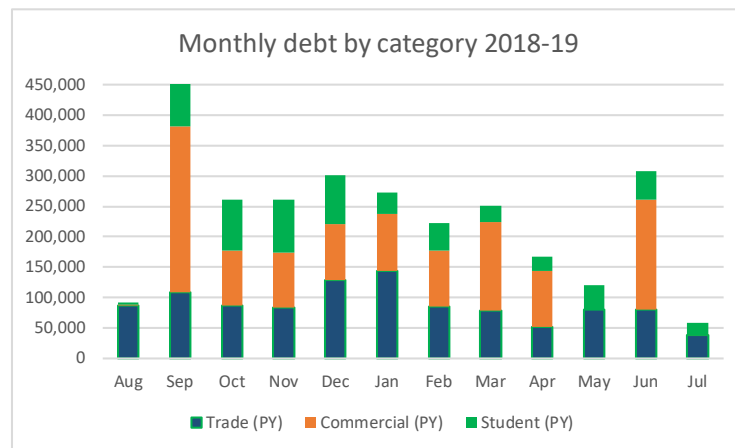
	Actual					Current		Forecast								
	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
	Actual	Actual	Actual	Actual	Actual	Current	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
RDEL																
Income from foundation (revenue)																
Other Income excluding EMA (revenue)	305,536	125,231	247,018	272,775	173,285	231,663	187,951	195,723	300,997	472,493	204,911	246,163	275,026	188,220	117,152	274,965
UHI HE funding (UHI colleges only)																
Total RDEL income (excluding drawdown)	305,536	125,231	247,018	272,775	173,285	231,663	187,951	195,723	300,997	472,493	204,911	246,163	275,026	188,220	117,152	274,965
Salaries	450,965	786,785	776,681	1,068,333	397,755	727,705	766,825	833,068	779,472	765,659	804,527	1,115,696	494,009	1,134,049	896,646	1,215,381
Other Operating Expenditure excl' EMA	126,544	167,444	113,011	427,789	87,385	298,593	304,454	316,300	304,804	182,321	122,575	188,035	119,147	108,722	101,144	168,537
Student Support (excluding EMA)	156,448	116,704	87,121	7,830	15,895	180,400	199,681	180,138	217,785	183,019	193,672	220,004	236,270	265,043	286,840	41,420
Total RDEL expenditure	733,957	1,070,933	976,813	1,503,952	501,035	1,206,699	1,270,960	1,329,507	1,302,062	1,130,999	1,120,775	1,523,736	849,427	1,507,814	1,284,631	1,425,339
Net RDEL expenditure (a)	-428,421	-945,702	-729,795	-1,231,177	-327,750	-975,036	-1,083,008	-1,133,784	-1,001,064	-658,506	-915,864	-1,277,573	-574,401	-1,319,594	-1,167,479	-1,150,373
CDEL																
Capital Expenditure:																
Very High Priority Capital Maintenance (SFC)							350,000									
Additions - land																
Additions - buildings																
Additions - fixtures and fittings																
Additions- IT	94,668	121,776	131,914	39,863	131,520	50,000	20,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Total CDEL expenditure	94,668	121,776	131,914	39,863	131,520	50,000	370,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000
Net CDEL expenditure (b)	-94,668	-121,776	-131,914	-39,863	-131,520	-50,000	-370,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000	-10,000
ODEL																
Capital Loan/Lennartz Repayments (c)																
EMA																
EMA income					210		9,660	11,850	14,310	13,560	13,140	43,040		250	15,240	15,240
EMA expenditure	8,250	15,240	15,240			9,870	11,850	14,310	13,560	13,140	17,040	18,000	8,250	15,240	15,240	
Net EMA (d)	-8,250	-15,240	-15,240	0	210	-9,870	-2,190	-2,460	750	420	-3,900	25,040	-8,250	-14,990	0	15,240
Total Net Outflows/(Inflows) (a) +(b)+(c)+(d)	-531,339	-1,082,718	-876,949	-1,271,040	-459,060	-1,034,906	-1,455,198	-1,146,244	-1,010,314	-668,086	-929,764	-1,262,533	-592,651	-1,344,584	-1,177,479	-1,145,133
Opening Bank Balance	1,156,451	1,286,900	1,374,748	1,770,007	1,516,308	1,107,248	1,006,137	1,074,729	902,018	917,883	966,210	1,053,513	1,104,997	1,198,616	1,069,075	978,436
Net Cash Available	625,112	204,182	497,799	498,967	1,057,248	72,343	-449,061	-71,515	-108,296	249,797	36,446	-209,021	512,346	-145,968	-108,404	-166,697
SFC Cash Drawdown Total	661,788	1,170,566	1,272,209	1,017,341	50,000	933,794	1,523,791	973,532	1,026,179	716,413	1,017,066	1,314,017	686,270	1,215,043	1,086,840	1,094,017
Closing Bank Balance	1,286,900	1,374,748	1,770,007	1,516,308	1,107,248	1,006,137	1,074,729	902,018	917,883	966,210	1,053,513	1,104,997	1,198,616	1,069,075	978,436	927,320
Closing bank balance / Actual Expenditure per day = days at that rate	36		42	99	32	21	28	27	41	31	25	56	27	27	26	

Cash days are strong, generally between 20 and 30. Elevated at end July and end March due to requirement to draw down full grant allowance. Closing balance £927k. Assuming savings targets are met, there are no concerns about cash flow.

£350k cash outflow in October relates to modular building at Newtown which is funded by maintenance allocation over two years, as agreed with SFC.

APPENDIX 3

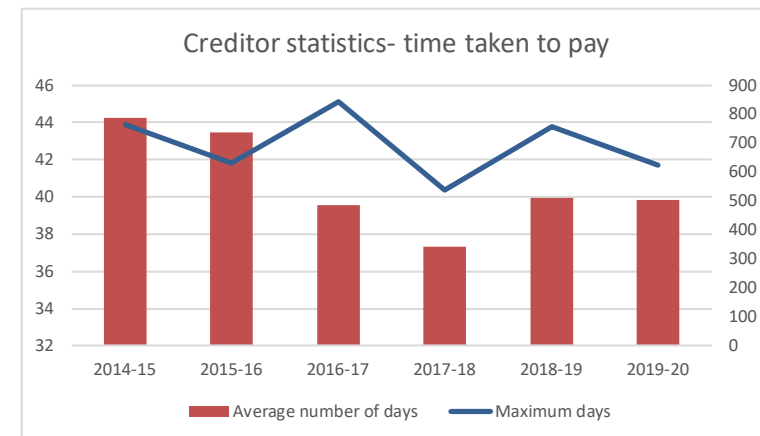
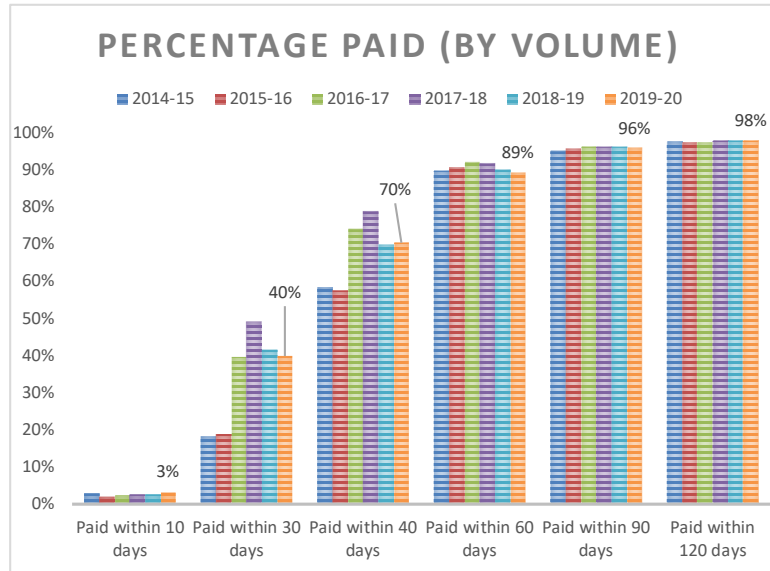
DEBTORS



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 July 2020 was £53,635 which is slightly lower than last year (£57,656) and is a combination of trade debt and student debt. Student debt has been well managed throughout the year with the levels of debt this year regularly being significantly less than at the same time 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 significantly in 2017-18 and currently sits at around 41 days. We have been steadily increasing the volume of invoices processed through PECOS and continued efforts on 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 41 days.

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