

# FINANCE & GENERAL PURPOSES COMMITTEE REPORT

<b>Subject:</b> Business Review		<b>Purpose:</b> <b>For Approval</b> <input type="checkbox"/> <b>For Discussion</b> <input checked="" type="checkbox"/> <b>For Information</b> <input type="checkbox"/>																																					
<b>Prepared by:</b> Hazel Robertson		<b>Date:</b> 11 November 2020																																					
<b>Purpose:</b> To provide members with an overview of the current financial position.																																							
<b>Linked to Strategic Goal:</b> We will take a leading role in enabling an inclusive, resilient and sustainable Scotland																																							
<b>Financial Forecast Return</b>  <b>Three years projection</b> <table><tr><th>AY</th><th>Outturn</th><th>Savings</th></tr><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></table> Staff restructure nearly complete Significant supplies savings from reduced campus based activity Early signs of improved income Potential pressure on support staff pay negotiation		AY	Outturn	Savings	2020-21	£67k	£772k	2021-22	£120k	£177k	2022-23	£78k	£360k	<b>In year budget changes</b>  <b>Savings achieved</b> <table><tr><th>Category</th><th>Rec</th><th>NR</th><th>Target</th></tr><tr><td>Turnover</td><td>£25k</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>£45k</td><td>-</td><td>£138k</td></tr><tr><td>Grant</td><td>-</td><td>-</td><td>£178k</td></tr><tr><td>Structure</td><td>£157k</td><td>-</td><td>£245k</td></tr></table> Additional grant allocations £84k maintenance funds £38k for digital poverty Successful bid for digital (value TBC) £70k funding from BFET for DTP		Category	Rec	NR	Target	Turnover	£25k	-	£96k	Contracts	£115k	-	£115k	Income	£45k	-	£138k	Grant	-	-	£178k	Structure	£157k	-	£245k
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<b>Management accounts (Appendix 1)</b>  In year position at a high level. <ul style="list-style-type: none"><li>£50k set aside for additional support for students</li><li>£75k underspend (after savings)</li></ul>		<b>Cashflow (Appendix 2)</b> <ul style="list-style-type: none"><li>Opening balance in August £1.516m</li><li>Cash days are strong, between 20 and 30. Elevated at end July and March due to draw down of full grant.</li><li>Projected closing balance July 2021 improved to £1.1m.</li><li>There are no concerns.</li></ul>																																					
<b>Debtors (Appendix 3)</b>  Debt at October 2020 was £440k which is slightly higher than last year (£410k) and is a combination of trade debt and student debt. HWU debt is a major factor. There are no concerns.		<b>Creditors (Appendix 4)</b>  Overall payment performance has continued to improve, to an average of 36 days, however the amount within 30 days has dropped. Processes have improved and transformational change will be taken forward this year.																																					

**Recommendation:**

Members to seek clarification on any aspects of the report and note the strong cash position.

**Previous Committee Approvals:**

Nil

For publication ☒

For publication with redactions ☐

Not for publication ☐

## APPENDIX 1      Management Accounts

Due to the early month close date in November, and work to finalise the statutory accounts, the management accounts are still being finalised. A high level overview is provided below.

### Management accounts period 3 October 2020

	Pay		Non Pay		Income	TOTAL
Variance at end Quarter 1 Oct 2020	£	46,399	£	105,266	£	95,509
contribution to savings target	£(	25,000)	£(	100,000)	£(	50,000)
	£	21,399	£	5,266	£	45,509
					£	72,174

These will be sent out by 20 November and the Finance Business Partner will review with budget holders, ascertaining budget adjustments which can be made to reflect the overall pattern of significantly lower expenditure than forecast.

Budget pressures will be identified and budget virement agreed to reflect priorities.

Student funding allocations are not fully spent, due to less transport and childcare costs, a reduction in course costs and lower level of laptop costs due to other funding sources becoming available. We purchased additional loan laptops and have a significant spare bank available. We are due to submit our in year redistribution return, and will give careful thought as to how to use these important resources to best effect. We have agreed to spend £50k of our Covid underspend on financial support for students who do not meet SFC funding criteria.

The greatest negative impact of Covid is the additional cleaning staff we need to employ, and the reduced income from the Union. We are honouring funding to the BSCA even though we do not have the Union surplus to draw on.

The Digital Transformational Programme will make formal recommendations on Phase 2. Further detail is provided in the ISLT paper. The funding model covers projected capital and revenue costs (subject to final phase 2 report). BFET have approved £70k to support the programme. Timing of cash flows is to be determined. This is an essential area of spend which we need to ensure is adequately covered.

Works in relation to NSB are well advanced and spend will be within budget. We have incurred costs of c£70k in relation to the break-in. Insurance claims have been lodged.

Discussions are to be held with SFC in relation to retaining the capital receipt of £85k and the still to be finalised sale of the remainder of the Melrose Road site (£300k). We are considering minor capital works to reconfigure space at Galashiels, which can be accommodated within existing resources. We are engaging advisor support to assist in design on changes to the Galashiels campus to underpin the Borderlands proposition. These costs will in due course be part of the business case for Borderlands and in the current year could be accommodated within the receipt.

## 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)

November 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 up to the annual budget.

Payments	Actual							Current	Forecast								Budget v Forecast AY 2020/21			
	Apr-20 Actual	May-20 Actual	Jun-20 Actual	Jul-20 Actual	Aug-20 Actual	Sep-20 Actual	Oct-20 Actual	Nov-20 Forecast	Dec-20 Forecast	Jan-21 Forecast	Feb-21 Forecast	Mar-21 Forecast	Apr-21 Forecast	May-21 Forecast	Jun-21 Forecast	Jul-21 Forecast	Budget AY 2020-21	Forecast AY 2020-21	Variance	Comment
College Maintenance	0	0	0	0	0	0	0	0									8,838,580	8,838,580	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	2,254,272	2,254,272	0	
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	2,254,272	2,254,272	0	
Student Support IYR1920	12,000	12,000	17,910	0	0	0	0										0	0	0	
National Bargaining harmonisation AY1920	16,500	16,500	16,500	20,952	0	0	0										0	0	0	
Pension costs (April-July only)	0	0	35,572	11,857	0	0	0										0	0	0	
In-year credit transfer	0	0	0	50,745	0	0	0										0	0	0	
High priority backlog (resource)	0	0	0	0	0	0	28,000											28,000	-28,000	
Lifecycle maintenance (resource)	0	0	0	0	0	0	0											0	0	
High priority backlog((capital)	0	0	0	0	0	0	0	179,000										179,000	-179,000	Commen
Digital support		0	0	0	0	0	0	30,338										30,338	-30,338	
Lifecycle maintenance (capital)	0	0	0	0	0	0	0	30,000	40,000	55,000	30,000	41,000						196,000	-196,000	
additional capital	0	0	0	0	0	0	0	0			40,000	43,636						83,636	-83,636	Commen
Flexible Workforce development fund 192	0	0	0	0	0	0	0	0									0	0	0	
Funding for Counsellors 1920	13,500	0	0	0	0	3,394	3,394	16,971									0	23,760	-23,760	
Funding for Counsellors 2021	0	0	0	0	0	0	0	6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,750	6,750	81,000	60,750	20,250	
ESF AY2021	0	0	0	0	0	16,629	8,314	8,314	8,314	8,314	8,314	8,314	8,314	8,314	8,314	8,314	99,773	99,773	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	33,716	33,716	0	
<b>Total Resource Drawdown</b>	<b>639,859</b>	<b>1,162,137</b>	<b>1,263,780</b>	<b>958,167</b>	<b>50,000</b>	<b>930,400</b>	<b>1,277,681</b>	<b>930,138</b>	<b>967,785</b>	<b>683,019</b>	<b>943,672</b>	<b>1,255,987</b>	<b>686,270</b>	<b>1,215,043</b>	<b>1,086,840</b>	<b>1,094,017</b>				
<b>Total Capital Drawdown</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>239,338</b>	<b>40,000</b>	<b>55,000</b>	<b>70,000</b>	<b>84,636</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Total Strategic Drawdown</b>	<b>21,929</b>	<b>8,429</b>	<b>8,429</b>	<b>8,429</b>	<b>0</b>	<b>20,023</b>	<b>45,424</b>	<b>32,035</b>	<b>15,064</b>	<b>15,064</b>	<b>15,064</b>	<b>15,064</b>	<b>15,064</b>	<b>15,064</b>	<b>15,064</b>	<b>15,064</b>				

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.

SFC budget figures for the AY for capital draw down are not shown in the spreadsheet provided by SFC. This is simply a timing issue. There is concern about these funds not being available.

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

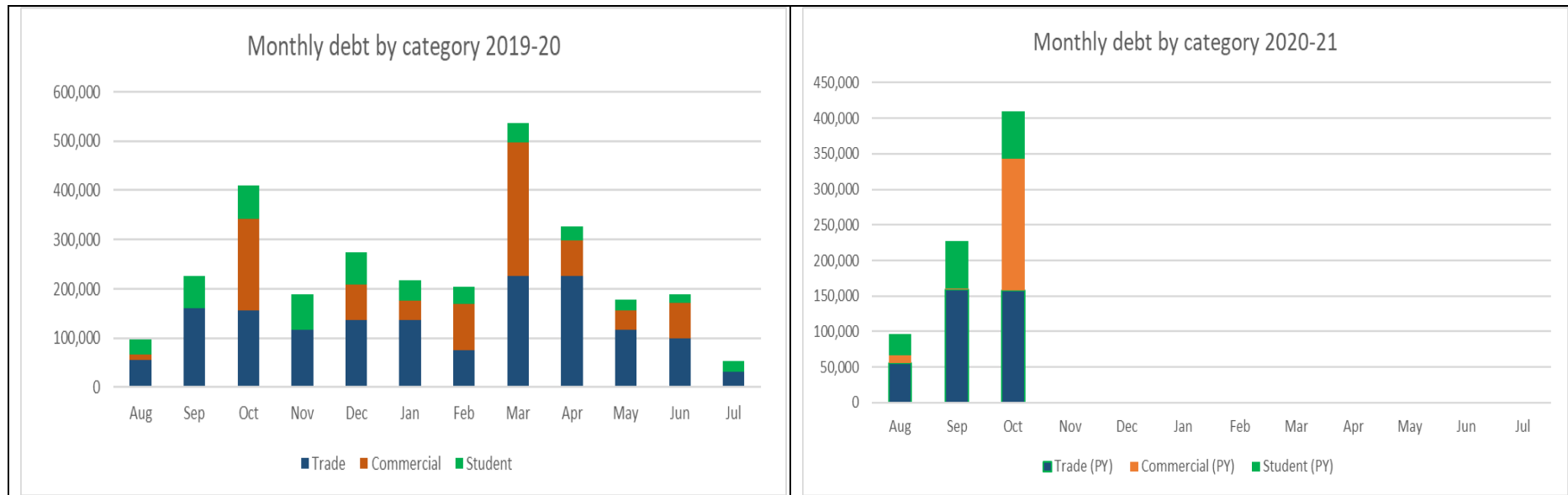
	Actual							Current	Forecast								Totals	
	Apr-20 Actual	May-20 Actual	Jun-20 Actual	Jul-20 Actual	Aug-20 Actual	Sep-20 Actual	Oct-20 Actual	Nov-20 Current	Dec-20 Forecast	Jan-21 Forecast	Feb-21 Forecast	Mar-21 Forecast	Apr-21 Forecast	May-21 Forecast	Jun-21 Forecast	Jul-21 Forecast	Total FY 2020-21	Total AY 2020-21
<b>RDEL</b>																		
Income from foundation (revenue)																	0	0
Other Income excluding EMA (revenue)	305,536	125,231	247,018	272,775	173,285	227,676	107,535	555,923	300,990	472,493	204,911	246,163	275,020	188,220	117,152	274,965	3,239,536	3,144,333
UHI HE funding (UHI colleges only)																	0	0
<b>Total RDEL income (excluding drawdown)</b>	<b>305,536</b>	<b>125,231</b>	<b>247,018</b>	<b>272,775</b>	<b>173,285</b>	<b>227,676</b>	<b>107,535</b>	<b>555,923</b>	<b>300,990</b>	<b>472,493</b>	<b>204,911</b>	<b>246,163</b>	<b>275,020</b>	<b>188,220</b>	<b>117,152</b>	<b>274,965</b>	<b>3,239,536</b>	<b>3,144,333</b>
Salaries	450,965	786,785	776,681	1,068,333	397,755	703,172	1,012,702	833,068	772,872	795,659	804,527	1,115,696	494,009	1,134,049	896,646	1,215,381	9,518,216	10,175,538
Exceptional Restructuring costs																	0	0
Very High Priority Capital Maintenance (SFC)																	0	0
Capital Maintenance																	0	0
Other Operating Expenditure excl' EMA	126,544	167,444	113,011	427,789	87,385	256,512	341,381	316,300	298,804	185,321	202,575	180,035	119,147	108,722	101,144	168,537	2,703,103	2,365,866
NPD Unitary charges (paid by colleges)																	0	0
Donation to Foundation																	0	0
High priority backlog- resource F21003																	0	0
Lifecycle maintenance resource F21005																	0	0
Student Support (excluding EMA)	156,448	116,704	87,121	7,830	15,895	72,452	142,515	230,138	217,785	183,019	249,672	221,952	236,270	265,043	286,840	41,420	1,701,531	2,163,001
<b>Total RDEL expenditure</b>	<b>733,957</b>	<b>1,070,933</b>	<b>976,813</b>	<b>1,503,952</b>	<b>501,035</b>	<b>1,032,136</b>	<b>1,496,598</b>	<b>1,379,507</b>	<b>1,289,462</b>	<b>1,163,999</b>	<b>1,256,775</b>	<b>1,517,684</b>	<b>849,427</b>	<b>1,507,814</b>	<b>1,284,631</b>	<b>1,425,339</b>	<b>13,922,850</b>	<b>14,704,405</b>
<b>Net RDEL expenditure (a)</b>	<b>-428,421</b>	<b>-945,702</b>	<b>-729,795</b>	<b>-1,231,177</b>	<b>-327,750</b>	<b>-804,460</b>	<b>-1,389,063</b>	<b>-823,584</b>	<b>-988,471</b>	<b>-691,506</b>	<b>-1,051,864</b>	<b>-1,271,521</b>	<b>-574,407</b>	<b>-1,319,594</b>	<b>-1,167,479</b>	<b>-1,150,373</b>	<b>-10,683,314</b>	<b>-11,560,072</b>
<b>CDEL</b>																		
Income from foundation (capital)																	0	0
Proceeds of sale of fixed assets																	0	0
Other income (capital)																	0	0
<b>Total CDEL income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Capital Expenditure:																	0	0
Very High Priority Capital Maintenance (SFC)								350,000									350,000	350,000
Additions - land																	0	0
Additions - buildings																	0	0
Additions - fixtures and fittings																	0	0
Additions- IT	94,668	121,776	131,914	39,863	131,520	9,125	53,235	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	10,000	632,102	283,880
Work in Progress (Assets Under Construction)																	0	0
High priority backlog- capital F21002																	0	0
Lifecycle maintenance capital F21004																	0	0
Additional capital spend (F21008)																	0	0
Digital support F21010																	0	0
Surrender of proceeds																	0	0
<b>Total CDEL expenditure</b>	<b>94,668</b>	<b>121,776</b>	<b>131,914</b>	<b>39,863</b>	<b>131,520</b>	<b>9,125</b>	<b>53,235</b>	<b>360,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>10,000</b>	<b>982,102</b>	<b>633,880</b>
<b>Net CDEL expenditure (b)</b>	<b>-94,668</b>	<b>-121,776</b>	<b>-131,914</b>	<b>-39,863</b>	<b>-131,520</b>	<b>-9,125</b>	<b>-53,235</b>	<b>-360,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-10,000</b>	<b>-982,102</b>	<b>-633,880</b>
<b>ODEL</b>																		
<b>Capital Loan/Lennartz Repayments (c)</b>																	0	0
<b>EMA</b>																		
EMA income					210												210	210
EMA expenditure	8,250	15,240	15,240			3,180											41,910	3,180
<b>Net EMA (d)</b>	<b>-8,250</b>	<b>-15,240</b>	<b>-15,240</b>	<b>0</b>	<b>210</b>	<b>-3,180</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-41,700</b>	<b>-2,970</b>
<b>Total Net Outflows/(Inflows) (a) +(b)+(c) +(d)</b>	<b>-531,339</b>	<b>-1,082,718</b>	<b>-876,949</b>	<b>-1,271,040</b>	<b>-459,060</b>	<b>-816,765</b>	<b>-1,442,298</b>	<b>-1,183,584</b>	<b>-998,471</b>	<b>-701,506</b>	<b>-1,061,864</b>	<b>-1,281,521</b>	<b>-584,407</b>	<b>-1,329,594</b>	<b>-1,177,479</b>	<b>-1,160,373</b>	<b>-11,707,116</b>	<b>-12,196,922</b>
<b>Opening Bank Balance</b>	<b>1,156,451</b>	<b>1,286,900</b>	<b>1,374,748</b>	<b>1,770,007</b>	<b>1,465,563</b>	<b>1,056,503</b>	<b>1,190,161</b>	<b>1,070,969</b>	<b>1,088,896</b>	<b>1,113,274</b>	<b>1,164,851</b>	<b>1,131,724</b>	<b>1,205,891</b>	<b>1,322,818</b>	<b>1,223,332</b>	<b>1,147,757</b>		
<b>Net Cash Available</b>	<b>625,112</b>	<b>204,182</b>	<b>497,799</b>	<b>498,967</b>	<b>1,006,503</b>	<b>239,738</b>	<b>-252,137</b>	<b>-112,616</b>	<b>90,425</b>	<b>411,768</b>	<b>102,988</b>	<b>-149,797</b>	<b>621,484</b>	<b>-6,776</b>	<b>45,853</b>	<b>-12,616</b>		
<b>SFC Cash Drawdown Total</b>	<b>661,788</b>	<b>1,170,566</b>	<b>1,272,209</b>	<b>966,596</b>	<b>50,000</b>	<b>950,423</b>	<b>1,323,105</b>	<b>1,201,511</b>	<b>1,022,849</b>	<b>753,083</b>	<b>1,028,736</b>	<b>1,355,687</b>	<b>701,334</b>	<b>1,230,107</b>	<b>1,101,904</b>	<b>1,109,081</b>	<b>11,756,555</b>	<b>11,827,824</b>
<b>Closing Bank Balance</b>	<b>1,286,900</b>	<b>1,374,748</b>	<b>1,770,007</b>	<b>1,465,563</b>	<b>1,056,503</b>	<b>1,190,161</b>	<b>1,070,969</b>	<b>1,088,896</b>	<b>1,113,274</b>	<b>1,164,851</b>	<b>1,131,724</b>	<b>1,205,891</b>	<b>1,322,818</b>	<b>1,223,332</b>	<b>1,147,757</b>	<b>1,096,466</b>		
Closing bank balance / Actual Expenditure per day = days at that rate	36		42	96	39	25	27	33	48	33	26	62	30	31	30			

Cash days remain very strong, generally between 20 and 30. Elevated at end July and end March due to requirement to draw down full grant allowance. Closing balance increased from £0.9k to £1.1m. This does not yet take account of the £85k receipt. There are no concerns about cash flow.

£350k cash outflow has been moved to November and relates to modular building at NSB which is funded by maintenance allocation over two years, as agreed with SFC.

## APPENDIX 3

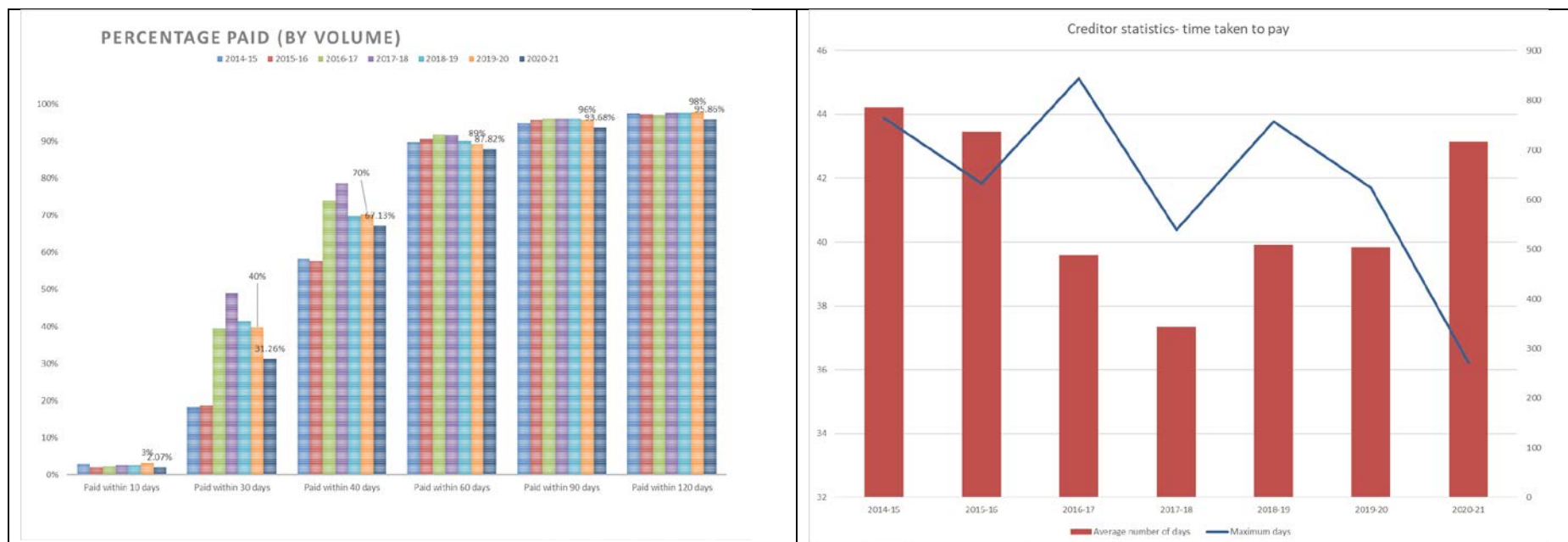
## DEBTORS



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 at end October 2020 was £440k which is comparable to previous years at this time, and reflects the timing in invoicing HWU for SLA costs. We remain in negotiation with HWU on the ISLT SLA where service changes have been made over the years without the SLA keeping pace. We expect to finalise this in the coming month. Reductions in charges have been reflected in invoicing and budgets. Student debt remains well managed.

## APPENDIX 4 CREDITORS



The College's standard payment terms are to pay within 30 days. We operate two payment runs per month, on the 6<sup>th</sup> and 20<sup>th</sup> of the month. The prompt payment code suggests payment of SMEs within 10 days. Our ability to do this is severely constrained by current processes and payment run frequency. The chart on the left shows that less than 3% of invoices are paid within 10 days.

Historically our ability to pay within 30 days has been very challenging, although performance improved significantly in 2017-18 but has been dropping since then. 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 36 days. The chart on the left shows that the "tail" has dropped significantly this year. At least part of this can be attributed to a lower level of invoices requiring processing (I suspect largely Covid related) and a push to reduce the backlog.

Prompt payment is a key improvement area for the finance team to work with budget managers to progress. We have made improvements in this regard and transformational redesign will be taken forward under the leadership of the new AP Finance.