

REGIONAL BOARD REPORT

Subject: Mid Year Financial Review 2021	Purpose: For Approval <input checked="" type="checkbox"/> For Discussion <input type="checkbox"/> For Information <input type="checkbox"/>	
Prepared by: Hazel Robertson, Vice Principal Finance and Corporate Services	Date: 13 April 2021	
Purpose: To provide the Board with the mid year review and financial forecast for July 2021 for discussion		
Linked to Strategic Ambition: We will create high quality learning and training opportunities which are relevant, enabling and flexible		
Executive Summary <p>The Mid Year Review (MYR) has been compiled based on the end of February management accounts and discussions with budget holders about planned activity from now until end July 2021.</p> <p>The projection is that the College will achieve a surplus of £50k compared to the FFR projected surplus of £67k.</p> <p>Covid 19 has had a very significant impact on our income and expenditure position. Very recently we have had an additional grant from SFC of £280k, which is sufficient to cover our loss of income, increased running costs and return to campus plan.</p> <p>Savings plans for the year totalling £772k have been achieved.</p> <p>After accounting for non cash items, this level of performance will see the College having an annual adjusted operating position of a surplus of £121k. This allows us some flexibility in terms of non cash performance, eg to accommodate a review of accounting policy on IT equipment assets.</p> <p>This performance level places us in a good position to begin preparing scenarios for consideration for 2021/22.</p>		
Recommendation: Members are asked to discuss the MYR which has been submitted to SFC.		
Previous Committee Approvals: Approved by Finance and General Purposes Committee via virtual consideration		
For publication <input checked="" type="checkbox"/>	For publication with redactions <input type="checkbox"/>	Not for publication <input type="checkbox"/>

MID YEAR RETURN 2021

Introduction

The mid year return (MYR) has been prepared taking account of the management accounts at end February 2021 and discussions with budget holders about projected income and spend to the end of the year.

Savings

Members will be aware that 2020-21 is a challenging financial year with significant savings to be achieved, even before thinking about the impact of COVID19. Achievement of these targets was necessary to support our pessimistic scenario planning model which was used to prepare the Financial Forecast Return (FFR).

Savings area	Target £s
Turnover	96,000
Contracts	115,000
Income	138,000
Grant	178,000
Structure	245,000
Total	772,000

The MYR demonstrates that these savings targets have been achieved.

Covid 19 costs and curriculum delivery

The impact of Covid 19 has been significant. Some of these impacts were identified in the scenario planning model. We have very recently received an allocation of COVID19 funds of £280k, to cover loss of income and costs not budgeted at the beginning of the year, and to support the return of students to campus, with a view to avoiding as many deferrals as possible.

The table below shows the MYR impact of COVID19 taking into account the initial budget, costs of delivery, SFC funding and the impact on other areas of the budget. With the new allocation, our COVID19 position is nearly break even.

COVID 19 – areas of spend and income	MYR £s
Job retention scheme	(141,000)
SFC funding for curriculum delivery	(280,000)
Avoided travel	(49,000)
Reduced facilities costs	(41,000)
Original budget	141,000
Net loss on catering contract + additional hygiene staff	78,000
Modifications to buildings	70,000
Health & Safety (PPE)	62,000
Digital support for working at home	10,000
Post Easter curriculum delivery	165,000
Total	5,000

MYR Statement of Comprehensive Income and Expenditure

The table below provides a summary of the MYR Statement of Comprehensive Income and Expenditure compared to the approved FFR.

	FFR £000	MYR £000	Significant variances from FFR
Income	13,178	13,813	+£82k grant in aid +£280k COVID grant +£90k project based funds +£141k job retention
Expenditure	13,111	13,763	-£204k facilities spend +£201k COVID spend +£165k curriculum delivery +£151k project based spend +£95k rates +£90k contingency
Surplus	67	50	

The majority of significant variances in this year relate to COVID 19 and its impact on normal operations. From an expenditure point of view it has had positive impacts as well as negative.

As part of the MYR process we have identified a significant pressure in relation to rates. This will be picked up with the Council to determine if there is any possible remedy for these significantly increased costs.

All other areas of financial performance are line with the position previously reported to the Committee through the Business Review process.

Balance Sheet

We will review equipment capitalisation in the second half of the year. This is in line with work ongoing across the sector to consider whether accounting policies require to be changed in relation to grouping of IT assets. Any changes in accounting policy will need to be signed off by the Committee, and potentially the Board if significant.

As required we will undertake an impairment review of our estate for the year end.

These are technical accounting issues and would be reflected in the adjusted operating forecast (currently £121k).

The sale of the remainder of the Melrose Road site is nearing completion. There is one matter outstanding in relation to the titles to the site. This issue is not a show stopper and the sale should conclude at a value of £280k within a very short space of time. Productive discussions have been held with SFC about the potential to retain both this receipt and the £85k receipt for Thorniedean House.

There are no other factors at this time which would involve the Balance Sheet significantly varying from the FFR position.

Adjusted operating position

This measure is used by SFC and Audit Scotland to assess our underlying financial sustainability, as part of their annual performance review of the sector.

It is possible to have a SOCIE deficit in year and still have a positive operating position as this statement adjusts for non cash items.

The projected position for the College is to have an adjusted operating surplus of £121k compared to an FFR projection of £235k. This may change once the fixed asset review has been undertaken.

Cash Flow

The College's cash position remains strong, with no concerns about meeting our year-end target. The cash balance at end February 2021 is £2.042m compared to £1.465m at beginning of August 2020 and forecast of £1.760m at end July 2021.

CONCLUSION

The MYR demonstrates that the College is on track to achieving a surplus of £50k in 2020/21, which is a considerable achievement given the level of savings required and the profound impact of COVID19. This has been supported by an additional grant from the SFC. Underlying performance indicates the College continues to be in surplus, and cash performance is in line with plan.

APPENDIX 1

Statement of Comprehensive Income & Expenditure

	FFR 2020-21	MYR 2020-21	Variance	Variance
	£000	£000	%	£
Statement of Comprehensive income and expenditure (Consolidated)				
INCOME				
Tuition fees and education contracts	1,182	1,203	1.8%	21
Funding council/RSB grants	10,144	10,567	4.2%	423
Research grants and contracts	0	0		0
Other income	1,850	2,043	10.4%	193
Investment income	2	0	-100.0%	-2
Total income before donations and endowments	13,178	13,813	4.8%	635
Donations and endowments	0	0		0
Total income	13,178	13,813	4.8%	635
EXPENDITURE				
Staff costs	8,922	8,976	0.6%	54
Staff costs - exceptional restructuring costs	0	90		90
Exceptional costs - non-staff	0	0		0
Other operating expenses	2,389	2,994	25.3%	605
Donation to Arms Length Foundation	0	0		0
Depreciation	1,500	1,403	-6.5%	-97
Interest and other finance costs	300	300	0.0%	0
Total expenditure	13,111	13,763	5.0%	652
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	67	50	-25.4%	-17
Gain/(loss) on disposal of fixed assets	0	0		0
Gain/(loss) on investments	0	0		0
Share of operating surplus/(deficit) in joint venture(s)	0	0		0
Share of operating surplus/(deficit) in associate(s)	0	0		0
Surplus/(deficit) before tax	67	50	-25.4%	-17
Other taxation	0	0		0
Surplus/(deficit) for the year	67	50	-25.4%	-17
Unrealised surplus on revaluation of land and buildings	0	0		0
Actuarial (loss)/gain in respect of pension schemes	0	0		0
Other comprehensive income	0	0		0
Total comprehensive income for the year	67	50	-25.4%	-17

APPENDIX 2 Income

INCOME		FFR 2020-21	MYR 2020-21	Variance	Variance	Explanation for variance
		£000	£000	%	£	
Tuition fees and education contracts						
	a) FE - UK	392	300	-23.5%	-92	Allocations to review mapping
	b) FE - EU	0	0		0	
	c) HE	311	311	0.0%	0	
	d) Non-EU	0	0		0	
	e) SDS contracts	187	328	75.4%	141	Allocations to review mapping
	f) Education contracts	292	264	-9.6%	-28	Allocations to review mapping
	g) Other	0	0		0	
Total tuition fees and education contracts		1,182	1,203	1.8%	21	Increased income through SDS
SFC / RSB Grants						
	a) SFC / RSB FE recurrent grant (including fee waiver)	8,756	8,838	0.9%	82	
	b) UHI recurrent grant - HE provision	0	0		0	
	c) FE Childcare funds	135	135	0.0%	0	
	d) Release of SFC / RSB deferred capital grants	1,072	1,072	0.0%	0	
	e) SFC capital grant	0	0		0	
	f) SFC grant for NPD	0	0		0	
	g) Other SFC / RSB grants - FE provision	181	522	188.4%	341	Covid Additional £280K
	h) Other UHI grants - HE provision	0	0		0	
Total SFC / RSB Grants		10,144	10,567	4.2%	423	
Research grants and contracts						
	a) European Commission	0	0		0	
	b) Other grants and contracts	0	0		0	
Total research grants and contracts		0	0		0	
Other Income						
	a) Catering and residences	0	0		0	
	b) Other European Income	0	4		4	
	c) Other income generating activities	1,353	1,310	-3.2%	-43	Campus income from café and other onsite income streams
	d) Grants from ALF	0	0		0	
	i) Revenue	0	0		0	
	II) Capital	0	0		0	
	e) Non-government capital grant	0	0		0	
	f) Other grant income	313	404	29.1%	91	Sco Govt DYW School Co-ordinators, DDI/City Deal
	g) Release of non-SFC government deferred capital grant	184	184	0.0%	0	
	h) Income from Coronavirus Job Retention Scheme	0	141		141	Covid Retention Scheme
	i) Other income	0	0		0	
Total other income		1,850	2,043	10.4%	193	

APPENDIX 3

EXPENDITURE

Expenditure

		FFR 2020-21	MYR 2020-21	Variance	Variance	Explanation for variance
		£000	£000	%	£	
STAFF COSTS						
1 Teaching departments		3,794	3,967	4.6%	173	£165K additional cost to deliver curriculum (inc NI & Pension)
2 Teaching support services		722	656	-9.1%	-66	Budget Var
3 Other support services		0	0		0	
4 Administration and central services		3,774	3,925	4.0%	151	DYV Co-Ordinators & Additional Heads
5 Premises		632	428	-32.3%	-204	Budget Var
6 Catering and residences		0	0		0	
7 Other income generating activities		0	0		0	
8 Other staff costs		0	0		0	
9 Impact of FRS 102 pensions reported costs (less contributions paid included above)		0	0		0	
Normal staff costs		8,922	8,976	0.6%	54	
10 Exceptional restructuring costs		0	90		90	New scheme to support transformational change
Total staff costs		8,922	9,066	1.6%	144	
Additional breakdown of staff costs						
	Salaries	6,934	6,990	0.8%	56	
	Social security costs	634	653	3.0%	19	
	Pension contributions	1,354	1,333	-1.6%	-21	
	Non-cash pension adjustments - net service cost	0	0		0	
	Non-cash pension adjustments - early retirement provision	0	0		0	
	Severance payments	0	0		0	
	Total staff costs	8,922	8,976	0.6%	54	
	Estimated National Bargaining costs for lecturers pay harmonisation (excluding cost of living pay awards) included above	0	0		0	
NON-STAFF COSTS						
1 Exceptional costs - non-staff		0	0		0	
2 Other operating expenses	a) Teaching departments	690	791	14.6%	101	EMA Awards -40K
	b) Teaching support services	25	13	-48.0%	-12	Graduation in Sept
	c) Other support services	0	0		0	
	d) Administration and central services	882	1,354	53.5%	472	+£62K HSE, +£15K O365, +£10K WFH IT, +£10K Leasing
	e) General education	0	0		0	Vs -£35K Catering, -£49K travel, -£10K Telephone
	f) Premises	572	642	12.2%	70	
	(i) Maintenance	100	96	-4.0%	-4	-£10K Furnishings, -£6K waste
	(ii) Utilities	220	235	6.8%	15	-£35K Elec/Gas Oil
	(iii) Other	252	311	23.4%	59	Rates +95K
	g) Catering and residences	0	0		0	
	h) Other income generating activities	0	0		0	
	i) Overspend on student support funds *	0	0		0	
	j) Planned maintenance	220	194	-11.8%	-26	Sharcs -£20K
	k) Movement on early retirement pension provision	0	0		0	
	l) NPD	0	0		0	
	m) Other	0	0		0	
Total other operating expenses		2,389	2,994	25.3%	605	
3 Depreciation	a) Government funded assets	1,500	1,403	-6.5%	-97	
	b) Non-government funded assets	0	0		0	
	c) NPD funded assets	0	0		0	
Total depreciation		1,500	1,403	-6.5%	-97	
4 Interest	a) On bank loans, overdrafts and other loans	124	124	0.0%	0	
	b) Finance lease interest	0	0		0	
	c) Other	0	0		0	
	d) Net charge on pension scheme	176	176	0.0%	0	
	e) NPD interest	0	0		0	
Total interest		300	300	0.0%	0	

* Includes any overspend on bursaries, discretionary funds, and student funds received from SAAS, but excludes childcare funds.

APPENDIX 4 Adjusted Operating Position

Borders College

ADJUSTED OPERATING RESULT	FFR 2020-21 £000	MYR 2020-21 £000	Variance %	Variance £
Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates	67	50	-25.4%	-17
Add:				
Total depreciation (Government-funded, privately funded and NPD-funded assets) net of deferred capital grant release (<i>incorporated colleges only</i>)	244	147	-39.8%	-97
Exceptional non-restructuring items (e.g. impairment costs)	0	0		0
Donation to Arms-Length Foundation (incorporated colleges only)	0	0		0
Non-cash pension adjustment - net service cost	0	0		0
Non-cash pension adjustment - ERP	0	0		0
Non-cash pension adjustment -net interest costs	176	176	0.0%	0
Deduct:				
Non-Government capital grants (e.g. ALF capital grant)	0	0		0
Exceptional income (if disclosed as exceptional in accounts) - PLEASE DO NOT INCLUDE CJRS INCOME HERE	0	0		0
CBP allocated to loan repayments and other capital items (<i>incorporated colleges only</i>)	252	252	0.0%	0
NPD payments to reduce NPD balance sheet debt	0	0		0
Adjusted operating result	235	121	-48.5%	-114
Cash budget for priorities (<i>incorporated colleges</i>) :				
Revenue priorities				
Student support funding	0	0		
2015-16 pay award	0	0		
Voluntary severance	0	0		
Estates costs	0	0		
Other - please describe	0	0		
Total impact on operating position	0	0		
Capital priorities				
Loan repayments	252	252		
NPD / PFI repayments	0	0		
Estates costs	0	0		
Provisions pre 1 April 2014	0	0		
Total capital	252	252		
Total cash budget for priorities spend	252	252		