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FINANCE & GENERAL PURPOSES COMMITTEE REPORT

BORDERS COLLEGE REGIONAL BOARD

Subject: Business Review	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Hazel Robertson	**Date:** 28 September 2021

Purpose:
To provide members with an overview of the financial position at period 12 2020/21.

Linked to Strategic Ambition: We will take a leading role in enabling an inclusive, resilient and sustainable Scotland

Financial Forecast Return

Three years projection

AY	Outturn	Savings
2020-21	£67k	£772k
2021-22	£120k	£177k
2022-23	£78k	£360k

Savings fully achieved
New FFR projections
Receipt for Melrose Road retained.

In year budget changes

Additional grant allocations
£8k mental health (students)
Student funds £81k, hardship £41k
Financial sustainability (Covid) £279k

Spending against grant allocations
- Flexible workforce development c/f
- Counsellors
- Sanitary products

Management accounts (Appendix 1)

- operating surplus of £219k before pensions
- 33% improvement in apprenticeship funding
- Investment in key priorities

Cashflow 2021/22 (Appendix 2)

- Opening balance in August £1.695m
- Cash days between 30 and 62. Elevated at end March due to draw down of full grant.
- Projected position for July 2022 at £1.402m.

Debtors (Appendix 3)

Spiky due to profile of HWU
Student debt improved

Creditors (Appendix 4)

30 day payment performance beginning to improve.
Transformational change has commenced and KPIs are being set.

Recommendation:
Members to seek clarification on any aspects of the report and note the achievement of a year-end surplus (before pensions), the strong cash position, continued improvement in management of student debt and the beginning of improved creditors payments.

Previous Committee Approvals:
Nil

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

APPENDIX 1 Management Accounts

An overview of the period 12 management accounts is provided below, with the full accounts attached.

Overview

The management accounts show an overall deficit position of £716k which reflects an operating surplus of £219k before pensions. The surplus arose from a combination of factors including a 33% improvement in apprenticeship funding, and the receipt of additional non recurring grant to enable the College to reduce the amount of deferrals into 2021/22.

This is a strong result for the College, especially in a year where savings of £0.772m were required and delivered.

The College's income for the 12 months to 31 July 2021 was £14.4m (last year £14.0m). Salary costs for the period, at £10.46m were 72.8% of income (71.1% for the previous year). Salary costs grew by 5% in year mainly due to planned growth in priority areas (ISLT, eLearning, Quality and Programme Management).

There are some high value variances within the accounts which indicate the need for greater engagement with budget holders to profile budgets more accurately. The AP Finance will improve budget engagement and reporting arrangements during 2021/22.

Savings

Savings targets of £772,000 have been achieved.

A full review has been completed as part of the budget setting process, to confirm that the income target of £278,000 has been fully achieved on a recurring basis. In general terms the income position is better than predicted in the pessimistic budget scenario.

The restructure target of £245,000 has been over achieved on a full year basis (£289,430 achieved).

The general target of £249,000 is achieved in year, with budget work confirming that this level of savings can be achieved on a recurrent basis.

The recent internal audit on Value For Money confirmed that the College has robust arrangements in place for identifying and achieving savings targets.

Covid 19 Contingency planning

During the year we received financial sustainability funding of £280,000 which has funded the additional activity required to address academic delays due to COVID.

Digital Transformation

Contracts for all three areas (Infrastructure, MIS and VLE) have been signed. The financial values of these contracts is in line with the cost model previously supplied to the Committee. BFET provided £70k to support the programme. The cloud infrastructure will be completed in early October. The MIS went live on 16 August including three years of historic data, and the VLE will go live through phased installation during 2021/22. Moodle will be phased out over the academic year. Payment portal and Website have been added to the programme went live on 16 August and 9 September due to the interdependencies.

We have invested in three eLearning posts to support the roll out of the new VLE These posts are funded through the redesign of other staffing roles, to be implemented in October.

We are in the discovery phase for the next round of Digital Transformation.

Capital

The cost of the modular building at NSB came in on budget and was available in time for the new academic year.

Other than this the majority of capital funds were spent on digital infrastructure.

During the year we have implemented a change in accounting policy which means we will no longer capitalise grouped laptops and any other IT spend of less than £3k.

SFC have confirmed we can retain the capital receipt for Melrose Road. This will be used to fund three of the capital projects on the Galashiels site. These funds should be spent by March 2022.

We are adopting an integrated asset management approach.

Other investment in staffing

We have recruited to a programme management structure to support project management in relation to transformation, sustainability and growth in income.

We have invested in a quality management role which will also provide further capacity for equalities management.

Overall position

The year end surplus before pensions is very positive with achievement of savings, investment in priority areas and Covid impact being covered by SFC grant.

APPENDIX 2 MANAGEMENT ACCOUNTS

Borders College Management Accounts 1 August 2020 to 31st July 2021 (P1 to 12)

	Opening Budget				Pays Year to date			Non Pay Year to date			Income Year to date			TOTAL YEAR TO DATE		
	Pay £	Non Pay	Income	TOTAL	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance	Budget	Actual	Variance
Quality and Development	223,145	27,622	(2,175)	248,592	223,145	257,947	(34,802)	27,622	33,642	(6,020)	(2,175)	(5,160)	2,985	248,592	286,428	(37,836)
Creative Industries, Sport & Business	1,791,148	226,564	(3,906,682)	(1,888,970)	1,791,148	1,749,152	41,996	226,564	235,975	(9,411)	(3,906,682)	(3,627,586)	(279,096)	(1,888,970)	(1,642,459)	(246,511)
Cons, Engineer & Land Based	2,426,774	156,121	(4,507,171)	(1,924,276)	2,426,774	2,396,688	30,086	156,121	194,832	(38,711)	(4,507,171)	(4,218,793)	(288,378)	(1,924,276)	(1,627,273)	(297,003)
Department for Enterprise and Innovation	1,044,796	109,067	(1,582,292)	(428,429)	1,044,796	1,183,816	(139,020)	109,067	109,618	(551)	(1,582,292)	(1,628,239)	45,947	(428,429)	(334,804)	(93,625)
Curriculum Wide	884,298	2,541,420	(2,653,984)	771,734	884,298	955,116	(70,818)	2,541,420	2,532,405	9,015	(2,653,984)	(2,745,348)	91,364	771,734	742,172	29,562
Corporate departments	2,540,792	1,397,272	(911,704)	3,026,360	2,540,792	2,509,715	31,077	1,397,272	1,645,702	(248,430)	(911,704)	(849,153)	(62,551)	3,026,360	3,310,011	(279,904)
College wide	0	2,434,490	(2,261,486)	173,004	0	331,182	(331,182)	2,434,490	3,288,325	(853,835)	(2,261,486)	(3,656,229)	1,394,743	173,004	(36,722)	209,726
Total	**8,910,953**	**6,892,556**	**(15,825,494)**	**(21,985)**	**8,910,953**	**9,383,616**	**(472,662)**	**6,892,556**	**8,040,498**	**(1,147,942)**	**(15,825,494)**	**(16,730,508)**	**905,014**	**(21,985)**	**697,353**	**(715,591)**

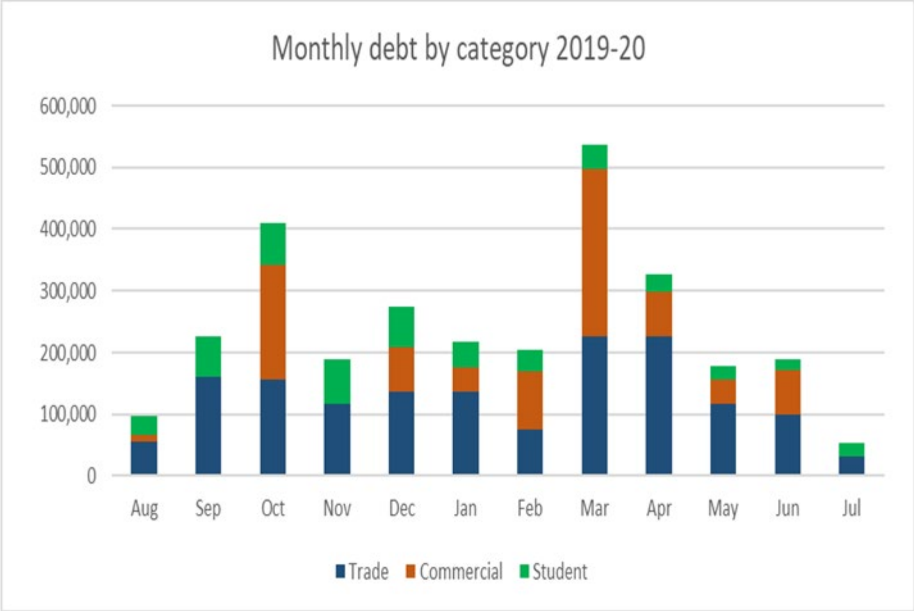
APPENDIX 3 CASH FLOW

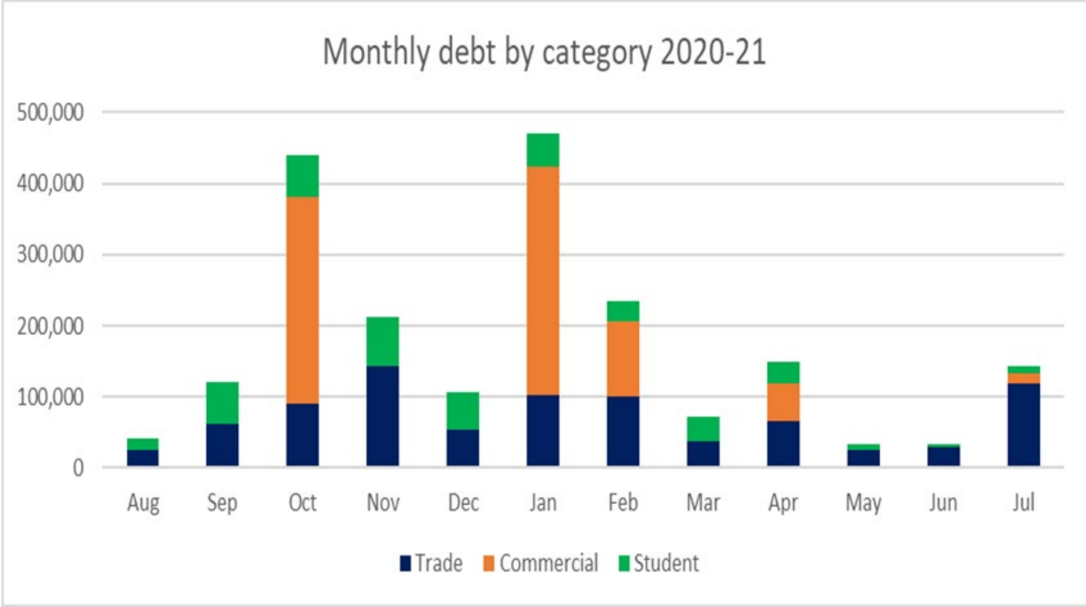
The SFC cash flow monitoring tool has been amended for 2021/22. Cash held is almost always in excess of 30 days of expenditure. There are no concerns to note. Table below represents position at beginning of September 2021.

	Actual	Current	Forecast										Totals	
	Aug-21 Actual	Sep-21 Current	Oct-21 Forecast	Nov-21 Forecast	Dec-21 Forecast	Jan-22 Forecast	Feb-22 Forecast	Mar-22 Forecast	Apr-22 Actual	May-22 Forecast	Jun-22 Forecast	Jul-22 Forecast	Total FY 2021-22	Total AY 2021-22
Revenue income	400,050	1,039,013	1,317,321	1,092,935	1,019,013	992,811	1,095,741	1,859,962	886,633	1,119,013	1,235,380	1,486,989	**13,091,541**	**13,544,857**
Revenue expenditure	624,275	979,657	1,099,628	1,143,656	1,102,474	982,512	1,030,755	1,450,329	633,557	1,166,101	1,319,764	1,960,305	**13,262,479**	**13,493,013**
Maintenance and Capital income (revenue)	0	0	0	57,000	70,000	65,000	0	0	0	0	0	0	**262,000**	**192,000**
Maintenance and Capital expenditure (revenue)	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Maintenance and Capital income (capital)	0	0	0	50,000	50,000	100,000	0	0	0	0	0	0	**467,043**	**200,000**
Maintenance and Capital expenditure (capital)	0	0	25,000	50,000	90,000	90,000	80,000	57,000	85,000	0	0	260,000	**392,000**	**737,000**
Lenartz/Capital Repayments	0	0	0	0	0	0	0	0	0	0	0	0	**0**	**0**
Student Support income	90,838	200,000	200,000	200,000	200,000	200,000	200,000	201,508	200,000	200,000	245,184	200,000	**2,321,919**	**2,337,530**
Student Support expenditure	0	90,838	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	246,692	0	**2,393,378**	**2,337,530**
EMA income	0	0	9,660	11,850	14,310	13,560	13,140	43,040	0	250	15,240	15,240	**128,930**	**136,290**
EMA expenditure	0	9,660	11,850	14,310	13,560	13,140	17,040	18,000	8,250	15,240	15,240	0	**129,360**	**136,290**
Total income	490,888	1,239,013	1,526,981	1,411,785	1,353,323	1,371,371	1,308,881	2,104,510	1,086,633	1,319,263	1,495,804	1,702,229	**16,271,433**	**16,410,677**
Total expenditure	624,275	1,080,155	1,386,478	1,457,966	1,456,034	1,335,652	1,377,795	1,775,329	976,807	1,431,341	1,581,696	2,220,305	**16,177,217**	**16,703,833**
Opening Bank Balance	**1,694,973**	**1,561,587**	**1,720,444**	**1,860,947**	**1,814,766**	**1,712,054**	**1,747,773**	**1,678,858**	**2,008,039**	**2,117,865**	**2,005,786**	**1,919,894**		
Net inflow (outflow)	-133,386	158,857	140,503	-46,181	-102,711	35,719	-68,914	329,181	109,825	-112,079	-85,892	-518,077		
Closing Bank Balance	**1,561,587**	**1,720,444**	**1,860,947**	**1,814,766**	**1,712,054**	**1,747,773**	**1,678,858**	**2,008,039**	**2,117,865**	**2,005,786**	**1,919,894**	**1,401,817**		
Closing bank balance / Actual Expenditure per day = days at that rate	43	37	38	37	38	38	28	62	44	38	26	3		

The cash flow above relates to ongoing activity and does not include the sinking fund.

APPENDIX 4 DEBTORS

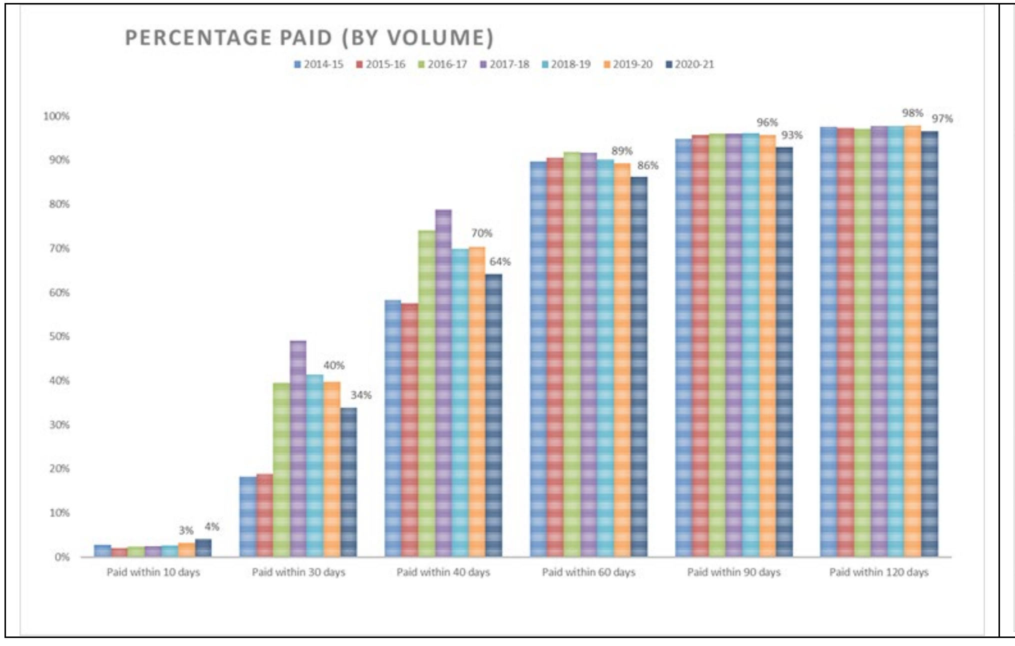


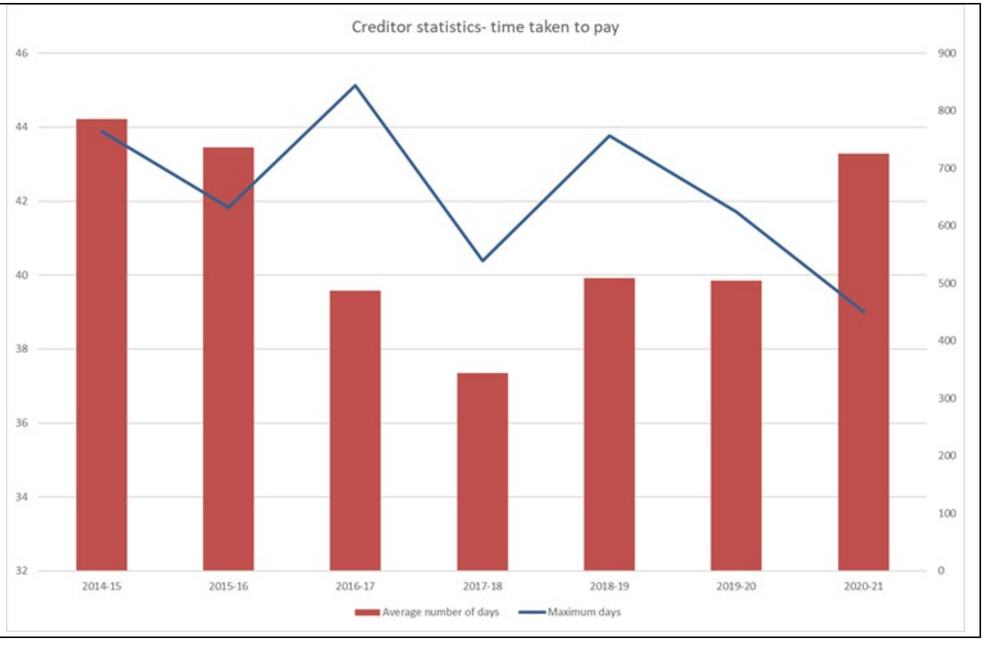


The monthly aged debt totals have a seasonal profile. The majority of sales invoices are generated at the start of the academic year. There is a smaller peak between the end of Block 1 and the start of Block 2, and there is a similar peak towards the end of the financial year. Student and Trade debt 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 at end July 2021 was £143k, which is an increase of £89k over last year at this time, and reflects the timing in invoicing HWU for SLA costs and trade invoicing for FY20-21 to Recirc Caledonia (formerly SHARC). We remain in negotiation with HWU on the ISLT SLA where service changes have been made over the years without the SLA keeping pace. The model operating level agreement and service level agreement have now been finalised. We are looking to resolve this by the next Campus Management Committee in October. Student debt at £10k is lower by £10k over last year at the same time.

APPENDIX 5 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 do this is severely constrained by current processes and payment run frequency.

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 left shows that less than 4% (improvement from 1%) of invoices are paid within 10 days and only a further 34% (improvement from 28%) are paid in 30 days, better than last reporting but significant improvement still required. 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 has risen to 43 days, efforts made at year end to pay outstanding balances improved statistics slightly. 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. The "tail" has dropped although remains very long.

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 AP Finance. Establishing targets for order profile, receipting and matching of orders coupled with improved invoice processing including authorisation will be key to success. The amount of manual intervention is excessive.