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FINANCE & GENERAL PURPOSES COMMITTEE

BORDERS COLLEGE REGIONAL BOARD

Subject: Business Review	**Purpose:** **For Approval** ☐ **For Discussion** ☒ **For Information** ☐
Prepared by: Hazel Robertson, Vice Principal - Finance & Corporate Services	**Date:** 10 November 2021

Purpose:
To provide members with an overview of the financial position at period 2 2021/22.

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

Performance Measures: Recogise nationally as a progressive organisation

Linked to Strategic Risk Register: 2 - Financial Plan Objectives

New Risk Commentary:

Executive Summary:

The attached report provides the scorecard analysis of the current financial position, focussing on the financial plan targets, management accounts (updated format), cashflow and net current assets. It is very early to be reporting on the position, as the work in the team at this stage is heavily focussed on the year end process. It is difficult to extrapolate performance. Grant in Aid figures in particular require further analysis, being based on cash received rather than projected income based on activity levels.

Included in the report, for information, is the financial margin analysis which was used in our recent SLT planning session. This method of analysis allows us to see what areas of the curriculum are providing the greatest financial contribution relative to activity, and in time will allow us to determine where improvements are required (and how). The next stage in this work will be to develop this at course level. Costs are not currently recorded at course level so this will require significant analysis. This is a very useful tool to supplement the traditional management accounts.

Recommendation: Members are invited to note the contents

Previous Committee Approvals: none

For publication ☒	**For publication with redactions** ☐	**Not for publication** ☐

Business Review October 2021

DASHBOARD

Financial Forecast Return

FFR (1) – one year

Outturn	Savings	AOP
£110k	£177k	£(4k)

FFR (3) - three years projection

AY	Outturn	Savings	AOP
20-21	£67k	£772k	£(4)k
21-22	£120k	£177k	£39k
22-23	£78k	£852k	£75k

The FFR(2) was part of a process by SFC to lobby for additional funds in the budget. The SG budget will be published on 9 December. I hope that we would have clarity on next years position during December, which would allow us to implement revised plans as required for the next academic year.

We are continuing to lobby for growth.

In year budget changes

Additional grant allocations

- Nothing of note

Spending against grant allocations

- Nothing of note

Management accounts (Appendix 1)

- Significant variances due to timing factors means that period 2 accounts do not provide a fully representative view
- Period 3 will be more meaningful once year end accounts are finalised and normal accrual and prepayment mechanisms are in place
- Margin analysis tool created to assist with curriculum planning and delivery

Cashflow (Appendix 2)

- The SFC use the monthly drawdown and cash flow as their financial monitoring process for Colleges
- 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.
- Excess cash due to capital receipt carried forward.

Debtors (Appendix 3)

- Spiky due to profile of HWU – plan of work in place to finalise SLA issues
- Student debt improved

Creditors (Appendix 4)

- 30 and 40 day payment performance are improving.
- Transformational change has commenced and includes KPIs.

APPENDIX 1 Management Accounts

An overview of the period 2 management accounts is provided below, with the full accounts attached.

Overview

The management accounts show an overall deficit position of £600k. The deficit arose from a combination of timing factors.

In Income, we show only a cash receipted position on SFC credit earnings, a £667K shortfall; our curriculum forecast shows we have no concerns earning our budgeted allocation of core credit income. Other income timing from pro-rata budget show a £257K shortfall, billing for milestone activity to build through the academic year.

In Expenses year to date Pays are £242K below the prorate budget, with revenue matching for Job Evaluation, SFC funded expenses, budgeted pay award and temporary curricular staff timing contributing to the variance. Other expenses are £63K below budget, mainly from interest payments and VAT adjustments booked quarterly.

This is a starting report for the college, accelerated income and related expense planned to occur through the academic year. Areas for consideration in review are community renewal fund project finances, income for associated places under pressure, risk on SFC FA credit clawback, increased supply costs to teaching departments, increased costs from external provider development and cost pressures, our catering throughput following return to campus, and refreshed service agreements with HWU, conversations are underway.

During our recent SLT strategy day finance introduced ‘Gross Margin’ reporting charts, see appendix, allocation of price banded credit income across the curriculum plan, matched with our detailed budget planning revenue and expenses, produced telling performance statistics across the curriculum, this will be further developed as we utilise information available from our pro-solution software.

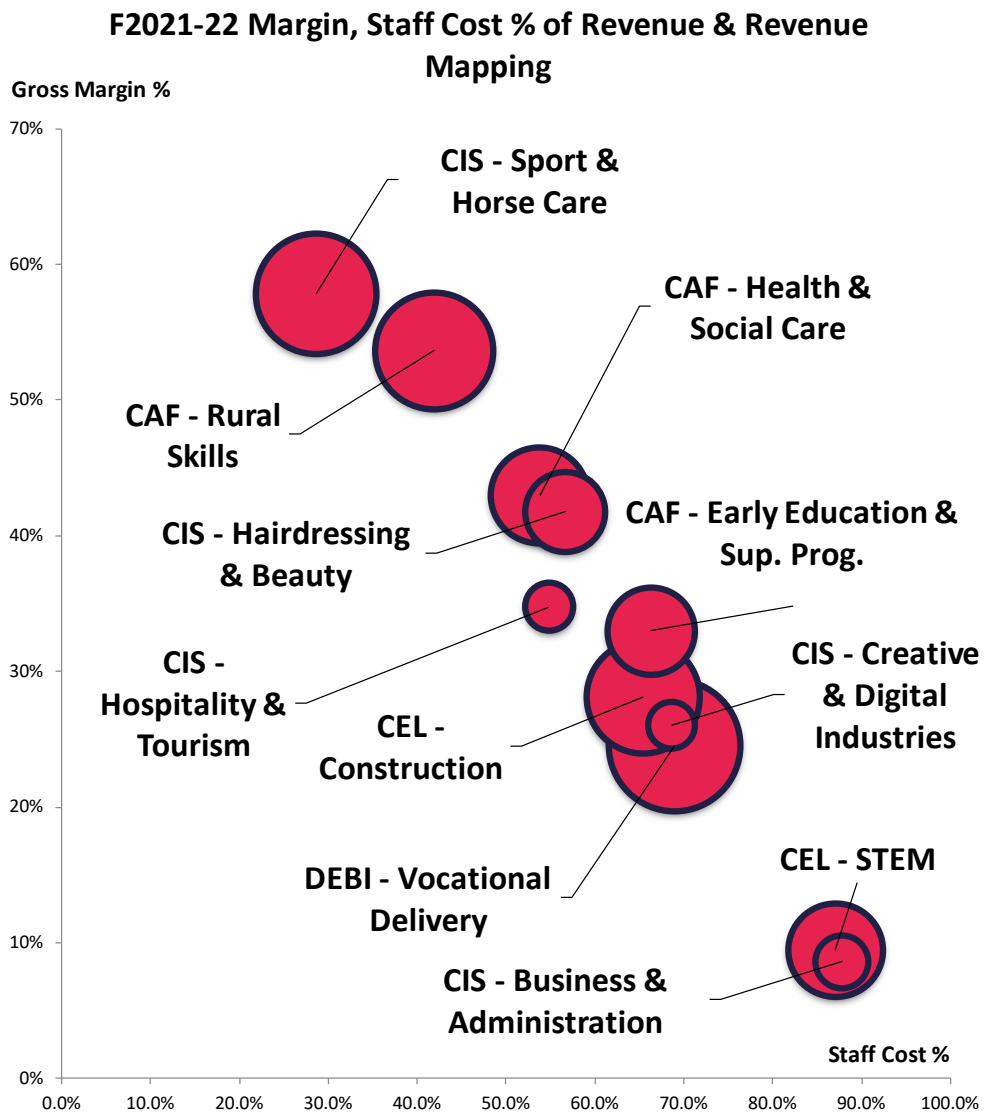
BORDERS COLLEGE MANAGEMENT ACCOUNTS - 1ST AUGUST to 31ST SEPTEMBER FY21-22 (P1 to 2)

		INCOME				PAYS				NON PAYS				TOTAL			
Area	Centre Name	YTD Act 2021-22	YTD Bud 2021-22	YTD Var 2021-22	FY Bud 2021-22	YTD Act 2021-22	YTD Bud 2021-22	YTD Var 2021-22	FY Bud 2021-22	YTD Act 2021-22	YTD Bud 2021-22	YTD Var 2021-22	FY Bud 2021-22	YTD Act 2021-22	YTD Bud 2021-22	YTD Var 2021-22	FY Bud 2021-22
Commercial	BDU - Vocational Delivery	-155,911	-283,348	127,437	-1,700,088	167,007	195,529	-28,521	1,173,172	25,680	18,250	7,430	109,500	36,776	-69,569	106,345	-417,416
Commercial Total		**-155,911**	**-283,348**	**127,437**	**-1,700,088**	**167,007**	**195,529**	**-28,521**	**1,173,172**	**25,680**	**18,250**	**7,430**	**109,500**	**36,776**	**-69,569**	**106,345**	**-417,416**
Curricular	Administrators - Curriculum Wide		0	0		13,558	12,704	854	76,224		75	-75	450	13,558	12,779	779	76,674
	CAF - Early Education & Supported Programmes	-45	-121,709	121,664	-730,252	69,070	80,685	-11,615	484,111	379	875	-496	5,250	69,404	-40,148	109,552	-240,890
	CAF - Health & Social Care		-150,538	150,538	-903,231	51,893	80,906	-29,014	485,437	468	4,958	-4,490	29,750	52,361	-64,674	117,035	-388,044
	CAF - Rural Skills	-2,620	-224,825	222,205	-1,348,949	83,766	94,247	-10,481	565,481	10,532	10,008	524	60,050	91,679	-120,570	212,248	-723,418
	CEL - Construction	-4,425	-209,231	204,806	-1,255,388	109,334	136,823	-27,489	820,937	21,998	13,617	8,381	81,700	126,907	-58,792	185,699	-352,752
	CEL - Essential Skills & Transitions	-18,713	-8,283	-10,430	-49,695	23,070	35,165	-12,095	210,992	555	1,783	-1,228	10,700	4,912	28,666	-23,754	171,996
	CEL - STEM		-141,551	141,551	-849,308	114,596	123,262	-8,665	739,569	19,347	4,875	14,472	29,250	133,944	-13,415	147,358	-80,489
	CIS - Business & Administration	0	-43,129	43,129	-258,774	20,024	37,861	-17,837	227,165		1,558	-1,558	9,350	20,024	-3,710	23,734	-22,260
	CIS - Creative & Digital Industries		-33,238	33,238	-199,430	20,059	22,822	-2,762	136,931	859	1,767	-907	10,600	20,919	-8,650	29,569	-51,899
	CIS - Hairdressing & Beauty	-320	-101,786	101,466	-610,713	53,009	57,718	-4,709	346,306	841	1,533	-692	9,200	53,530	-42,535	96,065	-255,207
	CIS - Hospitality & Tourism		-36,183	36,183	-217,096	14,522	19,841	-5,319	119,046	486	3,767	-3,281	22,600	15,008	-12,575	27,583	-75,450
	CIS - Sport & Horse Care	-4,335	-239,698	235,363	-1,438,189	45,367	68,624	-23,257	411,741	18,201	32,459	-14,258	194,752	59,233	-138,616	197,849	-831,696
	Curriculum - Management		0	0		37,448	38,320	-872	229,921		325	-325	1,950	37,448	38,645	-1,197	231,871
	Curriculum Wide		0	0			-19,520	19,520	-117,120		0	0			-19,520	19,520	-117,120
	Projects - Curriculum Wide	-53,850	-48,024	-5,826	-288,145	45,301	47,391	-2,089	284,345	3,763	-987	4,750	-5,920	-4,785	-1,620	-3,165	-9,720
	T&L - Extended Learning Support		0	0		22,476	24,326	-1,850	145,956		117	-117	700	22,476	24,443	-1,967	146,656
Curricular Total		**-84,308**	**-1,358,195**	**1,273,887**	**-8,149,172**	**723,493**	**861,174**	**-137,680**	**5,167,043**	**77,431**	**76,730**	**701**	**460,382**	**716,616**	**-420,291**	**1,136,907**	**-2,521,747**
General	Administrators - SMT		-3,850	3,850	-23,101	15,133	13,177	1,955	79,064		0	0		15,133	9,327	5,805	55,963
	BC Student Association		0	0		7,001	7,468	-467	44,809	310	1,142	-832	6,850	7,311	8,610	-1,299	51,659
	Board of Management		0	0		6,764	6,561	203	39,363	14	5,337	-5,323	32,022	6,778	11,898	-5,120	71,385
	College Management		0	0		69,181	74,758	-5,578	448,550	488	3,983	-3,496	23,900	69,669	78,742	-9,073	472,450
	College Wide	-1,176,579	-635,097	-541,482	-3,810,582	1,643	41,977	-40,334	251,860	344,965	402,429	-57,464	2,414,577	-829,971	-190,691	-639,280	-1,144,146
	Corporate Projects		0	0		12,383	13,814	-1,431	82,887		0	0		12,383	13,814	-1,431	82,887
	Facilities Management	-93,789	-114,565	20,776	-687,388	92,317	100,097	-7,779	600,581	126,672	122,455	4,218	734,728	125,201	107,987	17,214	647,920
	Finance		0	0		46,953	49,086	-2,133	294,518	2,867	5,545	-2,678	33,270	49,820	54,631	-4,812	327,788
	Human Resources		0	0		26,907	27,682	-775	166,094	2,660	16,892	-14,232	101,350	29,567	44,574	-15,007	267,444
	ICT	-31,805	-33,100	1,295	-198,600	99,214	73,566	25,648	441,396	108,534	95,577	12,957	573,461	175,943	136,043	39,900	816,257
	Library		0	0			0	0		10,897	11,831	-934	70,988	10,897	11,831	-934	70,988
	Marketing & Publications		0	0		15,948	16,470	-523	98,822	3,857	7,344	-3,487	44,066	19,805	23,815	-4,010	142,888
	Pensioners (Retirals)		0	0		9,120	10,899	-1,779	65,397		0	0		9,120	10,899	-1,779	65,397
	Quality		0	0		16,701	27,313	-10,612	163,875	5,125	2,731	2,394	16,384	21,826	30,043	-8,218	180,259
	Strategic Partnerships & Projects		0	0		5,908	5,794	114	34,764		0	0		5,908	5,794	114	34,764
	Student Funding	-316	0	-316		15,003	14,062	940	84,374	-830	0	-830		13,856	14,062	-206	84,374
	Student Records		0	0		41,381	42,410	-1,029	254,462	135	150	-15	900	41,516	42,560	-1,044	255,362
	Student Services		-38,662	38,662	-231,972	35,715	67,174	-31,459	403,046	1,300	3,117	-1,816	18,700	37,015	31,629	5,386	189,774
	TEL Unit		0	0		25,146	26,307	-1,160	157,839		33	-33	200	25,146	26,340	-1,193	158,039
General Total		**-1,302,490**	**-825,274**	**-477,216**	**-4,951,643**	**542,418**	**618,617**	**-76,199**	**3,711,702**	**606,996**	**678,566**	**-71,570**	**4,071,395**	**-153,076**	**471,909**	**-624,985**	**2,831,454**
Grand Total		**-1,542,709**	**-2,466,817**	**924,109**	**-14,800,903**	**1,432,919**	**1,675,320**	**-242,401**	**10,051,917**	**710,106**	**773,546**	**-63,440**	**4,641,277**	**600,316**	**-17,951**	**618,268**	**-107,709**

APPENDIX 2 Margin Reporting

FY 21-22 FFR1

Department	Staff Cost %	Margin %	Revenue
DEBI - Vocational Delivery	69.0%	25%	1,700,088
CIS - Sport & Horse Care	28.6%	58%	1,438,189
CAF - Rural Skills	41.9%	54%	1,348,949
CEL - Construction	65.4%	28%	1,255,388
CAF - Health & Social Care	53.7%	43%	903,231
CEL - STEM	87.1%	9%	849,308
CAF - Early Education & Sup. Prog.	66.3%	33%	730,252
CIS - Hairdressing & Beauty	56.7%	42%	610,713
CIS - Business & Administration	87.8%	9%	258,774
CIS - Hospitality & Tourism	54.8%	35%	217,096
CIS - Creative & Digital Industries	68.7%	26%	199,430
Other			
CEL - Essential Skills & Transitions	424.6%	-346%	49,695
College Wide			3,810,582
Facilities Management			687,388
Projects - Curriculum Wide			288,145
Student Services			231,972
ICT			198,600
Administrators - SMT			23,101
Total			**14,800,903**



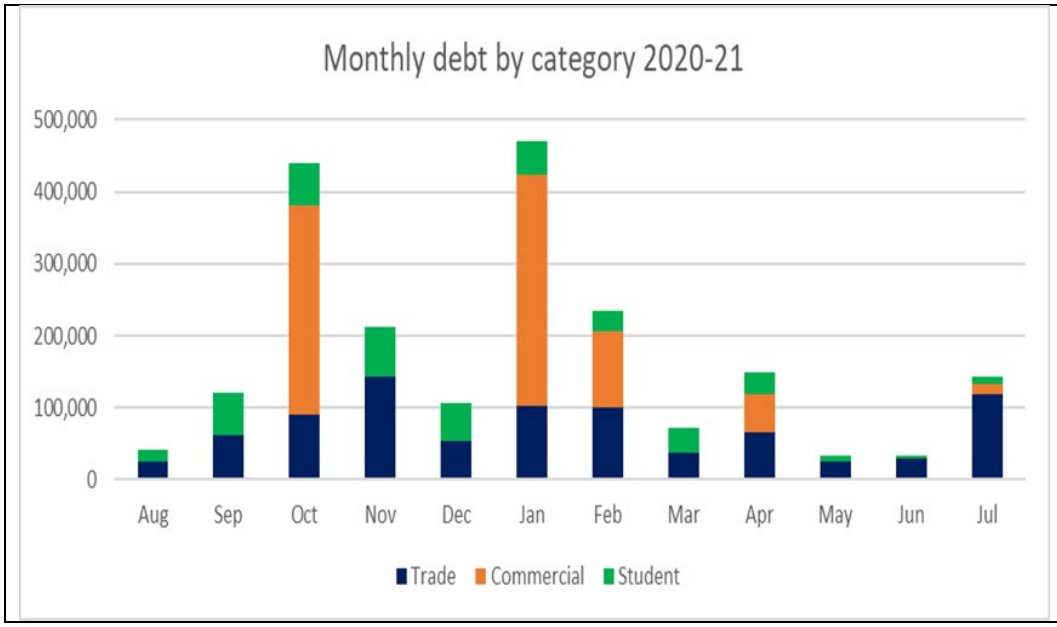
APPENDIX 3 Cash Flow

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 October 2021, capital expenditure in AY increases on plans to spend Melrose Rd receipts, impacting the YoY position.

	Actual		Current	Forecast										Totals	
	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Total	Total
	Actual	Actual	Current	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Actual	Forecast	Forecast	Forecast	FY 2021-22	AY 2021-22
Revenue income	1,486,023	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	1,945,280	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)	70,000	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**	**0**
Maintenance and Capital income (capital)	0	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	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**	**0**
Student Support income	340,520	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	2,269	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	14,280	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	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	1,910,823	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	1,947,549	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	**1,731,698**	**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)	-36,725	-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	**1,694,973**	**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**	**1,401,817**		
Closing bank balance / Actual Expenditure per day = days at that rate	81	43	37	38	37	38	38	28	62	44	38	26	3		

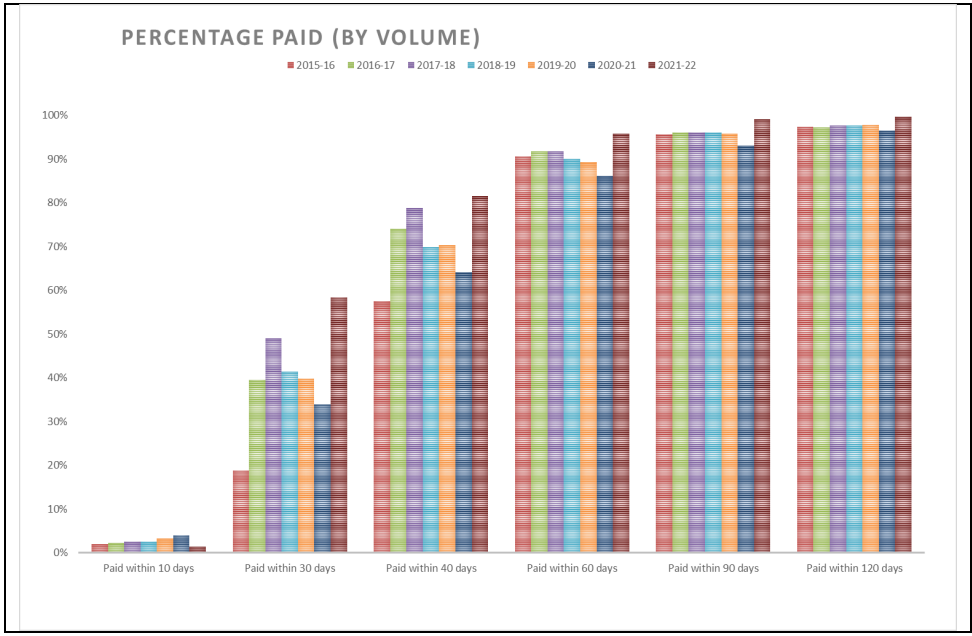
The cash flow above relates to ongoing activity and does not include the sinking fund.

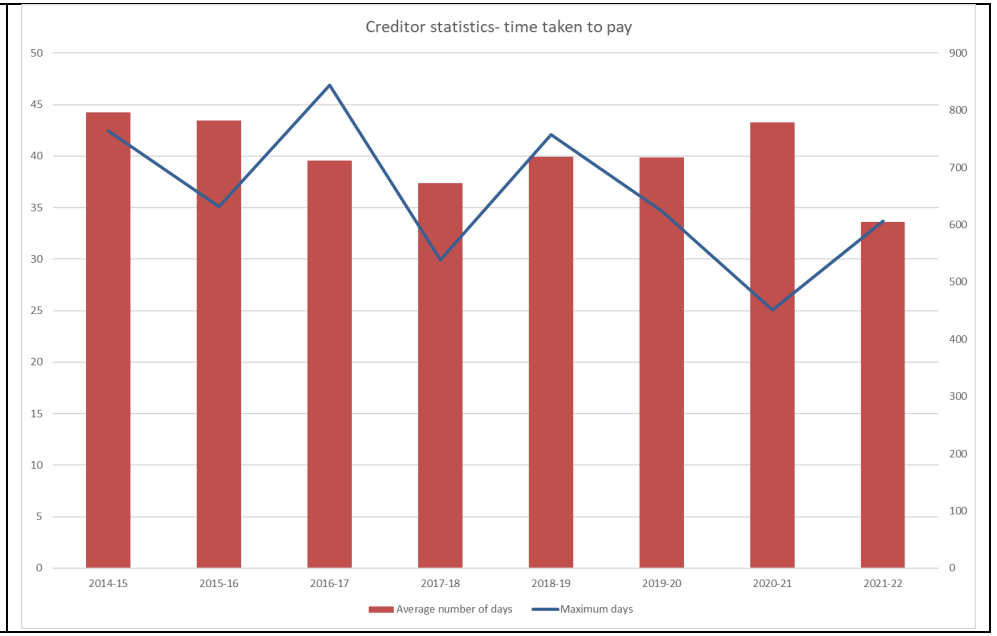
APPENDIX 4 DEBTORS



Total Oct 21 debt of £69k compares to £440k p/yr (Prior year included £291k (HWU), £63k (Skillseekers). The 'current' debt at 25% compares unfavourably with p/yr 86%, skewed by a CITB invoice for £52.6k 1 day beyond current. Debtors total is missing billing of £36k pending Pro Solutions development. 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 November.

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, recently we are pleased to see YTD 21-22 drop to 34 days, however we are aware or a recent increase in unprocessed invoices. 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. Recently the finance team held a workshop and identified various opportunities to help improve ledger input.

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.