

# FINANCE & GENERAL PURPOSES COMMITTEE

<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> 24 February 2022																						
<b>Purpose:</b> To provide members with an overview of the financial position at period 6 2021/22.																							
<b>Linked to Strategic Goal:</b> We will take a leading role in enabling an inclusive, resilient and sustainable Scotland																							
<b>Performance Measures:</b> Recognise nationally as a progressive organisation																							
<b>Linked to Strategic Risk Register:</b> 2 - Financial Plan Objectives																							
<b>New Risk Commentary:</b>																							
<b><u>EXECUTIVE SUMMARY</u></b>  The scorecard below provides an overview of financial performance measures at period 6, covering financial plan, forecast, and liquidity.																							
<b><u>Financial Forecast Return</u></b>  <b>FFR (1) – one year</b> <table> <tr> <td>Outturn</td> <td>Savings</td> <td>AOP</td> </tr> <tr> <td>£110k</td> <td>£177k</td> <td>£(4k)</td> </tr> </table> <b>FFR (2) - three years projection</b> <table border="1"> <thead> <tr> <th>AY</th> <th>Outturn</th> <th>Savings</th> <th>AOP</th> </tr> </thead> <tbody> <tr> <td>20-21</td> <td>£67k</td> <td>£772k</td> <td>£(4)k</td> </tr> <tr> <td>21-22</td> <td>£120k</td> <td>£177k</td> <td>£39k</td> </tr> <tr> <td>22-23</td> <td>£78k</td> <td>£852k</td> <td>£75k</td> </tr> </tbody> </table> The FFR(2) was part of a process by SFC to lobby for additional funds in the budget.  The SG budget was published on 9 December. We expect to receive clarity on the 2022/23 budget in mid March 2022.	Outturn	Savings	AOP	£110k	£177k	£(4k)	AY	Outturn	Savings	AOP	20-21	£67k	£772k	£(4)k	21-22	£120k	£177k	£39k	22-23	£78k	£852k	£75k	<b>In year budget changes</b>  <b>Additional grant allocations</b> None as yet.  We continue to lobby for growth in funding.  <b>Spending against grant allocations</b> Spend against capital allocations has been reviewed and a request made to SFC to continue to carry the unspent balance of the Melrose Road receipt. More details are provided in Appendix 2.
Outturn	Savings	AOP																					
£110k	£177k	£(4k)																					
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22-23	£78k	£852k	£75k																				

<b>Management accounts (Appendix 1)</b> <ul style="list-style-type: none"> <li>• operating surplus of £315k excluding student support</li> <li>• positive variance on income and pays with some pressure on non pay budget.</li> <li>• Anticipating achievement of targets although some risks remain.</li> <li>• Further information in MYR report.</li> </ul>	<b>Cashflow 2021/22 (Appendix 3)</b> <ul style="list-style-type: none"> <li>• Opening balance in August £1.695m</li> <li>• Cash days reduced to 22 at end January.</li> <li>• Elevated at end March due to draw down of full grant.</li> <li>• Projected position for July 2022 at £1.290m.</li> </ul>
<b>Debtors (Appendix 4)</b>  Spiky due to profile of HWU Student debt improved	<b>Creditors (Appendix 5)</b>  30 day payment continuing to improve. Transformational change has commenced and KPIs are being actively monitored.
<b>Recommendation:</b> 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 all debt and the continuation of improved creditors payments. There is slippage in capital spend which we are discussing with SFC.	
<b>Previous Committee Approvals:</b> Nil	
For publication <input checked="" type="checkbox"/>	For publication with redactions <input type="checkbox"/> Not for publication <input type="checkbox"/>

## APPENDIX 1      Management Accounts

An overview of the period 6 management accounts is provided below, with the full accounts attached.

### Overview

The planned surplus for the year is £110k, as per the FFR.

The management accounts show an overall positive variance as below:

Budget area	Variance	Main reasons
Income	+212k	DEBI +92k curricular +162k (sport and horse care) college wide -42k (due to timing of cash flows)
Pays	+207k	DEBI -27k curricular +131k (health and social care, sport and horse care, business and administration) college wide +103k (timing issues)
Non pay	-104k	DEBI -51k income is offsetting spend curricular +30k (+ sport and horse care, - construction) college wide -83k (depreciation, utilities, catering)
Total	+315k surplus	Overall net position is favourable but expected to return to target level by the year end.

Student funding is not included above. This is currently showing a net variance of (£84k) which is due to the timing of cash flows.

### Uncertainty

We have suffered additional costs and loss of income in our Baxter Storey contract. The service has been redesigned with a significant reduction in staffing. We have analysed the sharing of losses with HWU and await their confirmation of acceptance of the calculated charge. We have agreed that this is not the right time to tender the service, so have stopped the process for a further year, extending the contract, and we will aggressively manage this contract going forward to bring it back towards breakeven.

The HWU dispute has not yet been resolved and funding discussions remain difficult. A dispute resolution meeting is to be held on 15 February. An update will be provided to the meeting.

Pay awards are not yet agreed, The Employers Association is holding the line with a final offer.

We have been working on a VAT reclaim which could provide a benefit of £240k which is not yet included in our accounts.

## **Digital Transformation**

We have badged this year as “Transformation to Business As Usual”, meaning that we will no longer rely on consultancy support. We are scaling back their input and will run system projects in house.

CRM is already progressing and we are in the discovery phase for Finance and HR. We have stopped the project on curriculum planning through ProSolution because it was not the right time in the year to proceed. This will be reconsidered for next year.

Exploratory discussions are ongoing with a small number of colleges about the potential for single instance systems, including discussions with SFC for funding for this transformative work.

## **Overall position**

We are working with budget managers to ensure we can achieve the planned surplus. There is some uncertainty, perhaps the most significant aspect is the potential pay award where the Employers Association is holding the line on the final offer. Areas of expenditure and income pressures will be robustly managed over the remainder of the year.

**BORDERS COLLEGE MANAGEMENT ACCOUNTS - 1ST AUGUST to 31ST JANUARY FY21-22 (P1 to 6)**

		INCOME				PAYS				NON PAYS				TOTAL			
Area	Centre Name	YTD 2021-22	YTD Bud 21-22	Var 21-22	Bud 2021-22	YTD 2021-22	YTD Bud 21-22	Var 21-22	Bud 2021-22	YTD 2021-22	YTD Bud 21-22	Var 21-22	Bud 2021-22	YTD 2021-22	YTD Bud 21-22	Var 21-22	Bud 2021-22
Commercial	BDU - Vocational Delivery	-942,302	-850,044	-92,259	-1,700,088	613,813	586,586	27,227	1,173,172	105,986	54,750	51,236	109,500	-222,503	-208,708	-13,795	-417,416
<b>Commercial Total</b>		<b>-942,302</b>	<b>-850,044</b>	<b>-92,259</b>	<b>-1,700,088</b>	<b>613,813</b>	<b>586,586</b>	<b>27,227</b>	<b>1,173,172</b>	<b>105,986</b>	<b>54,750</b>	<b>51,236</b>	<b>109,500</b>	<b>-222,503</b>	<b>-208,708</b>	<b>-13,795</b>	<b>-417,416</b>
Curricular	Administrators - Curriculum Wide		0	0		38,948	38,112	836	76,224		225	-225	450	38,948	38,337	611	76,674
	CAF - Early Education & Supported Programmes	-439,204	-365,126	-74,078	-730,252	243,963	242,056	1,908	484,111	-2,030	2,625	-4,655	5,250	-197,270	-120,445	-76,825	-240,890
	CAF - Health & Social Care	-466,674	-451,615	-15,058	-903,231	180,961	242,718	-61,758	485,437	4,169	14,875	-10,706	29,750	-281,544	-194,022	-87,522	-388,044
	CAF - Rural Skills	-754,706	-674,475	-80,232	-1,348,949	306,351	282,741	23,610	565,481	35,342	30,025	5,317	60,050	-413,014	-361,709	-51,305	-723,418
	CEL - Construction	-516,703	-627,694	110,991	-1,255,388	399,657	410,468	-10,811	820,937	67,683	40,850	26,833	81,700	-49,363	-176,376	127,012	-352,752
	CEL - Essential Skills & Transitions	-20,303	-24,848	4,545	-49,695	104,042	105,496	-1,454	210,992	708	5,350	-4,642	10,700	84,447	85,998	-1,551	171,996
	CEL - STEM	-394,922	-424,654	29,732	-849,308	350,719	369,785	-19,065	739,569	27,363	14,625	12,738	29,250	-16,840	-40,245	23,404	-80,489
	CIS - Business & Administration	-33,405	-129,387	95,982	-258,774	75,893	113,582	-37,689	227,165	603	4,675	-4,072	9,350	43,091	-11,130	54,220	-22,260
	CIS - Creative & Digital Industries	-104,628	-99,715	-4,913	-199,430	65,788	68,466	-2,677	136,931	1,694	5,300	-3,606	10,600	-37,146	-25,949	-11,196	-51,899
	CIS - Hairdressing & Beauty	-273,158	-305,357	32,199	-610,713	165,258	173,153	-7,895	346,306	528	4,600	-4,072	9,200	-107,372	-127,604	20,232	-255,207
	CIS - Hospitality & Tourism	-132,406	-108,548	-23,858	-217,096	49,938	59,523	-9,585	119,046	917	11,300	-10,383	22,600	-81,551	-37,725	-43,825	-75,450
	CIS - Sport & Horse Care	-934,370	-719,095	-215,275	-1,438,189	166,032	205,871	-39,839	411,741	49,491	97,376	-47,885	194,752	-718,848	-415,848	-303,000	-831,696
	Curriculum - Management		0	0		112,344	114,961	-2,616	229,921	208	975	-767	1,950	112,553	115,936	-3,383	231,871
	Curriculum Wide		0	0			-58,560	58,560	-117,120		0	0			-58,560	58,560	-117,120
	Projects - Curriculum Wide	-166,175	-144,073	-22,102	-288,145	127,410	142,173	-14,762	284,345	12,973	-2,960	15,933	-5,920	-25,791	-4,860	-20,931	-9,720
	T&L - Extended Learning Support		0	0		65,578	72,978	-7,401	145,956		350	-350	700	65,578	73,328	-7,751	146,656
<b>Curricular Total</b>		<b>-4,236,654</b>	<b>-4,074,586</b>	<b>-162,068</b>	<b>-8,149,172</b>	<b>2,452,883</b>	<b>2,583,522</b>	<b>-130,639</b>	<b>5,167,043</b>	<b>199,649</b>	<b>230,191</b>	<b>-30,542</b>	<b>460,382</b>	<b>-1,584,122</b>	<b>-1,260,873</b>	<b>-323,248</b>	<b>-2,521,747</b>
General	Administrators - SMT	-4,281	-11,551	7,270	-23,101	46,665	39,532	7,133	79,064		0	0		42,384	27,981	14,402	55,963
	BC Student Association	-4,612	0	-4,612		18,898	22,404	-3,506	44,809	1,530	3,425	-1,895	6,850	15,816	25,829	-10,014	51,659
	Board of Management		0	0		20,291	19,682	609	39,363	15,100	16,011	-911	32,022	35,390	35,693	-302	71,385
	College Management		0	0		216,935	224,275	-7,340	448,550	17,125	11,950	5,175	23,900	234,060	236,225	-2,165	472,450
	College Wide	-2,033,029	-1,905,291	-127,737	-3,810,582	125,833	125,930	-97	251,860	1,268,757	1,207,288	61,468	2,414,577	-638,439	-572,073	-66,366	-1,144,146
	Corporate Projects		0	0		38,996	41,443	-2,447	82,887		0	0		38,996	41,443	-2,447	82,887
	Facilities Management	-300,751	-343,694	42,943	-687,388	287,962	300,290	-12,328	600,581	388,129	367,364	20,765	734,728	375,340	323,960	51,380	647,920
	Finance		0	0		143,558	147,259	-3,701	294,518	9,212	16,635	-7,423	33,270	152,770	163,894	-11,124	327,788
	Human Resources		0	0		80,735	83,047	-2,312	166,094	48,160	50,675	-2,515	101,350	128,896	133,722	-4,827	267,444
	ICT	-81,359	-99,300	17,941	-198,600	256,865	220,698	36,167	441,396	309,905	286,730	23,175	573,461	485,411	408,128	77,283	816,257
	Library		0	0			0	0		35,492	35,494	-2	70,988	35,492	35,494	-2	70,988
	Marketing & Publications		0	0		47,843	49,411	-1,568	98,822	14,110	22,033	-7,923	44,066	61,953	71,444	-9,491	142,888
	Pensioners (Retirals)		0	0		27,361	32,698	-5,337	65,397		0	0		27,361	32,698	-5,337	65,397
	Quality		0	0		74,965	81,938	-6,972	163,875	-600	8,192	-8,792	16,384	74,365	90,130	-15,765	180,259
	Strategic Partnerships & Projects		0	0		17,723	17,382	341	34,764		0	0		17,723	17,382	341	34,764
	Student Funding	-1,010,080	-152,500	-857,580	-305,000	43,503	42,187	1,316	84,374	959,895	152,500	807,395	305,000	-6,682	42,187	-48,869	84,374
	Student Records		0	0		115,160	127,231	-12,071	254,462	135	450	-315	900	115,295	127,681	-12,386	255,362
	Student Services	-9,217	-115,986	106,769	-231,972	119,741	201,523	-81,782	403,046	11,908	9,350	2,558	18,700	122,432	94,887	27,545	189,774
	TEL Unit		0	0		70,171	78,920	-8,749	157,839		100	-100	200	70,171	79,020	-8,849	158,039
<b>General Total</b>		<b>-3,443,328</b>	<b>-2,628,322</b>	<b>-815,007</b>	<b>-5,256,643</b>	<b>1,753,206</b>	<b>1,855,851</b>	<b>-102,645</b>	<b>3,711,702</b>	<b>3,078,856</b>	<b>2,188,198</b>	<b>890,659</b>	<b>4,376,395</b>	<b>1,388,734</b>	<b>1,415,727</b>	<b>-26,993</b>	<b>2,831,454</b>
<b>Grand Total</b>		<b>-8,622,284</b>	<b>-7,552,952</b>	<b>-1,069,333</b>	<b>-15,105,903</b>	<b>4,819,902</b>	<b>5,025,959</b>	<b>-206,057</b>	<b>10,051,917</b>	<b>3,384,492</b>	<b>2,473,139</b>	<b>911,353</b>	<b>4,946,277</b>	<b>-417,891</b>	<b>-53,854</b>	<b>-364,036</b>	<b>-107,709</b>

## APPENDIX 2      CAPITAL

The capital plan is attached.

Projects funded from the Melrose Road receipt are:

Project	Budget	Current position
Hawick sustainability strategy improvements	£110k	£45k spent Slippage due to sequential nature of projects, design process and awaiting confirmation of external funding
Flip the campus / living lab	£145k	£nil spent Delayed due to need to fit with wider asset management strategy
Cybersecurity lab	£90k	Structural work complete, PCs purchases, will be finalised by end March.

We have advised SFC of the slippage in spending the receipt and because this is under the £500k threshold for retaining receipts, I am hopeful that this be treated as a cash management issue rather than capital slippage (different SFC rules apply). I hope to have confirmation of this in time to report to the meeting.

### **Overall position**

We are working with budget managers to ensure we can achieve full utilisation of all sources of capital by the year end. We anticipate being able to continue to carry the remainder of the Melrose Road receipt.

## CAPITAL PLAN

	2021/22	2021/22									
Funding allocation		150,000	57,000	50,000	135,000						392,000
Melrose Road Sale	345,000										345,000
Digital Learning 21-22					73,922						73,922
Ev Funding											0
HWU											0
<u>Estates</u>											
NSB Expenses 21-22		38,847									
Outdoor Space		45,000									
Gala Campus Re-Design £170K											
Hawick Carbon Plan											
Mezzanine Floor	19,098										
Heat Pumps	50,000										
Solar PV/Thermal	45,000										
Ev Charging (Gala & Newtown)			45,000								
Ev Cars			79,500								
Minibus			50,000								
New Waste area on Campus											
<u>Digital</u>											
Website					14,054						
Proolutions					25,449						
Canvas					2,197						
CyberLab	90,000										
CRM						38,000					
DTP						144,696					
Graduation Streaming					8,515						
Eyemouth Digital Spoke								17,000			
Classroom Desktops						60,000					
Staff laptops/desktops/mac						43,000					
Surplus / (deficit)	140,902	105,000	(117,500)	(214)	(76,774)	0	(0)	14,563	0	0	870,806

## APPENDIX 3 CASH FLOW

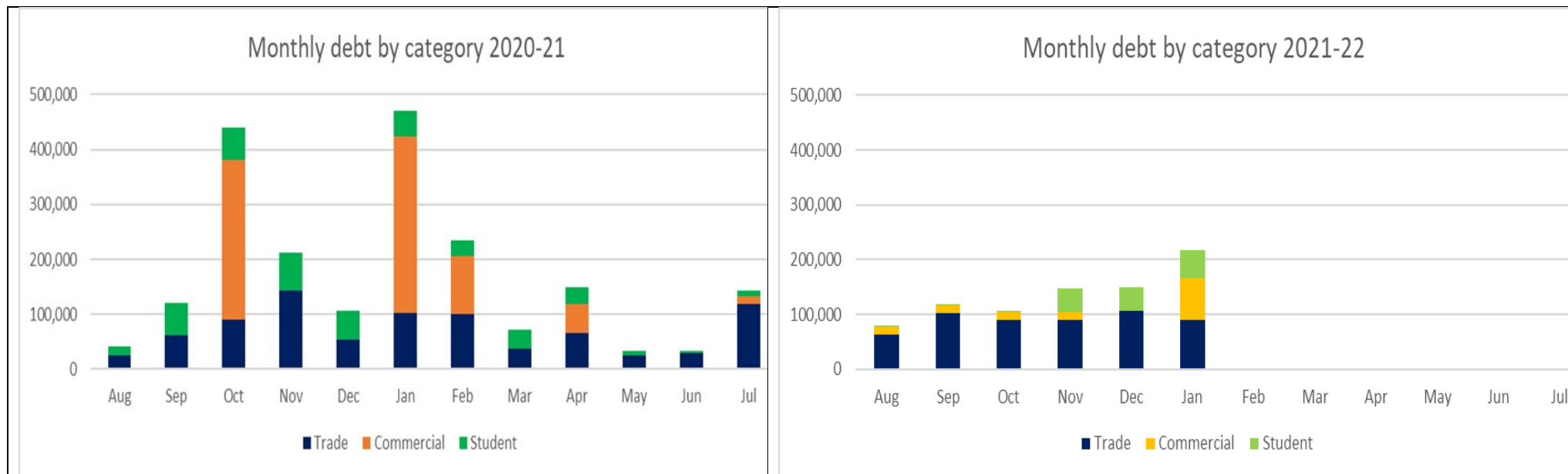
The SFC cash flow monitoring tool has been amended for 2021/22. Cash held is now around 21 days of expenditure. SFC are being more diligent in following up with Colleges that they consider to be holding cash in advance of need. We are one of the Colleges in this category, hence the recent reduction in cash holdings. End of March holdings are always higher due to the need to draw down the full financial year cash budget.

Monthly cashflow forecast:	Borders													
	Actual						Current	Current						Totals
	Aug-21 Actual	Sep-21 Actual	Oct-21 Actual	Nov-21 Actual	Dec-21 Actual	Jan-22 Actual	Feb-22 Current	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	1,068,743	1,111,973	924,680	925,652	1,040,670	1,343,361	1,756,808	869,013	1,136,633	1,146,013	1,460,989	12,846,634	13,184,584
Revenue expenditure	624,275	1,020,915	1,093,075	1,269,898	1,228,612	1,086,880	1,030,755	1,450,329	633,557	1,166,101	1,319,764	1,735,305	13,653,932	13,659,466
Maintenance and Capital income (revenue)	0	0	0	0	57,000	70,000	65,000	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	0	50,000	100,000	0	0	0	0	0	467,043	200,000
Maintenance and Capital expenditure (capital)	0	0	0	50,000	0	0	110,000	87,000	85,000	0	0	260,000	247,000	592,000
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	0	200,000	200,000	300,000	301,508	200,000	200,000	245,184	200,000	2,321,919	2,337,530
Student Support expenditure	0	50,466	107,693	131,096	425,294	160,281	200,000	250,000	250,000	250,000	246,692	0	2,127,371	2,071,523
EMA income	0	0	0	0	0	16,200	13,140	43,040	0	250	27,240	27,240	95,750	127,110
EMA expenditure	0	3,540	8,700	11,550	16,200	9,660	17,040	18,000	8,250	15,240	15,240	0	116,490	123,420
Total income	490,888	1,268,743	1,311,973	974,680	1,182,652	1,376,870	1,821,501	2,101,356	1,069,013	1,336,883	1,418,437	1,688,229	15,993,346	16,041,224
Total expenditure	624,275	1,074,921	1,209,468	1,462,544	1,670,106	1,256,822	1,357,795	1,805,329	976,807	1,431,341	1,581,696	1,995,305	16,144,793	16,446,409
Opening Bank Balance	1,694,973	1,561,587	1,755,409	1,857,914	1,370,050	882,596	1,002,645	1,466,350	1,762,377	1,854,583	1,760,124	1,596,865		
Net inflow (outflow)	-133,386	193,822	102,505	-487,864	-487,454	120,049	463,706	296,027	92,205	-94,459	-163,259	-307,077		
Closing Bank Balance	1,561,587	1,755,409	1,857,914	1,370,050	882,596	1,002,645	1,466,350	1,762,377	1,854,583	1,760,124	1,596,865	1,289,788		
Closing bank balance / Actual Expenditure per day = days at that rate	44	44	38	25	21	22	24	54	39	33	24	2		

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

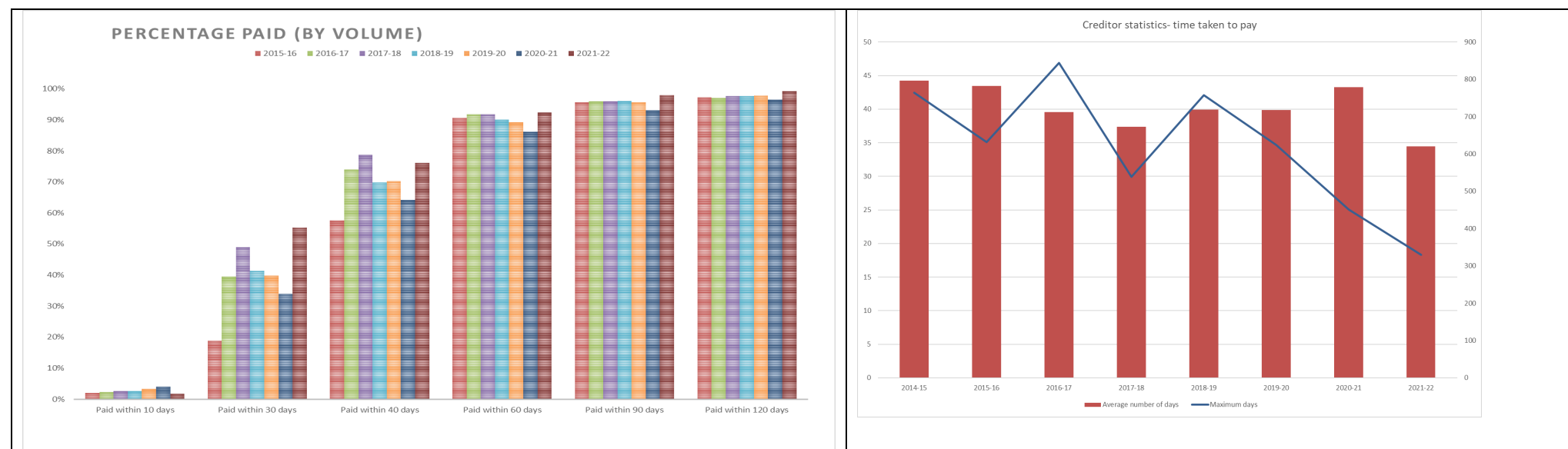


## APPENDIX 4      DEBTORS



Management of the debt has significantly improved as the above charts show, due to effective process changes and increased monitoring. We continue to have a challenging relationship with HWU, resulting in delays in invoices being raised / approved. A dispute resolution meeting is taking place on 15 February, which we hope will lead to improved relationships between the two parties. Income was forecast to be less than budget on ISLT however due to the ongoing dispute and the impact on billing, we now anticipate being closer to breakeven on this income stream.

## APPENDIX 5 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. **Now 14<sup>th</sup> and 30<sup>th</sup> to capture more at month end.** 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. **Paid within 30 days (no. of invoices) is 55% 21-22 to date, significantly better than any previous year – 17-18 came close at 49%**

The chart on the left shows that 5% (improvement from 1%) of invoices are paid within 10 days and 39% (improvement from 26%) are paid in 30 days, better than last reporting but significant improvement is 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 reduced to 34 days. The chart on the right also shows that the "tail" has dropped significantly this year, from a baseline of 764 to 330 days.

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 is being 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 is key to success. The amount of manual intervention is excessive and can only be effectively addressed with a replacement system.