

FINANCE & GENERAL PURPOSES COMMITTEE

Subject: Business Review	Purpose: For Approval <input type="checkbox"/> For Discussion <input checked="" type="checkbox"/> For Information <input type="checkbox"/>																						
Prepared by: Hazel Robertson, VP Finance and Corporate Services	Date: 17 May 2022																						
Purpose: To provide members with an overview of the financial position at period 8 2021/22.																							
Linked to Strategic Ambition: Take a leading role in enabling an inclusive, resilient and sustainable Scotland Performance Measures: Recognised as national leaders in sustainable practice																							
Linked to Strategic Risk Register: 2 - Financial Plan Objectives New Risk Commentary:																							
Executive Summary: <u>EXECUTIVE SUMMARY</u> The scorecard below provides an overview of current financial performance measures, covering financial plan, forecast, and liquidity.																							
<u>Financial Forecast Return</u> FFR (1) – one year <table> <tr> <td>Outturn</td> <td>Savings</td> <td>AOP</td> </tr> <tr> <td>£110k</td> <td>£177k</td> <td>£(4k)</td> </tr> </table> FFR (2) - three years projection <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. We have received the indicative allocation for the 2022/23 budget. FFR(1) guidance for 2022/23 is in draft.	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	In year budget changes Additional grant allocations Redistribution of support funds +2 National Transition training fund + Free period products +6k FWDF +180k Spending against grant allocation SFC have approved the carry forward of the unspent balance of the Mel Road receipt.
Outturn	Savings	AOP																					
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Management accounts (Appendix 1) <ul style="list-style-type: none"> operating surplus of £350k excluding student support Anticipating achievement of targets although some risks remain Lennartz VAT claim fully received Planning on donation to BFET up to £250k from commercial income 	Cashflow (Appendix 2) <ul style="list-style-type: none"> Opening balance in August £1.695m Cash days reduced to 22 at end January. Elevated at end March due to draw down of full grant. Projected position for July 2022 at £1.401m. 	
Debtors (Appendix 3) Spiky due to profile of HWU Student debt improved	Creditors (Appendix 4) 30 day payment continuing to improve. Transformational change has had major impact and KPIs are being actively monitored.	
Recommendation: Members to seek clarification on any aspects of the report and note the planned achievement of a year-end surplus (before pensions), the strong cash position, continued improvement in management of all debt and improved creditors payments. Slippage in capital spend has been approved for carry forward by the SFC.		
Previous Committee Approvals: 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 8 management accounts is provided below, with the full accounts attached.

Overview

The planned surplus for the year is £108k, as per the FFR.

The management accounts show an overall positive variance as below:

Budget area	Variance	Main reasons
Income	+370k (ex student funds)	Capital Grant +218k (cost matching) DEBI +266k timing and upside in FWDF and SDS MA income HWU service charges @80% timing issue -178K Other grant income for DDI CRF +70K and timing issues
Pays	-251k	DEBI +43k curricular -165k (health and social care, STEM, Business Admin, sport and horse care) College wide -129k (All costs subject to timing for inflation and July accruals)
Non pay	+265k (ex student funds)	DEBI +141k income is offsetting spend curricular +30k (- sport and horse care, + construction) College wide -142k (depreciation, utilities, catering)
Total	+406k surplus	Overall net position is favourable but expected to return to target level by the year end.

Student funding is not included above.

Uncertainty

There will be some underperformance in relation to foundation apprenticeships and the potential for clawback is incorporated in the above figures. With this exception, credit income is forecast to be achieved.

The Baxter Storey service has been redesigned with a significant reduction in staffing. We have agreed that this is not the right time to tender the service, so have extended the contract for a further year. We are aggressively managing this contract to bring it back to breakeven. This has been successful although we anticipate losses over the summer period. Redesign of the Union area will take place over the summer with a view to improving footfall and increasing surpluses.

The HWU dispute has been resolved and relationships are much improved. We have still to bring billing up to 100%, and have some work to do collectively to finalise the SLA review. These discussions are much more productive than in the last two years. We have committed to providing indicative budget allocations week commencing 16 May. Once the SLA discussions have completed we will be moving to a service management basis of charging, not budget share. This will make it easier and more transparent for variations in service to be appropriately managed. We are also developing a Campus Management Plan which will see us working together in support of both of our strategic plans, to improve student experience on the Galashiels campus.

Pay awards are not yet agreed, and a national dispute is ongoing. This is anticipated to be a significant cost pressure this year and running into next year.

We are seeing various cost pressures and savings running through the budgets, this will be reflected in next years budget setting.

Income includes activity delivered through the Community Renewal Fund which is an additional source of circa £365k compared to the base budgets. An extension to August has been granted by the Council.

Lennartz VAT claim +204k has been approved by HMRC, less 15% fee. This is not yet reflected in the year to date position.

Overall position

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.

We are working with budget managers to ensure we can achieve the planned surplus. Areas of expenditure and income pressures will be robustly managed over the remainder of the year.

We anticipate ending the year with a greater surplus than planned, which is derived from the Lennartz VAT receipt, additional income generated through DEBI and the Community Renewal Fund. As authorised by the Board we intend making a donation to BFET of up to £250k. We are in discussion with SFC on this matter.

BORDERS COLLEGE MANAGEMENT ACCOUNTS - 1ST AUGUST to 31ST MARCH FY21-22 (P1 to 8)

		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	-1,399,123	-1,133,392	-265,731	-1,700,088	825,369	782,114	43,254	1,173,172	214,268	73,000	141,268	109,500	-359,486	-278,277	-81,209	-417,416
Commercial Total		-1,399,123	-1,133,392	-265,731	-1,700,088	825,369	782,114	43,254	1,173,172	214,268	73,000	141,268	109,500	-359,486	-278,277	-81,209	-417,416
Curricular	Administrators - Curriculum Wide		0	0		51,718	50,816	902	76,224		300	-300	450	51,718	51,116	602	76,674
	CAF - Early Education & Supported Programmes	-501,843	-486,835	-15,009	-730,252	322,623	322,741	-118	484,111	-1,585	3,500	-5,085	5,250	-180,806	-160,594	-20,212	-240,890
	CAF - Health & Social Care	-655,993	-602,154	-53,839	-903,231	242,292	323,625	-81,333	485,437	10,928	19,833	-8,906	29,750	-402,774	-258,696	-144,078	-388,044
	CAF - Rural Skills	-1,026,613	-899,300	-127,313	-1,348,949	408,287	376,988	31,300	565,481	55,915	40,033	15,882	60,050	-562,410	-482,279	-80,131	-723,418
	CEL - Construction	-764,957	-836,926	71,969	-1,255,388	539,737	547,291	-7,554	820,937	83,815	54,467	29,348	81,700	-141,405	-235,168	93,763	-352,752
	CEL - Essential Skills & Transitions	-30,169	-33,130	2,962	-49,695	142,120	140,661	1,459	210,992	986	7,133	-6,148	10,700	112,937	114,664	-1,727	171,996
	CEL - STEM	-529,100	-566,205	37,106	-849,308	461,999	493,046	-31,047	739,569	37,901	19,500	18,401	29,250	-29,200	-53,659	24,460	-80,489
	CIS - Business & Administration	-85,336	-172,516	87,180	-258,774	101,508	151,443	-49,935	227,165	2,153	6,233	-4,081	9,350	18,325	-14,840	33,165	-22,260
	CIS - Creative & Digital Industries	-130,064	-132,953	2,889	-199,430	84,853	91,288	-6,434	136,931	2,941	7,067	-4,126	10,600	-42,270	-34,599	-7,671	-51,899
	CIS - Hairdressing & Beauty	-375,094	-407,142	32,048	-610,713	214,468	230,871	-16,403	346,306	3,788	6,133	-2,345	9,200	-156,838	-170,138	13,301	-255,207
	CIS - Hospitality & Tourism	-146,972	-144,731	-2,242	-217,096	74,647	79,364	-4,717	119,046	11,402	15,067	-3,665	22,600	-60,924	-50,300	-10,623	-75,450
	CIS - Sport & Horse Care	-1,253,012	-958,793	-294,219	-1,438,189	225,228	274,494	-49,266	411,741	79,786	129,835	-50,048	194,752	-947,997	-554,646	-393,533	-831,696
	Curriculum - Management		0	0		149,793	153,281	-3,488	229,921	208	1,300	-1,092	1,950	150,001	154,581	-4,580	231,871
	Curriculum Wide		0	0			-78,080	78,080	-117,120		0	0			-78,080	78,080	-117,120
	Projects - Curriculum Wide	-247,425	-192,097	-55,329	-288,145	171,346	189,564	-18,218	284,345	47,863	-3,947	51,810	-5,920	-28,217	-6,480	-21,737	-9,720
	T&L - Extended Learning Support		0	0		88,611	97,304	-8,693	145,956	429	467	-38	700	89,040	97,771	-8,731	146,656
Curricular Total		-5,746,578	-5,432,781	-313,797	-8,149,172	3,279,231	3,444,696	-165,464	5,167,043	336,529	306,921	29,608	460,382	-2,130,818	-1,681,164	-449,654	-2,521,747
General	Administrators - SMT	-13,693	-15,401	1,708	-23,101	63,361	52,709	10,652	79,064		0	0		49,669	37,309	12,360	55,963
	BC Student Association	-4,612	0	-4,612		23,180	29,872	-6,693	44,809	1,683	4,567	-2,884	6,850	20,250	34,439	-14,189	51,659
	Board of Management		0	0		27,054	26,242	812	39,363	20,043	21,348	-1,305	32,022	47,097	47,590	-493	71,385
	College Management		0	0		291,606	299,033	-7,427	448,550	5,062	15,933	-10,872	23,900	296,668	314,967	-18,299	472,450
	College Wide	-2,622,166	-2,540,388	-81,778	-3,810,582	170,281	167,907	2,374	251,860	1,751,746	1,609,718	142,028	2,414,577	-700,140	-762,764	62,624	-1,144,146
	Corporate Projects		0	0		52,302	55,258	-2,956	82,887		0	0		52,302	55,258	-2,956	82,887
	Facilities Management	-347,039	-458,259	111,219	-687,388	383,750	400,387	-16,637	600,581	450,082	489,818	-39,736	734,728	486,793	431,947	54,846	647,920
	Finance		0	0		191,544	196,345	-4,801	294,518	12,079	22,180	-10,101	33,270	203,622	218,525	-14,903	327,788
	Human Resources		0	0		107,651	110,729	-3,078	166,094	66,310	67,567	-1,257	101,350	173,961	178,296	-4,335	267,444
	ICT	-88,795	-132,400	43,605	-198,600	331,798	294,264	37,534	441,396	396,296	382,307	13,989	573,461	639,299	544,171	95,127	816,257
	Library		0	0			0	0		48,639	47,325	1,314	70,988	48,639	47,325	1,314	70,988
	Marketing & Publications		0	0		64,601	65,882	-1,281	98,822	25,167	29,377	-4,210	44,066	89,768	95,259	-5,491	142,888
	Pensioners (Retirals)		0	0		36,482	43,598	-7,116	65,397		0	0		36,482	43,598	-7,116	65,397
	Quality		0	0		106,446	109,250	-2,804	163,875	15,144	10,923	4,221	16,384	121,590	120,173	1,417	180,259
	Strategic Partnerships & Projects		0	0		23,631	23,176	455	34,764		0	0		23,631	23,176	455	34,764
	Student Funding	-1,394,546	-203,333	-1,191,212	-305,000	61,722	56,250	5,472	84,374	1,342,646	203,333	1,139,313	305,000	9,822	56,250	-46,427	84,374
	Student Records		0	0		148,157	169,642	-21,485	254,462	135	600	-465	900	148,292	170,242	-21,950	255,362
	Student Services	-13,628	-154,648	141,020	-231,972	166,948	268,698	-101,750	403,046	15,777	12,467	3,310	18,700	169,096	126,516	42,580	189,774
	TEL Unit		0	0		94,924	105,226	-10,302	157,839	176	133	43	200	95,101	105,359	-10,259	158,039
General Total		-4,484,479	-3,504,429	-980,050	-5,256,643	2,345,438	2,474,468	-129,030	3,711,702	4,150,985	2,917,597	1,233,388	4,376,395	2,011,943	1,887,636	124,307	2,831,454
Grand Total		-11,630,180	-10,070,602	-1,559,578	-15,105,903	6,450,038	6,701,278	-251,240	10,051,917	4,701,781	3,297,518	1,404,263	4,946,277	-478,360	-71,806	-406,555	-107,709

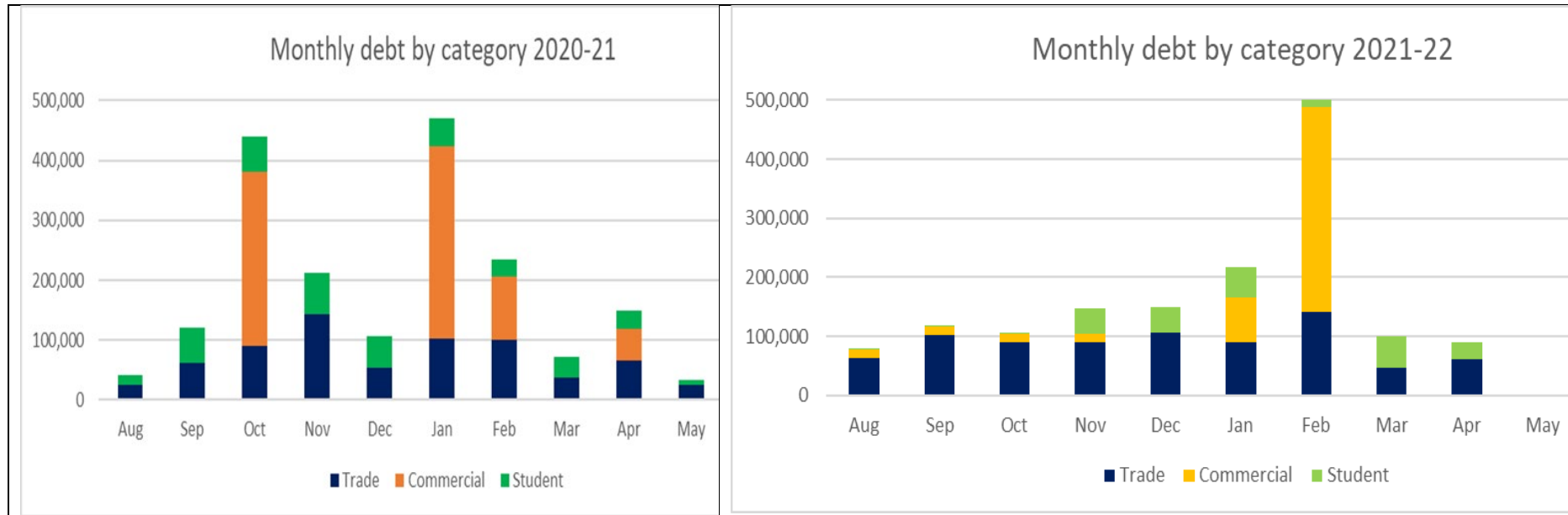
APPENDIX 2 CASH FLOW

The SFC cash flow monitoring tool has been amended for 2021/22. Cash held is around 26-40 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:	September					Borders																						
	Actual					Current	Forecast										Totals											
	Apr-21 Actual	May-21 Actual	Jun-21 Actual	Jul-21 Actual	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	649,847	1,137,424	1,001,402	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	561,335	1,080,624	1,261,955	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)	0	0	0	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	0	0	0										
Maintenance and Capital income (capital)	267,043	0	0	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	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	0	0	0										
Student Support income	136,270	165,043	187,740	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	136,835	208,280	455,156	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	0	0	9,090	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	6,270	11,250	14,280	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	1,053,159	1,302,467	1,198,232	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	704,440	1,300,154	1,731,391	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	1,913,824	2,262,543	2,264,857	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)	348,720	2,313	-533,158	-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	2,262,543	2,264,857	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	1,401,817												
Closing bank balance / Actual Expenditure per day = days at that rate	52	39	27	81	43	37	38	37	38	38	28	62	44	38	26	3												

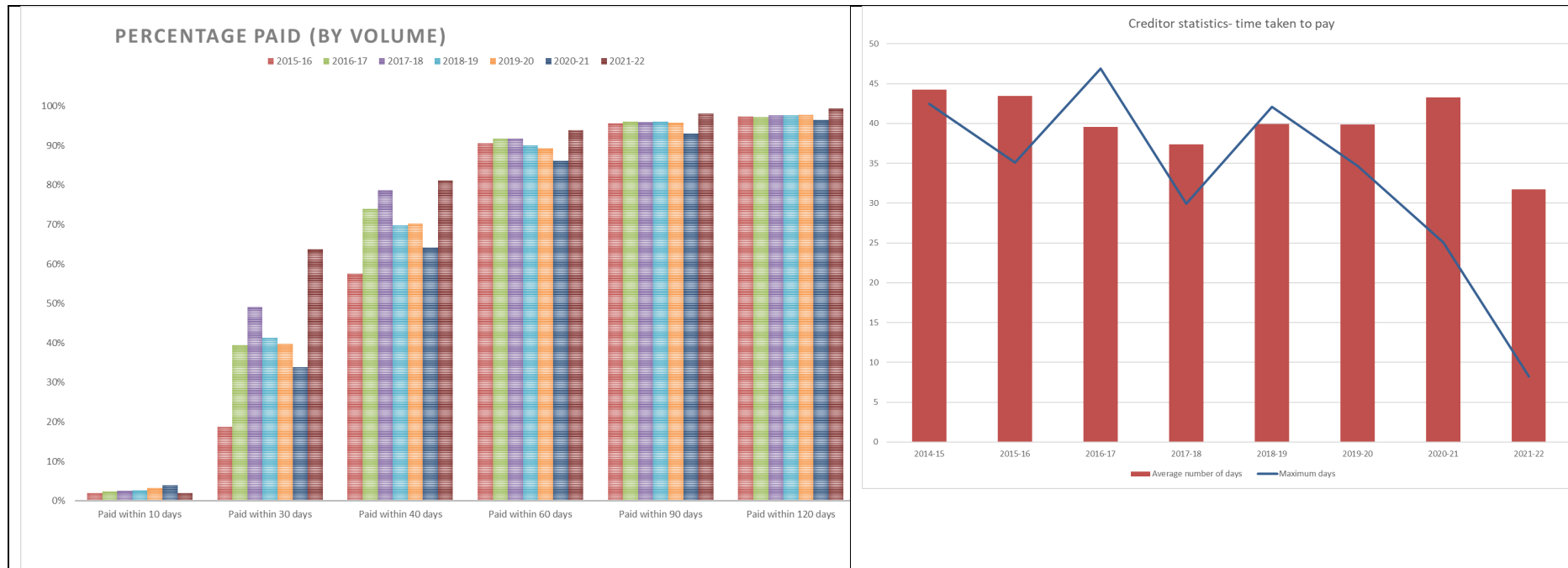
The cash flow above relates to ongoing activity and does not include the sinking fund.

APPENDIX 3 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 flux in the flow of funds from HWU, resulting in delays in invoices being raised / approved. We are now officially out of dispute and anticipate returning to a normal quarterly pattern of invoicing. Once the SLA review is complete we will move to a service charging approach.

APPENDIX 4 CREDITORS



The College's standard payment terms are to pay within 30 days. We operate two payment runs per month, on the **14th and 30th to capture more at month end**. Prompt payment code suggests payment of SMEs within 10 days. Our ability to do this is 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, and dropped since then. **Paid within 30 days (no. of invoices) is 62% 21-22 to date, significantly better than any previous year.**

The chart on the left shows that 3% (improvement from 1%) of invoices are paid within 10 days and **62% (improvement from 26%) are paid in 30 days**, a sustained improvement. 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 then reduced to 32 days. The chart on the right also shows that the “tail” has dropped significantly this year, from a baseline of 764 to 148 days.