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# FINANCE & GENERAL PURPOSES COMMITTEE REPORT

| **Subject:** Mid Year Financial Forecast Return | **Purpose:**<br>**For Approval** ☐<br>**For Discussion** ☒<br>**For Information** ☐ |
|---|---|
| **Prepared by:** Hazel Robertson | **Date:** 24 February 2022 |

**Purpose:**
To provide members with an overview of the financial position at period 6 2021/22.

**Linked to Strategic Goal: We will 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 SFC require all Colleges to submit a Mid Year Return which represented the forecast outturn for the year based on the actual position as at the end of period 6.

The production of our management accounts is greatly improved thus enabling the early production of the MYR, greater engagement with managers in predicting income and spend patterns for the full year, and more granularity in the analysis.

Our planned surplus for the year (before taking account of pension or any other reserves movements) is £110k. The anticipated surplus is £3k which is prior to the following mitigating actions:

- Potential VAT receipt of £200k plus £4k interest
- Withdrawal of consultancy support (detail being confirmed and can be advised to committee during the meeting)
- Aggressive approach to managing Baxter Storey losses back to break even.

There are some risks to achievement. The most significant one being the final pay award. The MYR takes account of the final offer which has been rejected by the Unions. The Employers Association are holding the line. Job evaluation will continue to be accrued at the same level as previous years.

Achievement of a £110k surplus is a realistic expectation and remains our target. Our corporate KPIs reflect this level of delivery.

**Statement of Comprehensive Income and Expenditure (SOCIE)**

Main points of note

- Foundation apprenticeship funding target not achieved, FWDF increased
- Service charges HWU and catering income down
- Overall income down £51k
- Staff costs up – pay award and NI increase
- Overall costs up £56k

**Income**

Other significant income changes are:

- Capital grants. This line reflects the accounting treatment for funding to support capital spend
- Project income – Community Renewal Fund and DDI

**Expenditure**

- Reversal of prior year accruals benefit £51k

**Overall position**

This report identifies potential variability within the overall position. This may allow us to transfer excess funds with BFET. Approval to do so requires Board approval before the end of March. The Committee is required to consider this matter and make a recommendation to approve transfer of up to £250k to be transferred to BFET.

**SFC engagement**

Andrew Kirkness and I have already had a helpful engagement session with four members of the SFC team, two financial and two non financial. A review meeting has been scheduled by SFC to discuss the College's submission. This is the first time such a meeting has been held since I have been in post. I consider this to be a positive development reflecting a new approach adopted by the Interim Director of Finance.

**Recommendation:**

Members to seek clarification on any aspects of the report and approve the submission of the MYR to SFC with a planned surplus of £110k.

Members to recommend to the Board a range of funds to be transferred to BFET should the overall position allow this.

**Previous Committee Approvals:**

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

# APPENDIX 1 STATEMENT OF COMPREHENSIVE INCOME

Borders College

| Statement of Comprehensive income and expenditure (Consolidated) | FFR 2021-22 £000 | MYR 2021-22 £000 | Variance % | Variance £ | Explanation for variance |
|---|---|---|---|---|---|
| **INCOME** | | | | | |
| Tuition fees and education contracts | 1,425 | 1,218 | -14.5% | -207 | |
| Funding council/RSB grants | 11,224 | 11,498 | 2.4% | 274 | FWDF Offset above |
| Research grants and contracts | 0 | 0 | | 0 | |
| Other income | 2,454 | 2,336 | -4.8% | -118 | Service Charges & Catering Income |
| Investment income | 0 | 0 | | 0 | |
| **Total income before donations and endowments** | **15,103** | **15,052** | -0.3% | -51 | |
| Donations and endowments | 0 | 0 | | 0 | |
| **Total income** | **15,103** | **15,052** | -0.3% | -51 | |
| **EXPENDITURE** | | | | | |
| Staff costs | 9,967 | 10,065 | 1.0% | 98 | Pay Award and NI Increase |
| Staff costs - exceptional restructuring costs | 0 | 0 | | 0 | |
| Exceptional costs - non-staff | 0 | 0 | | 0 | |
| Other operating expenses | 3,289 | 3,240 | -1.5% | -49 | |
| Donation to Arms Length Foundation | 0 | 0 | | 0 | |
| Depreciation | 1,433 | 1,440 | 0.5% | 7 | |
| Interest and other finance costs | 304 | 304 | 0.0% | 0 | |
| **Total expenditure** | **14,993** | **15,049** | 0.4% | 56 | |
| **Surplus/(deficit) before other gains and losses and share of operating surplus/deficit of joint ventures and associates** | **110** | **3** | -97.3% | -107 | |

# APPENDIX 2 INCOME

## Borders College

| INCOME | | | FFR 2021-22 £000 | MYR 2021-22 £000 | Variance % | Variance £ | Explanation for variance |
|---|---|---|---|---|---|---|---|
| **1** Tuition fees and education contracts | | | | | | | |
| | a) | FE - UK | 351 | 335 | -4.6% | -16 | |
| | b) | FE - EU | 0 | 0 | | 0 | |
| | c) | HE | 298 | 339 | 13.8% | 41 | |
| | d) | Non-EU | 0 | 0 | | 0 | |
| | e) | SDS contracts | 360 | 408 | 13.3% | 48 | |
| | f) | Education contracts | 416 | 136 | -67.3% | -280 | FWDF in SFC |
| | g) | Other | 0 | 0 | | 0 | |
| **Total tuition fees and education contracts** | | | **1,425** | **1,218** | -14.5% | -207 | |
| **2** SFC / RSB Grants | | | | | | | |
| | a) | SFC / RSB FE recurrent grant (including fee waiver) | 9,548 | 9,817 | 2.8% | 269 | FWDF |
| | b) | UHI recurrent grant - HE provision | 0 | 0 | | 0 | |
| | c) | FE Childcare funds | 135 | 40 | -70.4% | -95 | Cost Offset |
| | d) | Release of SFC / RSB deferred capital grants | 963 | 846 | -12.1% | -117 | IT and timing |
| | e) | SFC capital grant | 0 | 231 | | 231 | Expenses cost offset vs Capital |
| | f) | SFC grant for NPD | 0 | 0 | | 0 | |
| | g) | Other SFC / RSB grants - FE provision | 578 | 564 | -2.4% | -14 | |
| | h) | Other UHI grants - HE provision | 0 | 0 | | 0 | |
| **Total SFC / RSB Grants** | | | **11,224** | **11,498** | 2.4% | 274 | |
| **3** 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 | |
| **4** Other Income | | | | | | | |
| | a) | Catering and residences | 0 | 0 | | 0 | |
| | b) | Other European Income | 0 | 3 | | 3 | |
| | c) | Other income generating activities | 1,744 | 1,510 | -13.4% | -234 | Catering & Service Charges |
| | 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 | 378 | 488 | 29.1% | 110 | CRF & DDI Income |
| | g) | Release of non-SFC government deferred capital grant | 332 | 323 | -2.7% | -9 | |
| | h) | Income from Coronavirus Job Retention Scheme | 0 | 12 | | 12 | |
| | i) | Other income | 0 | | | 0 | |
| **Total other income** | | | **2,454** | **2,336** | -4.8% | -118 | |

# APPENDIX 3 EXPENDITURE

**Borders College**

**EXPENDITURE**

| | | | FFR 2021-22 | MYR 2021-22 | Variance | Variance | Explanation for variance |
|---|---|---|---|---|---|---|---|
| **STAFF COSTS** | | | £000 | £000 | % | £ | |
| **1** Teaching departments | | | 4,290 | 4,438 | 3.4% | 148 | Pay Award and NI Increases |
| **2** Teaching support services | | | 716 | 693 | -3.2% | -23 | Costs in Teaching Departments |
| **3** Other support services | | | 0 | 0 | | 0 | |
| **4** Administration and central services | | | 4,526 | 4,512 | -0.3% | -14 | Reduced on pension budget offset by tiiming, pay award & NI |
| **5** Premises | | | 435 | 422 | -3.0% | -13 | Staffing offset by pay award & NI |
| **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 | |
| **Normal staff costs** | | | **9,967** | **10,065** | 1.0% | 98 | |
| **10** Exceptional restructuring costs | | | 0 | 0 | | 0 | |
| **Total staff costs** | | | **9,967** | **10,065** | 1.0% | 98 | |
| **Additional breakdown of staff costs** | | | | | | | |
| | | **Salaries** | 7,741 | 7,826 | 1.1% | 85 | |
| | | **Social security costs** | 728 | 738 | 1.4% | 10 | |
| | | **Pension contributions** | 1,498 | 1,501 | 0.2% | 3 | |
| | | **Non-cash pension adjustments - net service cost** | | 0 | | 0 | |
| | | **Non-cash pension adjustments - early retirement provision** | | 0 | | 0 | |
| | | **Severance payments** | 0 | 0 | | 0 | |
| | | **Total staff costs** | **9,967** | **10,065** | 1.0% | 98 | |
| **NON-STAFF COSTS** | | | | | | | |
| **1 Exceptional costs - non-staff** | | | 0 | 0 | | 0 | |
| **2 Other operating expenses** | a) | Teaching departments | 672 | 418 | -37.8% | -254 | Childcare & Discretionary Funding Costs |
| | b) | Teaching support services | 13 | 18 | 38.5% | 5 | |
| | c) | Other support services | 0 | 0 | | 0 | |
| | d) | Administration and central services | 1,839 | 2,080 | 13.1% | 241 | Funded cost increases |
| | e) | General education | 0 | 0 | | 0 | |
| | f) | Premises | **571** | **581** | 1.8% | 10 | |
| | (i) | Maintenance | 112 | 96 | -14.3% | -16 | |
| | (ii) | Utilities | 246 | 282 | 14.6% | 36 | Offset Recirc income |
| | (iii) | Other | 213 | 203 | -4.7% | -10 | |
| | 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 | 194 | 143 | -26.3% | -51 | Prior years accrual reversals |
| | k) | Movement on early retirement pension provision | 0 | 0 | | 0 | |
| | l) | NPD | 0 | 0 | | 0 | |
| | m) | Other | 0 | 0 | | 0 | |
| **Total other operating expenses** | | | 3,289 | 3,240 | -1.5% | -49 | |
| **3 Depreciation** | a) | Government funded assets | 1,433 | 1,440 | 0.5% | 7 | |
| | b) | Non-government funded assets | 0 | 0 | | 0 | |
| | c) | NPD funded assets | 0 | 0 | | 0 | |
| **Total depreciation** | | | 1,433 | 1,440 | 0.5% | 7 | |
| **4 Interest** | a) | On bank loans, overdrafts and other loans | 124 | 124 | 0.0% | 0 | |
| | b) | Finance lease interest | 0 | 0 | | 0 | |
| | b) | Other | 0 | 0 | | 0 | |
| | c) | Net charge on pension scheme | 180 | 180 | 0.0% | 0 | |
| | d) | NPD interest | 0 | 0 | | 0 | |
| **Total interest** | | | 304 | 304 | 0.0% | 0 | |