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# FINANCE & RESOURCES COMMITTEE REPORT

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| **Subject:** Business Review | **Purpose:**<br>**For Approval** ☐<br>**For Discussion** ☒<br>**For Information** ☐ |
| **Prepared by:**<br>Sara Wilson, Director of Finance & Procurement;<br>Kirsty Robb, Vice Principal - Finance & Corporate Services | **Date:**<br>21 September 2023 |
| **Purpose:**<br>To provide members with an overview of the financial position at July 2023. | |
| **Linked to Strategic Goal: We will take a leading role in enabling an inclusive, resilient and sustainable Scotland**<br><br>**Performance Measures: Recogise nationally as a progressive organisation** | |
| **Linked to Strategic Risk Register: 2 - Financial Plan Objectives**<br><br>**New Risk Commentary:** | |

## EXECUTIVE SUMMARY

The scorecard below provides an overview of current financial performance measures at the end of AY 2022-23.

### Financial Forecast Return (FFR)

**FFR (1) – 22-23 – Jun22**

| AY | Outturn | Savings | AOR |
|---|---|---|---|
| 22-23 | £181k | £537k | £180k |

### Mid Year Return (MYR)

**MYR (1) – 22-23 – Mar23**

| AY | Outturn | Savings | AOR |
|---|---|---|---|
| 22-23 | £(299k) | £537k | £(300k) |

**Out-turn (1) – 22-23 – Jul23**

| AY | Outturn | Savings | AOR |
|---|---|---|---|
| 22-23 | £(13k) | £537k | £(45k) |

**Pay Awards**

- MYR increased forecast from 2% to 5% for 22-23, negotiations based on a flat rate of £2,000 per FTE are still ongoing

### Spending against grant allocations

- In 21-22 SFC approved the carry forward of the unspent balance of the Melrose Road receipt, which has been allocated against the works on the Immersive Classroom, with £16k unspent to carry forward into 23-24.
- An additional £115k of spend was deferred from 21-22 due to late delivery of electric vehicles; these have now been received.
- A number of other funded projects have been completed:
    - Cyberlab
    - Electric ATV
    - Helpdesk Software
- Some projects are ongoing with funding of £187k carried forward into 23-24 pending completion:
    - E-sports classroom
    - NSB roofworks

### Management Accounts (Appendix 1)

- YTD Operating deficit of £13k
- One off adjustment for movements in the pension reserve and revaluation reserve still to be calculated.

### Cashflow (Appendix 2)

- Opening balance in August £1.685m
- Cash days sitting at 34 days at end July.
- Position at July 2023 is £1.600m.

**Recommendation:**
Members to seek clarification on any aspects of the report and note.

**Previous Committee Approvals:**
Nil

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

**APPENDIX 1 Management Accounts**

An overview of the July 2023 management accounts is provided below, with the full accounts attached; year end adjustments for the movement in the pension reserve and revaluation reserve have still to be calculated.

**Overview**

The planned deficit for the year is £298k, as per the Mid Year Review (MYR).

The management accounts show an overall positive variance as below:

| Budget area | Variance | Main reasons |
|---|---|---|
| Income | +638k | Flexible Workforce Development Fund (£66k), SDS income (£166k), recovery of catering losses (£113k), various misc Grants (£125k), catering contract (£38) and a positive release from Deferred Capital Grants (£49k) |
| Staffing | -111k | VS costs of £165k, partly off-set by vacancies not filled (however external staffing below used to cover some of this activity) |
| Non staffing | -242k | External staffing (£60k), property related (£119k), grant funded activity (£67k), catering contract (£57k), teaching related (£40k), bad debts (£60k); with IT related under by £62k and interest payment (£49k) |
| Total | +285k surplus | |

Student funding is not included above.

**Uncertainties during the year**

The Baxter Storey service for 2022-23 projected a loss of £45k, however the final result is a £69k loss with Heriot Watt sharing this on a 50/50 basis. The tender exercise for future service has been finalised, with Baxter Storey retaining the contract on a nil return/nil cost basis.

Discussions with HWU to complete the 2021-22 reconciliations, agree to the 2022-23 budgets and agree 2023-24 budgets have been completed; work on the 2022-23 reconciliation has started with final approval expected by the Campus Management Committee in December.

Pay awards are not yet agreed. In line with SFC guidance, the MYR assumed an increase in award from 2% to 5%, however Colleges Employers Scotland (CES) has made a ‘full and final offer’ of £2,000 per FTE on a flat rate basis. Year end assumptions have been calculated based on the flat rate offer.

Income includes activity delivered through the Community Renewal Fund which is an additional source of circa £170k over 22-23; Flexible Workforce Development Fund and SDS income are both well ahead of target, with adjustments from prior year deferrals and accruals providing a positive return. The total income includes a recovery of £170k due to SFC for under achievement in the delivery of Foundation Apprentices and National Transitions Training Fund in 2021-22.

**BORDERS COLLEGE MANAGEMENT ACCOUNTS - 1 AUGUST to 31 JULY AY22-23 (P1 to 13)**

| | | INCOME | | | STAFFING | | | NON STAFFING | | | TOTAL | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Area** | **Centre Name** | **22-23 Budget** | **22-23 Actual** | **22-23 Variance** | **22-23 Budget** | **22-23 Actual** | **22-23 Variance** | **22-23 Budget** | **22-23 Actual** | **22-23 Variance** | **22-23 Budget** | **22-23 Actual** | **22-23 Variance** |
| **Commercial** | DEBI Unit | -1,813,649 | -1,963,539 | -149,890 | 1,299,870 | 1,293,259 | -6,611 | 101,500 | 93,108 | -8,392 | -412,279 | -577,172 | -164,893 |
| **Curricular** | Early Educ & Supported Prog / H&SC | -1,608,201 | -1,477,830 | 130,371 | 858,587 | 837,579 | -21,008 | 54,000 | 87,992 | 33,992 | -695,614 | -552,259 | 143,355 |
| | Business & Administration | -471,769 | -421,354 | 50,415 | 339,338 | 326,630 | -12,708 | 11,000 | 6,659 | -4,341 | -121,431 | -88,064 | 33,367 |
| | Essential Skills & Transitions | -80,598 | -90,477 | -9,879 | 230,177 | 238,843 | 8,666 | 20,000 | 11,839 | -8,161 | 169,579 | 160,205 | -9,374 |
| | Hospitality & Tourism | -219,569 | -210,548 | 9,021 | 141,800 | 127,460 | -14,340 | 19,000 | 26,922 | 7,922 | -58,769 | -56,167 | 2,602 |
| | Hairdressing & Beauty | -582,661 | -510,189 | 72,472 | 291,209 | 290,879 | -330 | 12,000 | 46,676 | 34,676 | -279,452 | -172,634 | 106,819 |
| | Creative & Digital Industries | -158,974 | -139,456 | 19,518 | 72,101 | 70,411 | -1,690 | 5,000 | 3,978 | -1,022 | -81,873 | -65,066 | 16,807 |
| | Construction | -1,253,146 | -1,498,101 | -244,955 | 972,768 | 966,293 | -6,475 | 118,700 | 110,071 | -8,629 | -161,678 | -421,737 | -260,059 |
| | STEM | -673,375 | -745,122 | -71,747 | 510,036 | 460,107 | -49,930 | 49,000 | 52,940 | 3,940 | -114,339 | -232,075 | -117,736 |
| | Sport & Horse Care | -1,695,031 | -1,790,593 | -95,562 | 615,523 | 599,555 | -15,969 | 72,988 | 93,131 | 20,143 | -1,006,520 | -1,097,907 | -91,387 |
| | Rural Skills | -1,264,134 | -1,681,301 | -417,167 | 796,956 | 780,435 | -16,521 | 70,700 | 101,041 | 30,341 | -396,478 | -799,826 | -403,348 |
| | Curriculum - Management | 0 | 0 | 0 | 161,297 | 154,253 | -7,044 | 0 | 0 | 0 | 161,297 | 154,253 | -7,044 |
| | Curriculum Wide | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Administrators - Curriculum Wide | 0 | 0 | 0 | 79,382 | 73,961 | -5,421 | 0 | 0 | 0 | 79,382 | 73,961 | -5,421 |
| | Projects - Curriculum Wide | -371,000 | -488,177 | -117,177 | 279,853 | 247,313 | -32,540 | 43,000 | 99,798 | 56,798 | -48,147 | -141,066 | -92,918 |
| | T&L - Extended Learning Support | 0 | 0 | 0 | 176,128 | 159,772 | -16,356 | 500 | 1,109 | 609 | 176,628 | 160,881 | -15,747 |
| **General** | Student Services | -117,000 | -173,545 | -56,545 | 333,650 | 301,605 | -32,045 | 22,000 | 39,703 | 17,703 | 238,650 | 167,763 | -70,887 |
| | Marketing & Publications | -848 | -7,176 | -6,328 | 133,316 | 126,732 | -6,584 | 33,901 | 29,588 | -4,313 | 166,369 | 149,143 | -17,226 |
| | Human Resources | 0 | -4,800 | -4,800 | 164,674 | 157,634 | -7,040 | 82,050 | 85,182 | 3,132 | 246,724 | 238,016 | -8,708 |
| | Student Records | -12,575 | -8,749 | 3,826 | 231,926 | 221,446 | -10,480 | 2,500 | 11,729 | 9,229 | 221,851 | 224,425 | 2,574 |
| | TEL Unit | 0 | 0 | 0 | 171,443 | 163,388 | -8,055 | 0 | 5,875 | 5,875 | 171,443 | 169,263 | -2,180 |
| | BC Student Association | 0 | 0 | 0 | 52,447 | 46,812 | -5,635 | 5,000 | 1,931 | -3,069 | 57,447 | 48,744 | -8,703 |
| | Quality | 0 | 0 | 0 | 202,396 | 197,515 | -4,881 | 3,000 | 1,940 | -1,060 | 205,396 | 199,455 | -5,941 |
| | Facilities Management | -791,009 | -819,294 | -28,285 | 696,790 | 661,693 | -35,097 | 981,933 | 1,015,200 | 33,267 | 887,714 | 857,598 | -30,116 |
| | ICT | -161,334 | -184,942 | -23,608 | 470,535 | 447,160 | -23,375 | 605,739 | 559,657 | -46,082 | 914,940 | 821,876 | -93,064 |
| | Library | 0 | 0 | 0 | 0 | 0 | 0 | 81,000 | 72,377 | -8,623 | 81,000 | 72,377 | -8,623 |
| | Finance | 0 | 0 | 0 | 296,391 | 271,336 | -25,055 | 43,635 | 45,686 | 2,051 | 340,026 | 317,022 | -23,004 |
| | Student Funding | -2,695,350 | -2,609,640 | 85,709 | 95,584 | 90,292 | -5,292 | 2,695,350 | 2,578,820 | -116,530 | 95,584 | 59,472 | -36,112 |
| | Administrators - Campus | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | Administrators - SMT | 0 | 0 | 0 | 79,183 | 75,495 | -3,688 | 0 | 0 | 0 | 79,183 | 75,495 | -3,688 |
| | Board of Management | 0 | 0 | 0 | 43,025 | 41,490 | -1,535 | 30,413 | 2,142 | -28,271 | 73,438 | 43,632 | -29,806 |
| | College Management | 0 | 0 | 0 | 467,600 | 446,898 | -20,702 | 1,500 | 33,218 | 31,718 | 469,100 | 480,116 | 11,016 |
| | College Wide | -3,880,151 | -3,568,459 | 311,692 | 363,131 | 764,835 | 401,704 | 2,213,513 | 2,406,333 | 192,820 | -1,303,507 | -397,291 | 906,216 |
| | Corporate Projects | 0 | 0 | 0 | 86,140 | 82,218 | -3,922 | 0 | 0 | 0 | 86,140 | 82,218 | -3,922 |
| | Pensioners (Retirals) | 0 | 0 | 0 | 0 | 0 | 0 | 56,786 | 58,199 | 1,413 | 56,786 | 58,199 | 1,413 |
| | Strategic Partnerships & Projects | 0 | 0 | 0 | 0 | 624 | 624 | 0 | 0 | 0 | 0 | 624 | 624 |
| **Grand Total** | | **-17,850,374** | **-18,393,292** | **-542,918** | **10,713,256** | **10,723,922** | **10,666** | **7,435,708** | **7,682,843** | **247,135** | **298,590** | **13,473** | **-285,117** |

## APPENDIX 2 CASH FLOW

Cash held is around 30-40 days of expenditure. SFC are being more diligent in following up with Colleges that they consider to be holding cash in advance of need. Total expenditure was planned to outstrip income in AY22-23 by c£800k as deferred incomes were released and the plan to invest in capital includes previously held cash; however the receipt of £1m from HWU at the end of July has kept the balance static.

| | Actual | | | | | | | | | | | | | | | | Totals | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| RDEL | Apr-22 Actual | May-22 Actual | Jun-22 Actual | Jul-22 Actual | Aug-22 Actual | Sep-22 Actual | Oct-22 Actual | Nov-22 Actual | Dec-22 Actual | Jan-23 Actual | Feb-23 Actual | Mar-23 Actual | Apr-23 Current | May-23 Forecast | Jun-23 Forecast | Jul-23 Forecast | Total FY 2022-23 | Total AY 2022-23 |
| Income from foundation (revenue) | | | | | | | | | | | | | | | | | 0 | 0 |
| Other Income excluding EMA (revenue) | 242,319 | 163,013 | 313,100 | 172,891 | 203,855 | 485,517 | 296,724 | 237,402 | 189,138 | 402,825 | 122,210 | 122,423 | 379,182 | 123,800 | 379,190 | 379,435 | 2,951,417 | 2,968,094 |
| RSB funding | | | | | | | | | | | | | | | | | 0 | 0 |
| **Total RDEL income (excluding drawdown)** | **242,319** | **163,013** | **313,100** | **172,891** | **203,855** | **485,517** | **296,724** | **237,402** | **189,138** | **402,825** | **122,210** | **122,423** | **227,000** | **227,000** | **227,000** | **227,000** | **2,951,417** | **2,968,094** |
| Wages and Salaries | 470,529 | 817,363 | 792,605 | 1,397,566 | 446,942 | 780,265 | 794,751 | 821,755 | 822,829 | 822,117 | 790,920 | 1,117,583 | 467,088 | 813,254 | 790,113 | 1,162,606 | 9,875,225 | 10,351,849 |
| restructing costs | | | | | | | | | | | | | | | | | 0 | 0 |
| Other Operating Expenditure excl' EMA | 266,941 | 319,865 | 343,394 | 762,475 | 330,162 | 518,378 | 318,082 | 343,648 | 242,773 | 291,701 | 299,098 | 384,944 | 175,110 | 243,444 | 479,063 | 244,676 | 4,421,461 | 3,528,612 |
| NPD Unitary charges (paid by colleges) | | | | | | | | | | | | | | | | | 0 | 0 |
| Donation to Foundation | | | | | | | | 200,000 | | | | | | | | | 200,000 | 200,000 |
| High priority backlog- resource | | | | | | | | | | | | | | | 7,257 | 53,324 | 0 | 0 |
| Lifecycle maintenance resource | | | | | 69,178 | | | | | | | | 28,688 | 30,000 | | 13,313 | 69,178 | 141,179 |
| Student Support expenditure (excluding EMA) | 278,987 | 156,508 | 194,835 | 496,501 | 0 | 106,556 | 143,250 | 128,704 | 361,915 | 120,335 | 331,793 | 127,283 | 382,371 | 134,685 | 475,255 | 3,803 | 2,446,667 | 2,595,350 |
| **Total RDEL expenditure** | **1,016,457** | **1,293,736** | **1,330,834** | **2,656,542** | **846,282** | **1,405,199** | **1,256,083** | **1,494,107** | **1,427,517** | **1,234,153** | **1,421,811** | **1,629,810** | **1,176,361** | **1,317,932** | **1,232,572** | **2,375,163** | **17,012,531** | **16,816,990** |
| **Net RDEL expenditure (a)** | **-774,138** | **-1,130,723** | **-1,017,734** | **-2,483,651** | **-642,427** | **-919,682** | **-959,359** | **-1,256,705** | **-1,238,379** | **-831,328** | **-1,299,601** | **-1,507,387** | **-949,361** | **-1,090,932** | **-1,005,572** | **-2,148,163** | **-14,061,114** | **-13,848,896** |
| **CDEL** | | | | | | | | | | | | | | | | | | |
| Income from foundation (capital) | | | | | | | | | | | | | | | | | 0 | 0 |
| Proceeds of sale of fixed assets | | | | | | | | | | | | | | | | | 0 | 0 |
| Other income (capital) | | | | | | | | | | | | | | | | | 0 | 0 |
| **Total CDEL income** | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Backlog maintenance capital | | | | | 34,589 | | | 93,909 | | 0 | | | | | | 30,924 | 128,498 | 315,381 |
| Lifecycle maintenance capital | | | | | | | | | | | | | | | | 52,289 | 0 | 0 |
| Digital poverty | | | | | | | | | | | | | | 43,089 | | | | |
| Other capital expenditure (land, buildings, fixtures, IT) | | | | | | | | | | | | | 89,510 | | | | | |
| Work in Progress (Assets Under Construction) | | | | | | | | | | | | | | | | | | |
| Surrender of proceeds | | | | | | | | | | | | | | | | | 0 | 0 |
| **Total CDEL expenditure** | 0 | 0 | 0 | 0 | 34,589 | 0 | 0 | 93,909 | 0 | 0 | 0 | 0 | 60,000 | 41,883 | 40,000 | 45,000 | 128,498 | 315,381 |
| **Net CDEL expenditure (b)** | 0 | 0 | 0 | 0 | -34,589 | 0 | 0 | -93,909 | 0 | 0 | 0 | 0 | -60,000 | -41,883 | -40,000 | -45,000 | -128,498 | -315,381 |
| **ODEL** | | | | | | | | | | | | | | | | | | |
| **Capital Loan/Lennartz Repayments (c)** | | | | | | | | | | | | | | | | | 0 | 0 |
| **EMA** | | | | | | | | | | | | | | | | | | |
| EMA income | 0 | 5,610 | 11,520 | 11,580 | 5,730 | 0 | 6,480 | 6,000 | 10,260 | 12,780 | 6,570 | 23,770 | 1,400 | 6,060 | 10,200 | 12,660 | 100,300 | 92,700 |
| EMA expenditure | 7,320 | 6,150 | 11,490 | 5,820 | 0 | 6,480 | 6,000 | 10,260 | 12,780 | 6,570 | 10,770 | 14,310 | 6,150 | 10,200 | 12,660 | | 97,950 | 86,790 |
| **Net EMA (d)** | -7,320 | -540 | 30 | 5,760 | 5,730 | -6,480 | 480 | -4,260 | -2,520 | 6,210 | -4,200 | 9,460 | -5,920 | 1,170 | 0 | 6,240 | 2,350 | 5,910 |
| | | | | | | | | | | | | | | | | | | |
| **Total Net Outflows/(Inflows) (a) +(b)+(c )+(d)** | **-781,458** | **-1,131,263** | **-1,017,704** | **-2,477,891** | **-671,286** | **-926,162** | **-958,879** | **-1,354,874** | **-1,240,899** | **-825,118** | **-1,303,801** | **-1,497,927** | **-1,015,281** | **-1,131,645** | **-1,045,572** | **-2,186,923** | **-14,187,262** | **-14,158,367** |
| | | | | | | | | | | | | | | | | | | |
| **Opening Bank Balance** | **2,499,916** | **2,508,563** | **2,598,393** | **2,756,396** | **1,685,003** | **1,413,717** | **1,437,555** | **1,760,854** | **1,341,186** | **1,203,756** | **1,683,671** | **1,703,364** | **1,510,289** | **1,847,190** | **1,530,806** | **1,131,152** | | |
| **Net Cash Available** | 1,718,458 | 1,377,300 | 1,580,689 | 278,505 | 1,013,717 | 487,555 | 478,676 | 405,980 | 100,287 | 378,638 | 379,870 | 205,437 | 741,954 | 702,378 | 155,848 | -37,688 | | |
| **SFC Cash Drawdown Total** | 790,105 | 1,221,093 | 1,175,706 | 1,406,498 | 400,000 | 950,000 | 1,282,178 | 935,206 | 1,103,469 | 1,305,033 | 1,323,494 | 1,304,852 | 1,105,236 | 828,428 | 975,304 | 1,637,541 | 13,197,635 | 13,110,741 |
| **Closing Bank Balance** | **2,508,563** | **2,598,393** | **2,756,396** | **1,685,003** | **1,413,717** | **1,437,555** | **1,760,854** | **1,341,186** | **1,203,756** | **1,683,671** | **1,703,364** | **1,510,289** | **1,847,190** | **1,530,806** | **1,131,152** | **1,599,853** | | |
| Cash Days | 53 | 55 | 58 | 36 | 30 | 30 | 37 | 28 | 25 | 36 | 36 | 32 | 39 | 32 | 24 | 34 | | |

The cash flow above relates to ongoing activity and does not include the Lifecycle Maintenance Fund.