

Business (Finance) Review and Update

1.0 PURPOSE OF PAPER

For discussion

- 1.1 The purpose of the paper is to provide Committee members with an overview of the financial position as at 30 April 2025, and an update of the forecast position to 31 July 2025.

2.0 EXECUTIVE SUMMARY

- 2.1 The initial budget for 2024-25 was approved by the Board in June 2024. Work has been ongoing across all areas of the College to review the financial forecast position to 31 July 2025.
- 2.2 Appendix 1 shows the Income and Expenditure forecast to 31 July 2025.
- 2.3 Appendix 2 shows non Scottish Funding Council (SFC)/credit income forecast to 31 July 2025.
- 2.4 Appendix 3 shows the actual capital spend as at 30 April 2025 along with a forecast to 31 July 2025.
- 2.5 Appendix 4 shows the Key Performance Indicators for 2024-25.
- 2.6 Appendix 5 shows the Savings Monitor for 2024-25 to 2026-27.

3.0 RECOMMENDATION(S)/ACTION(S) REQUIRED

- 3.1 It is recommended that the Finance & Resources Committee: -
- 3.1.1 Note the Income and Expenditure forecast position to 31 July 2025 in Appendix 1;
- 3.1.2 Note the Non SFC/credit income forecast position in Appendix 2;
- 3.1.3 Note the Capital forecast position in Appendix 3;
- 3.1.4 Note the Key Performance Indicators in Appendix 4;
- 3.1.5 Note the Savings achieved/forecast in Appendix 5.

4.0 BACKGROUND

- 4.1 The College sets its budget in June for the following Academic Year. The budget for 2024-25 was approved by the Regional Board on 27 June 2024.
- 4.2 In line with the Financial Procedures Manual, budget review meetings are held with senior managers/budget holders on a regular basis, and always at the end of each quarter. The outcome of these meetings, along with any other relevant information received, is reflected in the updated forecasts.

5.0 QUARTER 3 FINANCIAL REVIEW

- 5.1 The table below shows the updated forecast position following the Quarter 3 budget review. These figures are detailed further in Appendix 1; the large improvements in DEBI and Rural Skills are the result of increased commercial income combined with a decrease in costs, while the large movement in Other Support Services relates to an increase in one-off non-recurring activity.

5.1.1

	24-25 approved initial budget £'000	24-25 approved revised budget £'000	24-25 Q3 forecast £'000	Variance Q3 forecast -v- revised budget £'000	23-24 full year actual £'000
Credit income	(9,645)	(9,645)	(9,645)	-	(9,878)
Non SFC / credit income	(2,327)	(2,500)	(2,649)	(149)	(2,249)
Other income	(3,516)	(3,582)	(3,793)	(211)	(3,399)
Total income	(15,488)	(15,727)	(16,087)	(360)	(15,526)
Staff costs	10,589	10,930	11,008	78	10,270
Other costs	5,229	5,360	5,588	228	5,316
Total costs	15,818	16,290	16,596	306	15,586
(Surplus) / Deficit	330	563	509	(54)	60
AOP	365	365	365	-	(65)

- 5.1.2 A full list of non SFC/credit income is summarised in Appendix 2, along with comments where relevant. The increase is mainly due to the receipt of additional ring-fenced funding from SFC of £100k towards the costs of the Campus redevelopment and a contribution from SFC towards increased NI costs of £34k.
- 5.1.3 Movement in other income is the result of a change in the timing of capital funding treated as revenue (SFC £47k, BFET £54k), additional recovery from

HWU of one-off non-recurring activity (£72k), along with a few minor adjustments.

- 5.1.4 The movement in staff costs is mainly due to an increase in one-off non-recurring costs off-set by a reduction for vacant posts.
- 5.1.5 The majority of the movement in Other Costs is grant funded and capital funded activity.
- 5.2 A summary of progress on capital funding is contained within Appendix 3.
- 5.3 Key Performance Indicators relating to finance are included in Appendix 4.
- 5.4 A summary of the savings and pressures which have contributed to the forecast movements in Table 5.1.1 above are contained in Appendix 5, along with an estimate of further savings and pressures expected in the next 3 years. The figures highlighted in bold/italics are still to be confirmed or require further development before certainty.

6.0 IMPLICATIONS AND CONSIDERATIONS

6.1 Financial Implications

Financial implications are detailed above in the report. This report is the third quarter review for 2024-25. Regular forecasting of the financial position is required to enable informed decisions to be made involving all financial aspects of the College.

- 6.2 Learner Implications** – there are no direct learner implications as a result of the contents of this report. Future financial sustainability of the College may have implications to learners.
- 6.3 Staff Implications** – there are no direct implications as a result of the contents of this report. The longer-term financial stability of the College may have implications on staffing levels.
- 6.4 Equality and Diversity Implications/Equality Impact Assessment** – there are no direct equality implications from the contents of this report.
- 6.5 Sustainability/Environmental Implications** – there are no direct sustainability implications from the contents of this report.

7.0 RISK COMMENTARY

- 7.1 Due to reducing funding the financial sustainability is a significant risk to the College. Strong financial management and reporting is a key mitigation to ensure the College meets its financial targets.

- 7.2 Staffing costs reflect approx. 70% of the Colleges overall costs. These are subject to national pay bargaining with pay agreement concluded for 2024-25 in line with forecasts for both curriculum and support staff.
- 7.3 As shown in Appendix 2 the non SFC/credit income for the year is £2.6m. This funding is non-recurring. There is a risk in future years some or all of these funding streams will not be available. Officers across the College are actively looking for additional funding opportunities via partnership working groups and network opportunities.

8.0 CONCLUSION

- 8.1 The outcome of the Quarter 3 budget review process maintains the current forecast Adjusted Operating Position (AOP) at a deficit of £365k. Work will be ongoing over the remaining months to closely monitor activity against this forecast position.

Sara Wilson – Director of Finance & Procurement, 4 June 2025

Previous Board or College Committee Approvals:

Finance & Resources Committee 13 March 2025; Regional Board 27 June 2024.

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Income & Expenditure				Appendix 1
Centre Name	NET EXPENDITURE / (CONTRIBUTION)			
	2024-25 - Approved Revised Budget	2024-25 - Q3 Forecast	2024-25 Variance Q3 -v- Q2 Forecast	2023-24 Actual
	£		£	£
DEBI	729,291	637,831	(91,461)	584,452
Events / Venue Hire	(12,600)	(20,600)	(8,000)	(20,098)
Business & Administration	267,067	267,385	318	196,846
Essential Skills & Transitions	204,894	204,894	0	212,124
Hospitality & Tourism	169,658	174,964	5,306	109,342
Hairdressing & Beauty	234,922	242,201	7,279	206,824
Creative & Digital Industries	83,721	83,170	(551)	65,417
H&SC / Early Educ & Supported Progs	705,070	700,679	(4,391)	689,332
Sport	332,368	327,013	(5,355)	232,256
Construction	505,431	508,839	3,408	430,319
STEM	383,757	383,112	(645)	417,473
Rural Skills (incl Horse Care)	959,019	930,605	(28,414)	795,386
Curriculum Support & Projects	484,134	486,472	2,337	509,476
Other Support Services	5,160,939	5,226,784	65,845	5,508,267
SFC Credit income	(9,644,654)	(9,644,654)	0	(8,711,518)
(Surplus)/Deficit	563,018	508,694	(54,324)	1,225,898

Non SFC/credit income

Appendix 2

		2024-25 Approved Budget £000's	2024-25 Forecast £000's		
Funder	Fund/Purpose			Confirmed	Update
Education Contracts	Apprentices via SNIPEF, CITB, SECTT & SMTA	236	210	Partial	
FE & HE Tuition Fees	Full time & Part time Course	692	592	Partial	reduction in FT HE numbers and RUK
Skills Development Scotland	Modern Apprentices	467	467	Partial	44 additional starts confirmed, awaiting a value
City Deal	Training & delivery digital courses	50	58	Y	
City Deal	Training & delivery sustainability courses	72	74	Y	
Scottish Borders Council	Schools Academy	50	55	Y	
Sport Scotland	Active Campus Co-ordinator	40	40	Y	£40k p.a. for 2 years
Robertson Trust	Mental Health Support	41	41	Y	
Scottish Borders Council	Shared Prosperity Fund – Retrofit	272	298	Y	underspend b/fwd from prior yr
Scottish Borders Council	Shared Prosperity Fund - Employability	154	89	Y	reduction in activity
Scottish Borders Council	Shared Prosperity Fund - AIMS	63	38	Y	full drawdown of funding within 2 yr project
Turing Scheme	International opportunities for students		65	Y	
Scottish Funding Council	Mental Health transition fund	67	90	Y	underspend b/fwd from prior yr
Scottish Funding Council	Free Access to Sanitary Products	6	10	Y	underspend b/fwd from prior yr
Scottish Funding Council	Increase in SPPA contributions	96	99	Y	
Others	Various projects	20	141	Partial	
South of Scotland Enterprise	Scot Borders Student Start-up project		50	Y	
Scottish Borders Council	Find Your Vibe		44	Y	
Energy Skills Partnership	Build EV Charger Points		54	Y	
Scottish Funding Council	Campus Re-development		100	Y	contribution towards professional fees
Scottish Funding Council	Increase in NI contributions		34	Y	
Total		2,326	2,649		

Capital (lifecycle and high priority backlog maintenance) funding							Appendix 3
	2023-24 b/f £000's	2024-25 £000's	Total Budget 2024-25 £000's	2024-25 Forecast £000's	2024-25 Actual £000's	Outstanding works to be completed	Update
Balance Sheet Expenditure							
Two mini buses		90	90	90			Order placed, delivery expected June 2025
Network Refresh		91	91	90			Contract awarded, works due Summer 2025
Upgrade of Fixed Woodwork Machinery	6		6	4	4		project completed
Build Services Commercial training area	6		6	8	8		project completed
NSB teaching block refurb	29		29	25	25		project completed
Finance to the Future	28	46	74	71	42		project progressing
Total Balance Sheet Expenditure	69	227	296	288	79	0	
Income & Expenditure spend							
LCMF		97	97	97	73		on target
Repairs & Maintenance		30	30	30	8		on target
Laptop refresh		50	50	50	43		on target
Additional capital allocation	7		7	7	5		project nearing completion
Total I&E Expenditure	7	177	184	184	129	0	
unallocated / contingency			0	8			allocated to 25-26 Barista project
Total SFC Lifecycle & High Priority backlog maint funding	76	404	480	480	208	0	

Key Performance Indicators			Appendix 4		
			24-25 Approved Budget	24-25 Forecast	23-24 Full Year Actual
Staff Expenditure	<u>staff expenditure</u>	%	67	66	65
	total expenditure				
Non SFC/Credit Income	<u>non-sfc/credit income</u>	%	15	17	15
	total income				
Cash Days		no of days	29	31	38

Savings Monitor							Appendix 5	
	Savings already included within FFR (submitted to SFC in June 2024)				Additional Savings/costs (cumulative effect)			
	2024/25	2025/26	2026/27	2027/28	2024/25	2025/26	2026/27	2027/28
	Actual	Forecast	Forecast	Forecast	Actual	Forecast	Forecast	Forecast
	£	£	£	£	£	£	£	£
Opening FFR (as reported June 2024)	365,000	811,000	1,443,000	2,025,000				
Additional Cost Pressures/(Savings) - Recurring								
- NI Change per 2024 budget announcement	74,093	222,279	226,725	226,725				
- Staffing pressures	86,878	90,475	93,189	93,189				
- Removal of increase for PL1to PL2and teaching backfill	(97,946)	(102,001)	(105,061)	(105,061)				
- Reduction in Tuition Fees	152,827	114,620	76,414	76,414				
- Inflation uplift of Core funding / SFC mitigation	0	(115,736)	(141,062)	(166,388)				
- adjustment to SLA income	10,864	10,864	10,864	10,864				
Additional Pressures/(Savings) - Non Recurring								
- Staff exit costs (net)	152,249	0	0	0				
- additional Grant income	(122,691)	0	0	0				
- additional one off income	(62,281)	0	0	0				
- non essential spend savings non recurring	(39,070)	0	0	0				
Total Additional Pressures/(Savings)	154,923	220,502	161,070	135,745				
Savings linked to Strategic Implementation plan								
Estates Tab								
Move Tweedbank to Galashiels			(61,676)	(52,418)	0	0	0	0
Option appraisal to move Hawick to Galashiels			(84,451)	0	0	0	0	0
Removal of shared facilities			(147,920)	(94,357)	(15,958)	(15,958)	(34,870)	(41,939)
Additional Commercial opportunities via events lets					(5,600)	(5,600)	(10,600)	(10,600)
Financial Planning Tab								
Business process review					0	0	0	0
Additional non core government funding (additional grants)					0	(25,000)	(50,000)	(50,000)
Reduced estate costs (excluding Hawick & Tweedbank)			(47,050)		0	0	0	0
Reduce Non essential Expend			(5,603)		(60,735)	(60,735)	(60,735)	(60,735)
Funding for NI increase (based on 60%)					0	(101,614)	(101,614)	(101,614)
Curriculum Tab								
Additional Commercial course delivery					(25,000)	(25,000)	(40,000)	(40,000)
Workforce Planning								
IT restructure(post HWU)					(41,900)	(50,200)	(145,517)	(181,103)
Staff structures in line with student activity	(36,809)	(2,429)			0	0	0	0
Management structures	(78,236)	(7,516)			(6,080)	(181,192)	(227,803)	(250,383)
Total Savings	(115,045)	(9,945)	(346,700)	(146,776)	(155,273)	(465,299)	(671,139)	(736,373)
Revised FFR projected position Deficit/(surplus) without Credit increase					364,650	566,203	932,931	1,424,371
Increased SFC Core income					0	0	(503,000)	(503,000)
Revised FFR projected position Deficit/(surplus) with Credit increase					364,650	566,203	429,931	921,371
Additional Level 2A Savings								
10% of remaining SS (excluding student support)					0	0	(86,799)	(89,403)
Lecture efficiency of hours					0	0	(68,691)	(70,751)
5% Additional Commercial					0	0	(7,633)	(7,633)
total level 2 savings					0	0	(163,123)	(167,788)
Projected FFR after Level 2A savings					364,650	566,203	266,808	753,584
Additional Level 2B Savings								
Additional 5% of remaining SS					0	0	(43,400)	(44,702)
10% Student Support					0	0	(88,702)	(91,363)
Additional 5% of Review SS					0	0	(77,528)	(79,854)
total level 2B savings					0	0	(209,629)	(215,918)
Projected FFR after level 2A & 2B savings					364,650	566,203	57,179	537,665