



## **FINANCE & RESOURCES COMMITTEE**

**13 March 2025**

### **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 31 January 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 at 31 January 2025 along with a forecast to 31 July 2025.
- 2.5 Appendix 4 shows the Key Performance Indicators for 2024-25.

#### **3.0 RECOMMENDATION(S)/ACTION(S) REQUIRED**

- 3.1 It is recommended that the Finance & Resources Committee: -
  - 3.1.1 Approve 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 that the Quarter 2 budget review/forecast figures will form the basis of the Mid Year Financial Forecast Return to SFC.

## 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.
- 4.3 The College is required to submit a Mid-Year Financial Forecast Return (MYR) to SFC – the Q2 forecast figures in table 5.1.1 below will form the basis of this return. The SFC have not yet issued the MYR guidance which sets out the assumptions to be used. There may therefore be adjustments required for the shown in this report and the final figures in the MYR. Any adjustments required will be detailed in the MYR Paper presented to Regional Board on 27 March 2025.

## 5.0 QUARTER 2 FINANCIAL REVIEW

- 5.1 The table below shows the updated forecast position following the Quarter 2 budget review. These figures are detailed further in Appendix 1; the large improvements in Construction, STEM, and Curriculum Support & Projects result from the receipt of additional grant funding while the large movement in Other Support Services relates to an increase in one-off non-recurring activity.

### 5.1.1

	24-25 initial budget £'000	24-25 Q1 forecast £'000	24-25 Q2 forecast £'000	Variance Q2 forecast -v- Q1 forecast £'000	23-24 full year actual £'000
Credit income	(9,645)	(9,645)	<b>(9,645)</b>	-	(9,878)
Non SFC / credit income	(2,327)	(2,364)	<b>(2,500)</b>	(136)	(2,249)
Other income	(3,516)	(3,559)	<b>(3,582)</b>	(23)	(3,399)
Total income	<b>(15,488)</b>	<b>(15,568)</b>	<b>(15,727)</b>	<b>(159)</b>	<b>(15,526)</b>
Staff costs	10,589	10,668	<b>10,697</b>	29	10,270
Other costs	5,229	5,400	<b>5,360</b>	(40)	5,316
Total costs	<b>15,818</b>	<b>16,068</b>	<b>16,057</b>	<b>(11)</b>	<b>15,586</b>
<b>(Surplus) / Deficit</b>	<b>330</b>	<b>500</b>	<b>330</b>	<b>(170)</b>	<b>60</b>
AOP	<b>365</b>	<b>535</b>	<b>365</b>		<b>(65)</b>

- 5.1.2 A full list of non SFC/credit income is summarised in Appendix 2, along with comments where relevant. There is a small increase in Tuition Fee income of £15k with an overall increase in Grant income totalling £121k.

- 5.1.3 Movement in other income is the result of a small increase in the recovery of overhead costs as well as a reduction in income from Heriot-Watt University (£11k) following agreement of 23/24 SLA reconciliations.
- 5.1.4 The movement in staff costs is mainly due to a full review of variable lecturing hours required for the year, along with monies set aside in the prior year for the pay awards not fully utilised. There are 2 new fixed-term posts and additional variable hours which are grant funded (£32k) along with a few minor adjustments.
- 5.1.5 There are a number of small adjustments within Other Costs; within this is recurring savings of £18k.
- 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.

## **6.0 IMPLICATIONS AND CONSIDERATIONS**

### **6.1 Financial Implications**

Financial implications are detailed above in the report. This report is the second 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 £2.5m. 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 2 budget review forecasts a decrease in the deficit Adjusted Operating Position (AOP) of £170k to £365k. Work will be ongoing over the second half of the year to closely monitor activity against the revised forecast position.

Sara Wilson – Director of Finance & Procurement, 27 February 2025

### Previous Board or College Committee Approvals:

Finance & Resources Committee 17 June 2024 and 28 November 2024; Regional Board 27 June 2024.

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Income & Expenditure					Appendix 1
Centre Name	NET EXPENDITURE / (CONTRIBUTION)				
	2024-25 Approved Budget	2024-25 - Q1 Forecast	2024-25 - Q2 Forecast	2024-25 Variance Q2 v- Q1 Forecast	2023-24 Actual
	£		£	£	£
DEBI	745,313	745,836	729,291	(16,545)	584,452
Events / Venue Hire	(12,600)	(12,600)	(12,600)	0	(20,098)
Business & Administration	269,180	270,972	267,067	(3,905)	196,846
Essential Skills & Transitions	224,700	224,001	204,894	(19,107)	212,124
Hospitality & Tourism	149,453	166,412	169,658	3,246	109,342
Hairdressing & Beauty	219,838	227,332	234,922	7,590	206,824
Creative & Digital Industries	80,415	84,027	83,721	(306)	65,417
H&SC / Early Educ & Supported Progs	709,958	673,682	705,070	31,388	689,332
Sport	243,678	327,895	332,368	4,473	232,256
Construction	541,588	599,826	505,431	(94,395)	430,319
STEM	436,151	441,813	383,757	(58,056)	417,473
Rural Skills (incl Horse Care)	886,105	982,672	959,019	(23,652)	795,386
Curriculum Support & Projects	547,555	553,731	484,134	(69,596)	509,476
Other Support Services	4,933,573	4,859,141	4,928,568	69,428	5,508,267
SFC Credit income	(9,644,654)	(9,644,654)	(9,644,654)	0	(8,711,518)
(Surplus)/Deficit	330,254	500,085	330,648	(169,437)	1,225,898

# Non SFC/credit income

## Appendix 2

Funder	Fund/Purpose	2024-25 Approved Budget £000's	2024-25 Forecast £000's	Confirmed	Update
Education Contracts	Apprentices via SNIPEF, CITB, SECTT & SMTA	236	210	Partial	
FE & HE Tuition Fees	Full time & Part time Course	692	566	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	328	Y	underspend b/fwd from prior yr
Scottish Borders Council	Shared Prosperity Fund - Employability	154	68	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		74	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	134	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	
<b>Total</b>		<b>2,326</b>	<b>2,500</b>		

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
<b>Balance Sheet Expenditure</b>							
Two mini buses		90	90	90			Order placed, delivery expected June 2025
Network Refresh		91	91	91			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	74	36		project progressing
<b>Total Balance Sheet Expenditure</b>	<b>69</b>	<b>227</b>	<b>296</b>	<b>292</b>	<b>73</b>	<b>0</b>	
<b>Income &amp; Expenditure spend</b>							
LCMF		97	97	97	49		
Repairs & Maintenance		30	30	30	15		
Laptop refresh		50	50	50	26		
Additional capital allocation	7		7	7			project nearing completion
<b>Total I&amp;E Expenditure</b>	<b>7</b>	<b>177</b>	<b>184</b>	<b>184</b>	<b>90</b>	<b>0</b>	
unallocated / contingency			0	4			
<b>Total SFC Lifecycle &amp; High Priority backlog maint funding</b>	<b>76</b>	<b>404</b>	<b>480</b>	<b>480</b>	<b>163</b>	<b>0</b>	

Key Performance Indicators			Appendix 4		
			24-25 Approved Budget	24-25 Forecast	23-24 Full Year Actual
Staff Expenditure	<u>staff expenditure</u> total expenditure	%	67	67	65
Non SFC/Credit Income	<u>non-sfc/credit income</u> total income	%	15	16	15
Cash Days		no of days	29	29	38