



BUDGET 2009-10

Last Updated:
Finances & General Purposes Committee:
Corporation Approval:
Review Date:

June 2009
June 2009
July 2009
Annual



BUDGET 2009-10

MANAGEMENT SUMMARY

- The funding target for 2008-09 of 1,708 full time full year 16-18 learners was met;
- LSC funding for 2009-10 has been agreed for 1,759 full time full year 16-18 learners. This was notified to us in May 2009, and is higher than our earlier final allocation of 1,724 learners. Due to the late notification of this increase we are unable to confirm that this number of students will materialise. However, under the current funding methodology there is no allowance for clawback of unearned income in year, but any under recruitment will be reflected in our baseline allocation for 2010/11. Due to the current status of our proposed building project, we do not have the space to recruit any additional students.
- Any unearned LSC income in respect of Adult Learners will need to be repaid, however our allocation seems reasonable and therefore there is no contingency required.
- The staffing budget has been set to meet the requirements of the planned student numbers;
- The cost of our bank borrowing has been included, including an estimated amount of £79,000 in respect of interest and capital repayments for the impact of the proposed new building;
- The cash surplus is £161k;
- We will need to ensure that we spend wisely in 2009-10 to ensure that we remain within budget;
- Full financial statements have been prepared as part of the three year financial forecasts previously considered;
- The most significant medium term risk is change to the recurrent funding methodology and significant increases in interest rates;
- A proactive approach to maximising non-LSC revenue will, as always, be taken.

CURRENT YEAR OUTTURN

The 2008-09 baseline funding was based on 1,708 16-18 FTE and 40 19+ FTE. Our latest funding claim submitted in May 2009 showed 1,731 16-18 FTE and 29 19+ FTE. There is no in year funding for the additional students, but this outturn has been used as the baseline allocation for 2009-10.

The current year outturn indicates an historic cost deficit of £1,446k, which is a significant deterioration on last years results, and is caused by the write off of £1,543k of costs incurred in respect of our aborted capital project . The reasons for this have already been considered by this Committee earlier on tonight.

KEY ELEMENTS OF THE BUDGET

The attached tables for receipts and payments include both revenue and capital items divided into each cost centre. These are then adjusted to include all elements of the full financial statements, which will be included as part of the three year financial forecasts, which is to be considered by this committee later at this meeting. The attached schedule also shows the equivalent figures for 2008-09 to set a context for the budget. Salary inflation of 2.3% has been allowed, and any known increases in employer's national insurance and

pension contributions have also been taken into consideration. The anticipated reduction in teaching staff costs have also been recognised as a result of the implementation of the increase in full time teaching and contact time. Overall inflation has not been allowed for and each cost centre has been looked at in comparison with anticipated outturn for 2008-09, as well as anticipated inflation.

Comments on specific cost centres are as follows

Cost centre	Commentary
LSC Income	This is based on the funding allocation agreed with the LSC based on 1,759 16-18 year olds and 25 Adult Learner Responsive 19+. The ALR allocation is more realistic than the current year; therefore no allowance has been made for potential claw back.
LSC Work Based Learning and e2e.	This is the anticipated amount due from the LSC in respect of e2e only. We have put a bid in for WBL but have not had this confirmed, therefore nothing has been included for this.
Other LSC Income	This is in line with previous year.
Tuition fees	This represents the income expected from the International Students who have already applied to the college.
Income generated from lettings	We intend to maximise the revenue from lettings and although this income is difficult to predict, the budget set appears reasonable based on previous years outturn. We have assumed a full year's income from the car boot in the absence of a capital project.
Teaching staff salaries	Teaching staff salaries have been increased by an anticipated pay increase of 2.3% with no increase this year in pension contributions. The College is planning a decrease in teaching posts of 3. Full account has been taken of the implementation of movement up the pay spine, including PSP, as well as the proposed contact time.
Support staff salaries	Support staff salaries have also increased by the anticipated pay increase and movements up the pay spine. There has been no increase in the number of staff.

The overall result is a cash surplus of £161k, and an historic cost surplus of £138k. While an improvement on last year, consideration is still being given by SMT to the level of operating cost surplus we should be generating year on year.

RISKS

The following are the risks that have been identified and how the impact of them can be managed. Overall the risks are not too high. Student applications are high and we are unlikely to suffer a shortfall in either 16-18 student numbers or 19+ numbers. The budget leaves us little room for manoeuvre, but we have effective budget monitoring processes in place to minimise the risk.

Risk	Impact	Mitigating action
Anticipated student numbers do not materialise during the summer (either new students or those who would be entering into their second year).	Under the new funding methodology, any problem resulting from insufficient 16-18 student numbers will materialise in the following year. There is claw back for	<ul style="list-style-type: none"> • The amount of temporary accommodation will be reduced. • The amount of part time working required

	non earned 19+ income, but no provision is considered necessary	from part time teachers will be reduced within the contractual limit.
The college fails to achieve target student retention rates.	As above	As above
Future funding allocations do not increase for inflation	1.0% on the budget represents approximately £100k of savings that would have to be made.	<ul style="list-style-type: none"> • Careful budgeting • Rigorous and regular examination of all costs.
Increase in pay settlement over anticipated 2.3%.	Every 1% would cost £68k. This risk is highly unlikely to materialise.	<ul style="list-style-type: none"> • Effective budget monitoring • Injection of money from reserves.
Reduction in number of international students	The loss of 10 students would be approximately £60k	<ul style="list-style-type: none"> • Increase use of agents and target students from alternate countries • In the short term, there may be a need for cost reductions, including deferral of expenditure
Pressure on LSC budget nationally	Unquantifiable	<ul style="list-style-type: none"> • Continued lobbying by principal and Chair of Governors
Increase in interest rates	Every 0.25% interest rate rise would be approximately £10,000 on long term borrowing. Indications are that the bank will leave base rate untouched for the remainder of this calendar year.	<ul style="list-style-type: none"> • Close communication with the bank to investigate mitigating solutions. • Close scrutiny of all other budget areas to ascertain equal savings.

CONCLUSION

The budget represents the best outcome for BHASVIC under the new funding methodology. Our current financial target of a £25k historic cost surplus has been achieved, however we are £11k short of the proposed 0.5% operating surplus. The cash position of the college remains reasonably strong, excluding the impact of the capital project. The implementation of this budget will enable the college to achieve its strategic objectives.

The committee is asked to recommend it to the Corporation for approval.

Jutta Knapp
Assistant Principal (Director of Finance and Estates)

	Budget 2009/10 £000's proposed	Budget 2008/09 £000's	
Income			
Income from Government sources			
LSC Recurrent Income	8,723	8,244	
LSC Work based learning and E2E	54	55	
Other LSC income	2	2	
Release of deferred capital grants (non cash)	70	70	
Total Funding Council Grants	8,849	8,371	
Tuition Fees and Charges	50	50	
Other Income			
Income Generated from lettings	105	85	
Catering Income	180	170	
Miscellaneous Income	202	217	
Interest receivable	5	20	
Total other income	492	492	
Total Income	9,391	8,913	
Expenditure			
Staffing Costs			
Salaries - Senior Post Holders	360	335	Staff cost ratio 72.69
Salaries - Teaching staff	4,626	4,695	
Salaries - Support staff	1,761	1,676	
Other staff costs	79	58	
Total pay expenditure	6,826	6,764	
Operating expenses			
BHTA/NHS	0	44	
Teaching departments	192	202	
Teaching support	100	86	
Other support	125	110	
Admin & central costs	473	477	
General education	350	310	
Premises running costs	620	376	
Premises maintenance	135	67	
Costs of Catering	120	115	
Miscellaneous	0	0	
Depreciation (non cash)	308	388	
FRS 17 adjustments (non cash)	12	12	
Total Operating Expenses	2,435	2,187	

Bank loan interest	95	95
Total Expenditure	9,356	9,046
I&E Account Surplus / (Deficit)	35	-133
Difference between historical cost depreciation and actual charge for year	103	168
Historical cost surplus for year	138	35
CASHFLOW SUMMARY		
I&E Account Surplus / (Deficit)	35	-133
Adjust for non cash items		
Depreciation	308	388
FRS 17 Adjustments	12	12
Release of Deferred Capital Grants	-70	-70
Total non cash items	250	330
Non revenue items		
Capital expenditure	-20	-20
Bank loan repayment	-104	-72
Total non revenue items	-124	-92
NET CASH INFLOW	161	105