



Working Together

Finance Strategy 2016-2020

October 2016

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1.0 Vision

1.1 The College will maintain its financial sustainability and provide for the development of adaptive capacity in the curriculum in order to afford high quality service provision for customers and provide security for staff.

2.0 Introduction and Context

2.1 In *Our Strategy – Towards 2020*, the College has identified five Strategic Goals:

- Respond to the needs of our region;
- Deliver successful outcomes for all learners;
- Provide a high quality college experience;
- Grow our business; and
- Build sustainability.

For each Strategic Goal the College has agreed a number of outcomes and objectives which the College aims to deliver.

2.2 To support the delivery of the Strategy and its outcomes and objectives, the College has agreed a set of ten supporting strategies relating to:

- Learning and Teaching;
- Learner Engagement;
- Human Resources and Organisational Development;
- ISLT;
- Employer Engagement;
- Finance;
- Procurement;
- Estates;
- Access and Inclusion; and
- Marketing and Communications.

Although Individual strategies are not linked to any one Goal, but are intended to support the Strategy as whole, the Finance Strategy clearly links to a number of outcomes and objectives within the Goals:

- Goal 1: Respond to the needs of our region:
 - Support economic development and business growth through engagement with employers and through the delivery of recognised workforce qualifications and bespoke, effective knowledge transfer activities.

- Goal 4: Grow our business:
 - Build on our niche markets and specialist products.
 - Build our commercial portfolio to increase non-SFC funding streams.

- Goal 5: Build sustainability:
 - Maintain strong financial management to operate balanced public finance budgets
 - Build a case with the Scottish Funding Council for an appropriate and sustainable level of core and rural funding.
 - Increase commercial income to allow for financial headroom and future investment.

2.3 In common with other incorporated Scottish further education colleges, Borders College was re-classified as a public body with effect from 01 April 2014. This has had a major impact on financial and business planning and reporting, and changes to accounting treatments to fit with Scottish and UK government requirements. This Strategy reflects this position.

2.4 The move to the government accounting framework impacted significantly on the College's cash flows, with grant receipts now being profiled to match budgeted expenditure profiles, rather than in a fixed annual profile. This has significantly reduced the opportunities to the College in terms of investment of any funds received in advance; however, the College remains committed to achieving the maximum return on its funds, within agreed risk profiles.

- 2.5 The College is expected to retain a much lower level of cash balances than previously expected under the SFC's guidance on financial sustainability and significantly below that for a commercial organisation. This increases liquidity risk to the College. In setting this Strategy, the Board has considered the lowest balances it feels are appropriate in ensuring that commitments are met as they fall due.
- 2.6 Perhaps the most significant constraint is the inability of the College to generate and retain its own reserves against future capital investment. At 31 March 2014, the College donated cash-backed surpluses to the Scottish Colleges Foundation and, subsequently, to Borders Further Education Trust. It has since applied for and received commitment to for almost all cash previously donated to be utilised against College projects.
- 2.7 The College is not permitted to enter into a loan agreement on commercial terms. Combined with the inability to retain cash surpluses, this means that the College cannot support any substantial capital investment programme. Alongside other public bodies it must bid, via the SFC, to the Scottish Government for access to capital funding.
- 2.8 The constraints on cash and reserves mean that, when compared to typical commercial organisations, the College's balance sheet and accounting ratios may be judged as weak; however, because of the funding regime, they now actually have little relevance and the College has therefore ceased using them as a performance measure.
- 2.9 Staff costs account for some 68% of College expenditure. With the introduction of national pay bargaining, the College recognises that it has significantly less control over by far its largest item of expenditure than it did under local bargaining arrangements. That notwithstanding, the College will seek to deploy its staff resources in as efficient and effective manner to mitigate the exposure to this sensitivity risk.
- 2.10 These restrictions notwithstanding, the College will continue to manage its finances to ensure sustainability and support growth, innovation and flexibility and to allow resources to be deployed in as efficient and effective a manner as possible. It will, through the Outcome Agreement negotiation process, ensure that Regional need is identified and recognised and it will continue to press for funding levels appropriate to meet demand and sustain growth.

3.0 Strategy Themes and Objectives

In supporting the Corporate Goals and Outcomes, the College has identified four themes within this Strategy. They are:

3.1 With regard to **Financial Stability**, the College will strive to:

- Prioritise ongoing Outcome Agreement negotiations with the SFC to ensure the needs of the Region are recognised and that the College receives a resource allocation to meet demand and deliver on national and local priority areas;
- Manage its financial resources to allow it to fully fund the maintenance of its estate and ICT infrastructure, together with future identified estates developments;
- Ensure all costs are accounted for, including depreciation and financing costs; and
- Utilise planning processes to ensure that longer-term projections are always considered as part of the budgeting process.

3.2 With regard to **Resource Deployment**, the College will strive to:

- Allocate resources through a budgeting cycle which considers external economic influence and utilises scenario planning techniques;
- Fully utilise its allocation from SFC on both an academic and financial year basis;
- Ensure that strategic priorities, including estates, ICT and curriculum planning are fully integrated into the budget cycle; and
- Ensure expenditure on staff costs is maintained at a level of no more than 67% of turnover in year 2016-17, reducing to 65% in year 2019-2020.

3.3 With regard to **Liquidity**, the College will ensure that it uses the facilities available to it to:

- Maximise returns, against agreed risk profiles and within the constraints of the public sector regulatory framework;
- Minimise financing and banking costs; and
- Retain adequate cash reserves, at a level of not less than 10 days trading activity.

3.4 With regard to **Innovation and Flexibility**, the College will seek to:

- Optimise the use of SFC income to support innovation in learning and teaching while continuing to deliver against our core performance indicators; and
- Maximise funding from sources other than the SFC, with such funding to be at a level of not less than 27% in 2016-17, rising to 29% by 2019-20.

4.0 Responsibilities

4.1 The Regional Board is responsible for setting the strategy.

4.2 The Vice Principal – Finance and Resources is responsible for achieving the aims of the strategy.

4.3 The Senior Management Team is responsible for implementing the strategy.

4.4 The Head of Finance and Procurement is responsible for the reporting on progress toward the objectives.

4.5 All budget holders are responsible for delivering their services within agreed budgets.

5.0 Monitoring and Review

5.1 The Finance and General Purposes Committee will receive monitoring reports in accordance with its meeting cycle.

5.2 The Senior Management Team will monitor and review progress through monthly reporting and management accounts. It will make recommendations for adjustment to the Regional Board where appropriate.

6.0 Related Documents

6.1 *Our Strategy – Towards 2020* Strategic Plan 2016 – 2020, and supporting Strategies

6.2 Sustainability Framework

6.3 Risk Register

6.4 Financial Regulations

6.5 Treasury Management Policy

6.6 Fees Policy

6.7 Risk Management Policy

6.8 Financial Procedures Manual

