



## Annual report and financial statements

2021 - 22



**Correspondence address**  
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**Netherdale**  
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## **Professional Advisors**

The College's professional advisors during the period to 31 July 2022 were as shown below.

### **External Auditors**

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3 Semple Street  
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EH3 8BL

### **Internal Auditors**

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G2 4TP

### **Bankers**

Royal Bank of Scotland  
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Galashiels  
TD1 3AY

### **Solicitors**

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65 Haymarket Terrace  
Edinburgh  
EH12 5HD

RBS Mentor  
<https://www.rbsmentor.co.uk/>

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# Strategic Report

The Strategic Report comprises an overview and a detailed performance analysis. It takes an integrated approach to the assessment of our achievements in 2021/22 and aims to:

- help stakeholders to understand and assess how well Borders College has continued to implement its Strategic Ambition, supporting Strategies, and Financial Plan
- celebrate successes of 2021/22 and highlight priorities for 2022/23
- showcase our commitment to our wider duties as a public body.

## 1. Overview

### Statement from the Principal



The year 2021-22 saw us gradually emerge from the effects of the COVID-19 pandemic and plan for a return to a more recognisable structure to our learning and teaching in 2022-23. That said, we were still seeing significant impacts as we worked through this recovery year. Our staff teams rose to this challenge as another cohort of students successfully completed their courses.

A strong, vibrant College is a key element in the economic development of the South of Scotland and South East Scotland. It is therefore important to the local economy that we, in partnership with employers and other key stakeholders, deliver a responsive training offer which is aligned to regional and national priorities.

As a result of the previous and continuing digital investments, we were able to continue to deliver good quality remote learning during the academic year.

The College has now launched its Business Growth and Employer Engagement Strategy, to sit alongside our Future Skills Strategy and our ambitious Sustainability Strategy. These key strategies reflect the ambitions set out in our 5 year Strategic Ambition launched in August 2020. We continue to work with a range of key partners in implementing actions to ensure we achieve our desired outcomes.

In partnership with The University of Edinburgh and other South East City Region Deal (ESECRD) partners, we continue to develop and deliver a range of Data Science/Digital programmes. In addition to our work with the ESECRD, we continue to develop our South of Scotland Digital Skills Hub in partnership with Dumfries & Galloway College. Its purpose is to develop seamless learning pathways from school to post graduate in digital skills. A wide range of stakeholders are involved including employers, Innovation Centres, universities and schools. As part of the learning pathways, Borders College are now delivering Software Development and Cyber Security with capital investment in a Cyber Security Lab.

We are working with The University of Edinburgh and Edinburgh College to build on our now well established Borders Care Career Academy. The development of Care Technician qualifications as

well as piloting dual registration for the care sector are some early projects. The embedding of technology in learning from senior phase is our priority moving forward.

Our BSTEM Sustainable Construction Hub, located in Hawick, continues to develop and is now delivering a range of Sustainable Construction training programmes to industry. Recent investment from the Advanced Manufacturing Challenge Fund has allowed us to install an industry scale 3D printer and cobots to support local SME manufacturing businesses to adopt new technologies. Student success, while dipping from 2020-21 levels, remained high and we are taking actions to ensure recovery in 2022-23. We ranked in the top quartile for apprenticeship delivery.

We know that our practice reflects the needs of our staff, students and stakeholders. We were successful in retaining accreditation as a Great Place to Work in 2022. Our student satisfaction throughout remained very positive at 94%.

Despite the continuing challenges brought about by the pandemic and the national economy, we have achieved a balanced budget, and, with additional income, we have posted a surplus of £0.183m (before pensions adjustments).

Pete Smith, Principal and CEO

## Purpose and Activities of the College

Borders College is the Regional College for the Scottish Borders. It receives the majority of its funding from the Scottish Funding Council.

Our sites are the Scottish Borders Campus in Galashiels, Hawick, Newtown St Boswells, and Tweedbank.

We offer flexible provision from other locations as required.

From an estates point of view, land based continues to be our priority and we are working on a proposal for change.

The College's main market is Further Education (FE), with around 920 full time (FT) students enrolling (631 FE, 199 higher education (HE)) and another 1,352 part time (PT).

Our skills portfolios are:

Sustainable construction, STEM, early education and supported programmes, health and social care

Creative industries, sports and outdoor activities, rural skills, essential skills and transitions, business events and heritage tourism

Department of Enterprise and Business Innovation (DEBI) as a single point of contact for employers to develop the skills of their employees.

We have 347 employees (217 full time equivalents) 113 males and 234 females

Borders College is committed to ensuring that procedures to determine pay and conditions of employment do not discriminate unlawfully and are free from bias.

We are an accredited Living Wage employer and a Great Place to Work.



## Performance Measurement

Performance is considered on delivery of our strategic ambition, non-financial and financial performance and risk mitigation. The Scottish Funding Council require the College to publish and report on progress against targets for national priorities. The Strategic Ambition contains key indicators designed to measure performance, as do our supporting strategies.

## Strategic Ambition

In June 2020, the Board agreed the College Strategic Ambition which covers up to 2025. The Ambition is underpinned with a suite of supporting strategies. The Ambition sets strategic objectives which guide our work, and our values and behaviours.



### Values

Our values underpin who we are and how we behave. Our strategy will be delivered through our values-based culture and contribute to our distinctive approach.

For our students, staff and community, we will be:

- Inspiring**
- Innovative**
- Collaborative**
- Inclusive**
- Empowering**



### Behaviours

In demonstrating our values, we will:



## Annual Priorities

To ensure the College meets its performance targets and strategic ambitions the Senior Leadership team agree annual priorities. The table below shows progress during 2021/22 against the annual priorities agreed in August 2021.

<b>Staff engagement</b>	<ul style="list-style-type: none"> <li>Retained Great Places to Work accreditation</li> <li>Mediated discussions with two least satisfied teams</li> <li>Monthly STAR awards introduced</li> <li>Café coffee voucher scheme extended</li> <li>Thank you page added to newsletter</li> <li>Results of second GPTW survey shared with SLT</li> </ul>
<b>Profile and positioning</b>	<ul style="list-style-type: none"> <li>Upskilling and reskilling training provided to 49 Businesses</li> <li>Ranked in top quartile for apprenticeship provision with 255 apprentices</li> <li>Awarded Computing Digital Transformation of the year – large organisations—by Digital Technology Leaders</li> <li>Leading on short green skills course provision for carbon management and literacy training</li> <li>Continuing to work closely with employers to develop programmes that suit their needs.</li> </ul>
<b>Implementing our skills strategy</b>	<ul style="list-style-type: none"> <li>Developing our students as Global Citizens             <ul style="list-style-type: none"> <li>6 students travelled to visit Centennial College, receive a programme of hospitality training and explore Toronto</li> <li>Student outcomes are among the best in Scotland</li> <li>Student and employer satisfaction levels remain high.</li> <li>Developing employability, Enterprise and Metacognitive skills</li> </ul> </li> <li>Data science included within 13 FE programmes and Big Data within HND Software Development.</li> <li>Additional awards in Housing and Textiles are now being offered in response to employer demand</li> </ul>
<b>Equality and quality improvement</b>	<ul style="list-style-type: none"> <li>Equalities outcome report generated (Oct) and submitted to SLT and Board with good progress noted. Updated progress against plan discussed at CQC in June.</li> <li>Equality KPIs now available on ProMetrix</li> <li>Quality Improvement Manager appointed</li> <li>Review of induction – internal action plan in place</li> <li>Monthly online support learning forum created, learning and teaching audits, staff guide and staff CPD</li> </ul>
<b>Digital Transformation</b>	<ul style="list-style-type: none"> <li>Obtained a slot at College Expo to promote the success of DTP Phase 1 (MIS, VLE, Cloud, Website and Payment Portal) and won a coveted Digital leaders award.</li> <li>Curriculum Timeline Map created and will help to redesign and smooth processes across all services in the College</li> <li>Commencing the procurement phase for a Customer Relationship Management system</li> <li>Commencing the design phase for Finance including possible collaboration</li> </ul>
<b>Delivering our Sustainability Strategy</b>	<ul style="list-style-type: none"> <li>Carbon literacy module developed and course tutors focussed on Climate Change as part of COP26</li> <li>Three new EV cars ordered</li> <li>Carbon reduction projects at Hawick – upgrading lighting and progressing towards solar PV installations</li> <li>Carbon reduction options appraisal undertaken resulting in proposals for Galashiels and Hawick. Funding to be obtained.</li> <li>Creating a new waste management area.</li> </ul>

## Employee engagement



During the period, we used a toolkit provided by Great Places to Work to measure employee engagement. Overall 75% of our staff stated that the College is a Great Place to Work, which in turn resulted in the College being certified as a Great Place to Work and being awarded Great Places to Work for Women recognition.

## Student Success

Despite a challenging year Borders College outcomes remain generally above the sector average from the previous year. The graphic below shows success rates in 2021/22. Figures for 2021/22 were audited during September 2022, and are subject to change up to publication by SFC in February 2023. Detailed internal action plans are in place to improve success rates.

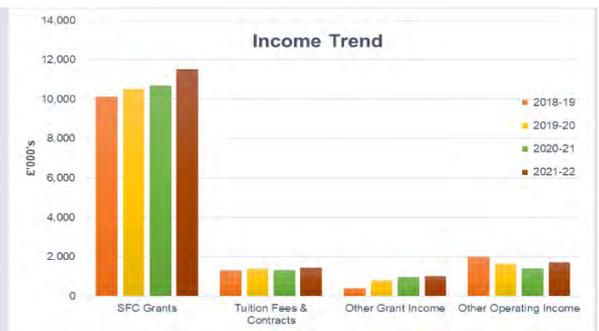


## Financial Performance

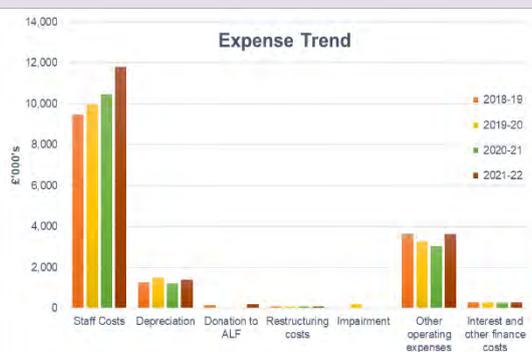
### Income

The College claimed all available grants from Scottish Funding Council (SFC), delivering above the requirements in core credits. The SFC grants represent 73.5% of total income.

Other additional external income from the Community Renewal Fund and the Lennartz Mechanism VAT reclaim.



### Expenditure



Salary costs for the period, at £11.8m were 75.1% of income (72.7% for the previous year).

Salary costs grew by 12.8% in year mainly due to the change in pension provisions, increased costs in wage inflation and national insurance is offset by income increases.

### Revenue surplus and cash

The underlying operating surplus after pension adjustments is £0.332m. This is a strong result for the College given challenges from cost inflation, savings of £0.2M were identified and delivered.

At 31 July 2022, the College has accumulated cash of £4.199m (last year £4.018m).

## Key Risks

During 2021/22 the Board substantively reviewed the Strategic Risk Register, ensuring greater alignment with our Strategic Ambition, supporting the Board and its governance committees in examination of the control mechanisms in place and the actions to capitalise on positive uncertainty as well as mitigate negative uncertainty. The new register was audited during the year and the auditors provided strong assurance to the Audit Committee.

### Rating

Impact /Likelihood	Negligible	Minor	Moderate	Major	Extreme
Almost certain	5	10	15	20	25
Likely	4	8	12	16	20
Possible	3	6	9	12	15
Unlikely	2	4	6	8	10
Rare	1	2	3	4	5

We consider achieving financial balance (rating 16) and continuing to strengthen our cyber security defences and responses (rating 12) as our most significant risks. Finance risk includes the impact of national bargaining, job evaluation, income generation and excess inflation on utilities and other supplies.

Further detail on the risk register is set out on page 25.

## Going Concern

The Regional Board has a Strategic Ambition and an agreed Regional Outcome Agreement with the Scottish Funding Council which sets out our expectation for credit income.

The Board has reviewed the financial projections and considers that the College has adequate resources to meet ongoing liabilities and continue operations for the foreseeable future. Scenario planning has been undertaken and appropriate actions are built into the budget. Savings targets have been fully identified.

The cash flow for the College indicates cash days of more than 30 each month. Funding levels for 2023/24 and beyond have not been confirmed.

The College has a track record of being able to redesign and reshape services to develop and grow our provision, meet demand and live within resources. For these reasons, the College continues to adopt the going concern basis in preparing the financial statements.

## Future priorities

- ✚ Review our student support offer
- ✚ Continue with our digital transformation
- ✚ Progress our ambition to develop Global Citizens
- ✚ Further develop our leadership practice and behaviors
- ✚ Continue to progress our ambition to be national leaders in sustainable practice
- ✚ Consistently track and monitor the engagement and progress of all our students
- ✚ Launch and develop an implementation plan for our Business Growth & Engagement Strategy.
- ✚ To ensure the College is financially sustainable and able to meet the future financial challenges.

## Performance Summary

Overall, even with the ongoing impact of Covid, the College continues to perform well against its targets and performance indicators. The College exceeded its revised activity target for all areas other than National Training Transition Fund and Foundation Apprenticeships. Strong progress was made on our strategic priorities.

Excluding pension fund changes, a surplus of £0.332m was generated, which is an increase on the opening budget of £0.288m and the mid-year projection of £0.183m. The surplus arose from a combination of factors including a donation to the Borders Further Education Trust of £0.2M from commercial income profits.

## 2. Performance Analysis

The Strategic Ambition of the College is measured in a variety of ways. Some of the key performance measurements are shown below and fuller detail is shown for each of the strategic objectives.

- achievement of credit and other SFC activity targets
- skills development and performance
- student involvement and satisfaction
- social responsibility
- CO<sub>2</sub> reduction
- risk exposure
- financial.

### Strategic Objective 1: we will create high quality learning and training opportunities which are relevant, enabling and flexible



The Future Skills Strategy sets out ambitions for our portfolio of teaching and learning which meets the wide range of vocational needs and learner abilities.

We will measure the success of our Future Skills Strategy by the following outcomes:



### Borders College amongst the top-performing colleges in Scotland



Staff at Borders College celebrated the news that they are one of the top three colleges in Scotland, in terms of full-time learner success.

And the great news for learners didn't end there as the college was rated in the top quartile for all of the key performance indicators of colleges nationally.

Success has been put down to supportive, imaginative, and resourceful teaching methods. Students were given high-quality learning experiences with the use of technology to arrange virtual visits, workplace activities and industry masterclasses.

On-campus learning was prioritised for those undertaking practical activities in salons and workshops with careful planning around social distances within teaching areas.

Curriculum staff were agile in changing, not only the content of courses but timetables and even awarding bodies. As work placements could not be undertaken replacement Data Science units were introduced.

Achievement coaches played a pivotal role in supporting students who were finding it difficult to engage and were at risk of dropping out.

issued plus additional support for those with connectivity issues.

Borders College ensured that any student who required digital equipment was given access to the appropriate kit. Over 500 laptops were

Additional E-learning staff supported the new demand for online teaching material, and on-campus support in the iLearn hub.

	Mode	Early withdrawal	Further withdrawal	Completed partial success	Completed successful
Further Education	Full time	7.4%	19.6%	8.6%	64.4%
Higher Education	Full time	5.0%	15.9%	13.2%	65.9%
Further Education	Part time	3.2%	7.3%	19.8%	69.6%
Higher Education	Part time	0.9%	5.9%	4.5%	88.2%
<b>TOTAL ALL</b>		4.2%	11.0%	15.5%	69.3%

### Foundation Apprenticeships:

Foundation Apprenticeships are offered across nine subject areas with 27 students progressing into their second year in 2022/23. 167 students have applied for Foundation Apprenticeships across seven subject areas for 2022/23 with approximately 18% entering onto fast track awards which enable them to complete the full award within one academic year.

### Supporting the student journey

There is a wide range of approaches to gain feedback from students on the quality of services:

- ✚ Student Experience Committee
- ✚ lesson and unit evaluations by students
- ✚ student representation on college committees
- ✚ feedback through enrolment, induction and learning
- ✚ national annual student satisfaction and engagement survey
- ✚ class representative system supported by the Students Association
- ✚ attendance at user group meetings – for example catering and facilities
- ✚ focus groups for class groups run by Curriculum and Learning Managers
- ✚ monthly feedback Fridays by students supported by the Student Association.

Borders College Students Association (BCSA) plays a key role in enriching the wider student experience at Borders College. Each year, BCSA host a range of student events and activities, designed to promote a sense of fun and belonging to students. This input starts with enrolment and induction events which create a welcoming and inclusive atmosphere from the start of term and continue throughout the year working in partnership with the Student Services and Equalities teams to ensure students have access to meaningful activities to support their learning, wellbeing and progression.

The percentage of students overall who are satisfied with their college experience remains high at 94% (Student Experience and Engagement Survey March 2022). Our targets are 90%, a level which is achieved overall and for the majority of the indicators.

A team of wellbeing advisors and student counsellors provide pastoral support to respond to the increasingly complex personal lives and challenges around maintaining positive mental health that many students experience. Additional course focused pastoral support is offered through Achievement Coaches, and student services support team who, along with the Student Association, work closely with a range of external agencies to ensure students have access to the appropriate support interventions they require.

Our Equality & Diversity improvement plan is starting to have a positive impact with 264 staff engaging in lived experience equalities training which included Autism, male mental health, menopause, Tourette's and transgender inclusion. Our EDI dashboard is now available on ProMonitor which allows us to track and monitor the progress of students who disclose that they have protected characteristic. We shouldn't lose sight of the gap between those with protected characteristics and those without in relation to attainment and retention. This still remains and the work continues to be a priority for us. We are progressing well on a range of projects which aim to improve staff diversity and disclosure rates. These include updating staff induction processes, reviewing recruitment and launching a new inclusive leadership course for all line managers. We are working well to address hate crime and harassment on campus by using a range of approaches, including engaging with local organisations, building action plans based on staff and student feedback, and developing accessible reporting mechanisms for all.

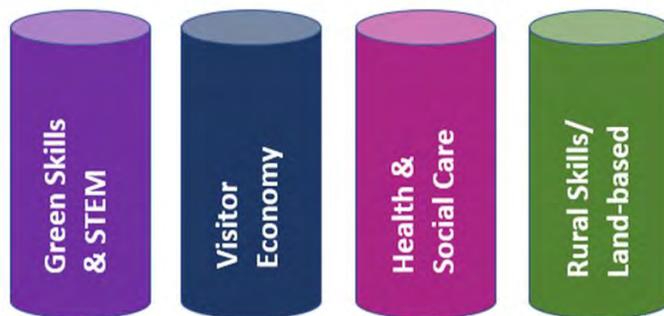
The Student Funding team process and disseminate Bursary, Education Maintenance Allowance, childcare and discretionary fund payments. They also provide advice and guidance to maximise income, including entitlement to state benefits while attending College and at the end of the academic session. The activity has grown significantly to include the assessment and payment of additional funds to support students who have been financially affected by Covid during lockdown and over the summer period.

## Strategic Objective 2: we will proactively engage with our community and stakeholders to ensure our practice reflects their need

Our vision is to be an influential and collaborative partner, both regionally and nationally, working collaboratively with employers, industry and strategic partners on innovative projects to deliver on our ambition to grow over the next 3 years and setting us on a course for continued growth. We will do this as the lead skills provider for our region; an anchor institution.

Our over delivery of the Flexible Workforce Development Fund, our sector leading expanding apprenticeships programme and Green Skills short courses, the roll out and successful delivery of the Sustainability Academy through the Community Renewal fund, and the bespoke training and programmes we offer to organisations, are just some of the programmes that demonstrate our ambition for growth and desire to raise the profile of Borders College further through successful delivery.

### Key Strategic Growth Sectors



### Ecommerce & Business course a first in Scotland



City of Glasgow College, together with Borders College and Edinburgh College, is piloting a new Ecommerce & Business course.

The six-week course is focused on preparing unemployed graduates, workers recently made redundant, or mature learners, for working in the world of fast-moving ecommerce. It will be co-delivered

by professionals, ensuring an immediate connection between students and industry – providing more context to lessons.

Fast Track into Ecommerce & Business has been created in partnership between the Colleges, Skills Development Scotland (SDS) and employers from the ecommerce sector.

Industry growth and increasing digitalisation mean that the ecommerce sector needs to create competitive advantage that attracts, retains and develops more and diverse talent into the sector. According to LinkedIn research, the number of candidates hired for ecommerce related roles in the UK has increased by 143%, this is expected to continue rising.

**Jane Grant, Executive Director for Enterprise & Business Innovation said:**

"The inexorable expansion of Ecommerce has required an urgent response to meet the skills gap for businesses operating in this area. Borders College are very happy to be part of this pilot programme so that we can provide the training to meet that demand, and look forward to future roll out."

### **College students heading to Toronto to become effective global citizens**



Carly Forrest one of the students selected for the trip said:

"Toronto is widely known for its culture and diversity and I would love to immerse myself fully into this. Learning about new cuisines opens up a new world of ingredients and culinary adventures that I would be so excited to delve in to. From the famous Poutine, Saskatoon Berry Pie, to Nanaimo Bars and even Taffy-On-The Snow. It would be a wonderful experience to help enhance my network and build invaluable relationships with

people from all over the world. Reflecting on my own self-development, this once in a lifetime chance would expand my confidence immensely."

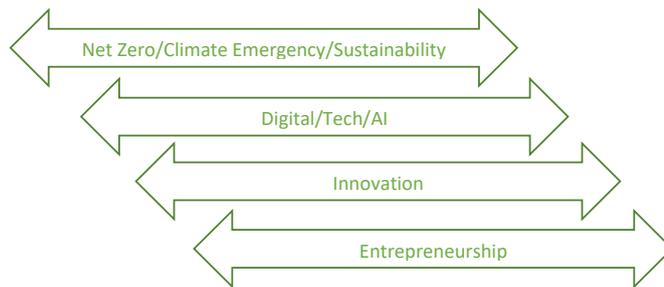
The group visited Centennial College, a community college in Toronto offering a wide variety of courses including business, communications, health, science, engineering, arts, hospitality and transportation. The college has a large number of international students and began working with Borders College in April last year to develop a short programme for our students.

The group attended college classes for 2 weeks with each student taking part in a course focussing on their area of interest – culinary skills, patisserie and front of house.

The trip is funded through the Turing Scheme which replaced Erasmus this year for international programmes. The college hopes to extend this for 2022/23 and apply for further funding to expand the international offer.

## Strategic Objective 3: We will take a leading role in enabling an inclusive, resilient and sustainable Scotland

### Cross Cutting Strategic Growth Areas



We are being recognised as a college that is progressive and successful and regularly Scottish Government, MSPs/MPs and other organisations are turning to us to see what we are doing – especially around digital transformation, sustainability, curriculum co-designed with industry and innovation.

We have launched a number of new programmes – Carbon Warrior training and Sustainable Value Procurement Game, Solar Thermal Hot Water installation, Skills Boost into Care, Cyber Security NPA and HNC, HND Counselling, Nature skills and ecology, local food production, hockey development player programme, e commerce programme, to name but a few.

### **Data Driven Innovation**

Borders College welcomed Data-Driven Innovation (DDI), who delivered informative sessions on Data Science through the Data Education for Colleges project.

The 'Day of Data' workshops saw students take part in sessions such as Data Selfies, which showed them how machine learning algorithms use data to gain insights into someone's personality. They also covered using the internet safely, gathering data, and using programs to enhance their digital learning experience.



The College recognises the importance of developing these skills and has embedded Data Science into its core curriculum. It is being taught to over 170 full-time students.

Within the college, there is a significant focus on improving and enhancing learning opportunities involving data science for all current learners at all levels, whether full or part-time and Borders College are committed to helping develop a future workforce that is fit for purpose.

The digital technology revolution has put data at the centre of activity. Data science is increasingly important for economic growth, social change and public services, and it is estimated that 90% of jobs already require digital skills.

## Our strategic ambition realised – a few success stories

***An exciting partnership between Borders College and Tilhill Forestry saw both organisations win the Anna Murray Partnership Working Award at the ALBAS Awards for their inspiring work delivering exciting forestry-based educational training and experiences to secondary school youngsters.***

### **Forest operations in partnership**

The partnership aims to inspire young people to become the new generation of foresters to plant, maintain and manage forests.

The partnership saw Dan Wilson, Business Development Manager at Tilhill and previous graduate student take on the task of being actively involved in binging through new talent with Borders College.

The Borders College Rural Skills National Progression Award (NPA) at SCQF level 5 is a credible starting place for candidates pursuing a future in one of the major land-based industries.

Candidates will gain knowledge of how a rural business enterprise operates, and an insight into one of eight particular areas of rural skills: agriculture, animal care, equine studies, estate skills, fishery management, forestry, gamekeeping, and horticulture.

The forestry option delivered at Borders College provides an opportunity to work at college and partner sites, and to engage with representatives from the sector.

Curriculum learning manager Andrew Johnson commented *“The partnership working with Tillhill has been invaluable with this course allowing us access to forestry sites, machines and their staff expertise.”*

*“A meeting with Borders College Curriculum Learning Manager Mary Thomson helped build on that and her enthusiasm and drive was infectious.*

*“We came to an understanding that what Tilhill had to offer by means of site visits and examples of forest operations would be of some use to creating an NPA level qualification for High School students wishing to explore the industry.*

*“Working with Garry Dickson we reviewed the syllabus and learning criteria to see how we could use ongoing operations close to the college to give students a taste of the industry.”*



### **Expanding the use of technology**

Borders College has an enviable reputation as a centre of collaborative growth in the tech sector thanks to a pioneering Digital Transformation Programme.

Digital transformation is increasingly recognised as a crucial development in the education sector and the wide-ranging and hugely ambitious project saw a number of enhanced services.

A major element of the Infrastructure Workstream was to migrate on-premise services to the cloud with a specialist third party partnership managed service for its platform storage. This provides for guaranteed service uptime standards and fail over and recovery capacity to significantly improve cyber resilience.

A bold decision was taken by the College Executive to implement a Management Information System (MIS) that was not implemented elsewhere in Scotland. The defined requirements of the MIS led to ProSolution providing sector-leading functionality to manage the student end to end journey and provide customisable and detailed analytic dashboard reporting across the College. The College are now entering into a collaborative approach to sharing their MIS technology and service with another College.

Virtual Learning Environments (VLEs) have become second nature for most students and staff and the set up and development of Canvas as the new online learning environment has been a major step forward for the future of learning at Borders College, with full adoption to take place from June 2022. 24/7 service cover for any device is provided as part of the deal. VLE is however not appropriate for all students and additional support is in place for those students.

Also included was the development of a new website with a fresh and modern look. The site was refined to ensure that users can access the information they want to see in a more efficient way. To deliver a state-of-the-art website, the College teamed up with award-winning advertising and digital agency, The Union, who

engaged with our stakeholders to develop a sector-leading website.

**Kirsty Robb,  
Vice Principal - Finance & Corporate Services  
explains:**

*“We understood that our staff had the expertise around the areas that they are responsible for. However, the challenge of introducing new systems, and at the same time managing their day-to-day operations, was not something we could expect our staff to execute without some considerable expert support. With this in mind, we appointed Agenor, who have expert knowledge and understanding of implementing digital services along with programme delivery.”*

**Jane Grant, Executive Director of Enterprise  
and Innovation at Borders College said:**

*“Investing in our website ensured that our online presence and user experience is second to none. While we may own the website, our engagement with all of our stakeholders ensures that the usability and priority of information, along with an effective navigation, has been delivered based on what our users have told us they want to see.”*

With increasing competition for students and funding, the outcomes of the Digital Transformation Programme will allow the College to harness the power of data to streamline operations and enhance the student experience, whilst ensuring that Borders College remains at the forefront of technological advances in learning.



### **Business innovation through technology**

The Advancing Innovative Manufacturing (AIMs) project provides employers with access to cutting-edge manufacturing technologies to support the development of new projects, prototyping ideas and upskilling employees. Employers can visit the Technology Hub in Hawick to use state of the art 3d printers, horizontal scanners and collaborative robots (cobots) to drive productivity.

*Jamie Hepburn, MSP, Minister for Higher Education and Further Education, Youth Employment and Training was in Hawick, to hear from Borders business owners and students who are benefitting from the training and development services provided by Borders College in renewable technologies and sustainable construction.*

The Minister also learned about the Advancing Innovation and Manufacturing (AIMS) project, where progressive technology can be accessed by organisations, enabling them to take a production or manufacturing improvement idea from concept to implementation. Supported by Borders College team, improvements to practice, process, and productivity, within any business can be achieved.

**Pete Smith, Principal and CEO said:**

*“Working in collaboration with local businesses is key for us, gaining an insight into their business development aims, and developing our offering to meet this need. The work we’ve undertaken since the launch of the STEM Renewable technologies Hub and investment in advanced manufacturing technologies, are instrumental in ensuring the future skills need is met.”*



## **Technology and Agriculture**

Using technology to help improve business practices has become common in most industries. So, it is no surprise that the agricultural sector has embraced many forms of technology to improve efficiency and workflows within the farming world.

The staff at Newtown St Boswells have introduced and implemented the Sencrop weather station as a training tool for both new and established agricultural workers.

College Lecturer Dave Black, along with Rural Skills Technician Bruce Winwood, were instrumental in setting up the weather station and embedding the use of the technology within their curriculum.

### **Dave said:**

*“As we all know, the weather has a significant impact on how farmers carry out their essential work, be it spraying, planting seeds, ploughing, or rolling fields.*

*“This technology allows our students to learn the importance of predicting and monitoring weather conditions to plan the most effective times to carry out these activities.”*

### **Bruce went on to say:**

*“The system also allows us to set up alerts to warn about weather changes that need to be responded to.”*

Traditionally farmers used to tour their crops every day and tended to spray systematically to avoid diseases. The cost of operations (money, time, and environmental impact) was high.



Using the agri-tech weather station set up in the fields, the weather stations provide reliable, accurate, ultra-local data remotely. This data gives farmers their decision-making power back. It streamlines their daily tasks, rationalises the management of chemical inputs, helps them care for their crops and boosts their productivity.

Students are taught the fundamentals of setup and uses of the weather station as part of a national SQA award, Agri-Tech and Precision Farming (SCQF level 5).

The students investigate benefits of technology, including data gathering, metadata, data interpretation and automation. The programme encourages learners to consider agriculture as a hi-tech industry and explore broader employment opportunities in agriculture.

## Corporate Social Responsibility



Corporate social responsibility shows that we care about our impact on the world. Different models of corporate social responsibility exist, but a common one focuses on four components: economic, legal, ethical and discretionary.

### Economic social responsibility

This begins with being profitable, and includes making a surplus, paying employees an appropriate wage, paying taxes and meeting other financial obligations.

*We show economic social responsibility by being transparent with the financial status of the College, paying on nationally agreed pay scales, and generating a surplus annually.*

### Legal Social Responsibility

Consumers are more likely to use services from organisations they trust. A part of building that trust is abiding by the law. Paying required taxes, adhering to labour laws and allowing inspections are examples of legal social responsibility. Our reputation is vital to our success.

*We show legal social responsibility by complying with legislative and regulatory requirements, including educational standards.*

### Ethical Social Responsibility

This means doing the right thing at all levels of the College. This ranges from paying employees a living wage to ensuring that the companies we work with and buy materials from are abiding by all laws. It also includes the environmental impact we have, going beyond the minimum requirements.

*We show ethical social responsibilities by paying nationally agreed salaries which ensure compliance with living wage; through our commitment to equality and diversity; and through our sustainability strategy and our approach to global citizens,*

### Discretionary Social Responsibility

The Board has a corporate social responsibility to provide ethical leadership in equality and diversity. All Board members are responsible for making sure that the College complies with equality legislation, meets all its duties and ensures that our outcomes are achieved and our action plan is followed. Board recruitment encourages participation from a wide ranging and representative group of individuals.

*We show discretionary social responsibility through our position in the community as a partner to businesses and voluntary organisations throughout the Scottish Borders and further afield. Our relationships are not simply as an education and training provider, but also as a supplier and consumer of goods and services. The College considers the local economy when undertaking procurement options.*



### **Fair Work Practices**

Borders College has embedded fair working practices in the workplace and maintains a commitment to “continue to value and develop our workforce and to become an employer of choice within the region”

The College formally recognises and works with UNISON and EIS union representative forming good working relationships which benefit both the College and our staff. The College is committed to a fair and equal pay policy, as part of national negotiations within the FE Sector. The College is a Living Wage Accredited Employer and currently pay hourly rate set by the Living Wage Foundation.

### **Net Zero / Sustainability**

The sustainability strategy at Borders College is underpinned by the interlinking of behavioural change, global citizenship and circular economy and our purpose driven ambition will be achieved by working in partnership with others and developing a belief in ourselves that we can make a significant contribution to the race to net zero.



We are taking a leading role in our community to find our own solutions and challenge those long held behaviours, but the impact will not be seen immediately so having a team that remains enthusiastic and driven to achieve our strategy, even when other priorities emerge is essential.

All students will have sustainable practice embedded into their programme with opportunities to innovate the current practice within their sector. This education programme is being expanded into our schools and community through our housing associations.

#### **Pete Smith, Principal and CEO said:**

*“So, for us, our legacy of changing behaviours is as important as new skills development. A reduction in our waste and increase in ground source heat pump courses has equal importance. This impact of behavioural change is not easy to measure but is essential.”*

Colleges are about developing people, not just skills and that is why the ambition at Borders College is about developing Global Citizens who will go on and make the world we live in a better and more sustainable place.

- You can read the Borders College Sustainability Strategy online at:

[www.borderscollege.ac.uk/sustainability](http://www.borderscollege.ac.uk/sustainability)

We are committed to working collaboratively to respond to the global climate emergency and the Scottish Government's target to reduce greenhouse gas emissions to net-zero by 2045.

Projects during the year include:

- ✚ Decarbonisation work at our Hawick campus
- ✚ Procurement of electric car fleet
- ✚ Waste management improvements
- ✚ Sustainability in the curriculum
- ✚ Sustainability academy green skills delivery

Prioritised activity for 2022/23 includes:

- ✚ Further decarbonisation of the estate
- ✚ Five priority procurement projects
- ✚ Travel policy
- ✚ Embedding sustainable development goals in skills delivery
- ✚ Developing Corporate Social Responsibility Policy

CO<sub>2</sub> emissions in 2021/22 were anticipated to rise as a result of increased numbers of staff/students on Campus post Covid. Whilst CO<sub>2</sub> has risen the rise has not been as high as anticipated. CO<sub>2</sub> has risen to 391tCO<sub>2</sub> up from 354tCO<sub>2</sub> in 21/22. An overall reduction of 52% on our 2015 baseline of 806tCO<sub>2</sub>.

### **Colleges are key to developing sustainable behaviours**

***Students are more engaged in the world around them and feel more empowered to influence and effect change within their communities, organisations and even governments than ever before.***

We are grasping this opportunity to demonstrate the importance of a more sustainable society, preparing students to be global citizens and committing to a circular economy. The interconnected relationships colleges have with industry, our community and our students enable us to act as the catalyst for behavioural change and take a leading role in the cultural transformation of how we consume energy. We are a role model of how to operate sustainably and insist on practice that ensures behaviours become habits that our graduates adopt in their future life and work.

### **Borders College leading the way to reduce our carbon footprint**

Borders College has been leading the way to reduce our carbon footprint long before a Climate Emergency was announced or COP26 came to Scotland. Our estate has already won a Green Gown Award in 2017 for our heat from sewage system which is the first of its kind in the UK. The development sees heating plant using sewage/waste water as a sustainable heat source at the Scottish Borders Campus. The technology extracts the natural warmth contained within this water and transfers the heat to the clean side of the heating system via a heat exchange mechanism. The recovered heat is then amplified via heat pumps to generate the appropriate temperatures for use in buildings. The system provides around 60% of the heat needed by the campus.

Borders College was an early adopter in the use of electric cars. The investment is contributing 18,500 kg of carbon savings to our sustainability targets and response to the climate emergency.

We have introduced a travel hierarchy with staff which forces staff to reflect on the necessity of the journey and use of an electric car first, as a part of any request for a vehicle to carry out College business when public transport is not a suitable alternative.

Electricity for the charging points at Scottish Borders Campus is generated from our onsite Solar panels which additionally help to reduce CO<sub>2</sub> emissions and reduce running costs.

Our staff and students have a strong sense of identity and belonging; our local towns, the heritage, the customs and traditions, all shape our feelings toward our local community and make us who

we are. The regions natural capital provides us with more opportunity to transition to a green economy than most and our communities have a sense of responsibility as guardians of the future.

### Hawick Eco Room announced as ‘Project of the Year’ at prestigious Property Awards

Our Renewable and Energy Efficiency Training Centre in Hawick is training current and future construction industry to save energy by building in a way that is zero carbon and uses very low amounts of energy. The Centre also provides the construction industry access to the latest and emerging technologies so that they are aware of the alternatives and can adopt into their business.



## Identification and Mitigation of Strategic Risk

During 2021/22 the College completely refreshed the Strategic Risk register through Board level workshop discussion, and building on the Colleges strategic plans and performance measures. This resulted in a new risk register shown in summary form below, as at July 2022.

Strategic ambition performance measures			Strategic Risk Theme	Target	Rating Jun 22
1a	Recognised leader in sustainable practice; influential and collaborative partner; recognised nationally as progressive organisation; delivery models are personalised focus on individual and business need	Major changes / opportunities in socio political environment	TREAT (6)	6	
1b	Alumni skilled, resilient and agile; student outcomes in the top quartile; engaged and empowered student body; student satisfaction in the top quartile	Profound impact of COVID19 on delivery and student achievement	TOLERATE (4)	4	
1c	Alumni skilled, resilient and agile; student outcomes in the top quartile; engaged and empowered student body; student satisfaction in the top quartile	Ability to proactively engage with our community and stakeholders to ensure our practice reflects their needs	TREAT (6)	6	
2	Financial plan and in year financial targets to be met	Long term variability in spend and /or insufficiency in income streams leading to financial instability	TREAT (6)	16	
3a	Integrated asset management - maximise technology deployment	Inadequate IT and information management and security leading to information breach, excess costs and service unavailability	TREAT (6)	6	
3b	Compliance with financial regulations	Potential breakdown in internal financial controls leading to loss of funds / excess costs / fraud	TREAT (6)	9	
3c	Recognised leader in sustainable practice - protection from cyber risk	Insufficient controls in relation to cyber security, inability to respond to loss of service or data	TREAT (10)	12	
4a	Agile and creative staff body; engaged and empowered staff body; staff satisfaction in the top quartile	Staff are not motivated, engaged or capable	TREAT (4)	6	
4b	We will continue to be recognised nationally as a progressive organisation; the successful delivery of our Strategic Ambition and the long term sustainability of the organisation.	Governance arrangements do not meet best practice governance standard	TOLERATE (2)	2	
4c	We will continue to be recognised nationally as a progressive organisation; the successful delivery of our Strategic Ambition and the long term sustainability of the organisation.	Turnover in Executive leadership may have a destabilising impact or change in strategic approach	TERMINATE (2)	9	

Actions to reduce the level of risk to tolerance levels include:

- 5 year financial plan is required, taking account of Scottish Funding Council notified funding levels. At the time of writing this report funding levels are only known for 2022/23 and cost levels are difficult to predict due to excessive inflation, hence the high risk at 16. The 5 year financial planning process is being developed for implementation in February 2023.
- Compliance with financial regulations. This risk will be reduced to target once the work on financial procedures is finished along with a relaunch of the financial regulations. This is due to complete in time for the new academic year.
- Programme of cyber security training and awareness to be implemented in 2022/23 including a rolling programme of exercise in a box. This programme will be developed in time for commencement of the academic year.
- Staff satisfaction has dipped a little in the recent Great Places to Work survey. Action plans will be in place at team levels to address issues raised by individual teams.
- Turnover in Executive team is a short term risk which will resolve in the early part of the academic year.
- The impact of COVID remains a live risk.
  - We have reviewed the long term impact on curricular activity and have determined that some cohorts of students have not been able to complete practical work due to the physical restrictions over the last 2 ½ years. We are confident these cohorts will complete by December 2022.
  - There is still a requirement to be vigilant for staff and students who become ill or have to self-isolate. Flexibility in the mode of delivery will continue. We will maintain our key messaging including the need to take up vaccinations.

## Financial Performance

### Financial plan

Success in delivering the financial plan can be measured in the following ways.

Financial Sustainability	<ul style="list-style-type: none"> <li>• Outcome Agreement negotiation to ensure the needs of the region are recognised; so that the College receives a resource allocation to meet demand and deliver on national and local priorities.</li> <li>• Resourcing, as far as possible, long-term projections for maintenance and development of our asset infrastructure as part of budgeting.</li> </ul>
Resource Deployment and Flexibility	<ul style="list-style-type: none"> <li>• Fully use allocation from SFC.</li> <li>• Maximise funding from sources other than the SFC, to rise to 29%.</li> <li>• Ensure that expenditure on staff is reduced to 65% of turnover.</li> <li>• Ensure that the budget cycle focuses on strategic priorities.</li> </ul>
Liquidity	<ul style="list-style-type: none"> <li>• Retain adequate cash reserves, at not less than 30 days trading activity.</li> <li>• Reduce creditor payment days to 40.</li> </ul>

The financial statements have been prepared under the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) and Financial Reporting Standard 102 (FRS 102).

## **Related bodies**

In October 2010, the Office for National Statistics (ONS) reclassified Scottish incorporated colleges as public bodies, effective from 01 April 2014. A consequence was that colleges could no longer accumulate reserves to use across financial years. The Borders Further Education Trust (BFET) was established to receive a donation of college reserves held at 31 March 2014 and any reserves subsequently generated. It is a Scottish Charitable Incorporated Organisation, registered in Scotland by the Office of the Scottish Charity Register (OSCR) under number SC044668. Registration was approved by OSCR on 14 February 2014.

## **Budget**

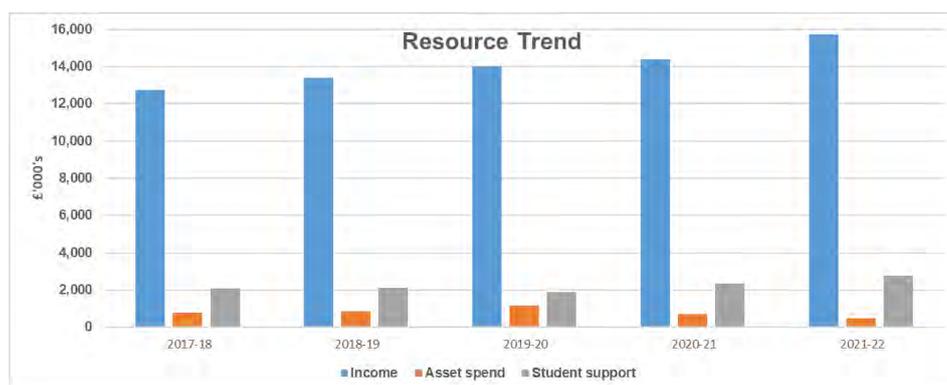
In June 2021, the Board approved the 2021/22 budget. The budget resulted in an Income and Expenditure (I&E) surplus of £110k. Planning for a near breakeven position allows us to effectively use our cash as well as our resources. However, to achieve this we needed to make efficiencies within staff budgets. Management plans achieved the £117k savings required for 2021/22.

The budget was revisited during the year:

- ❖ the FFR submission confirmed a projected surplus of £110k, with no material changes compared to the approved budget
- ❖ the mid-year return identified a forecast surplus of £3k, taking into account the impact of Covid, changes in income projections, and forecast full achievement of savings targets.

## **Financial results**

The table below highlights the resources available to the College over time, with steady growth in revenue resources, a relatively small increase in asset additions and static student funding.



Excluding pension fund changes, a surplus of £0.183m was generated, including an additional donation to the arm's length foundation of £0.2m, this was in line with the mid-year projection and the opening budget position of £0.290m. The surplus arose from a combination of income factors including community renewal fund and a refund of VAT under the Lennartz mechanism, additional income was achieved for flexible workforce delivery and modern apprentices, with additional marginal costs to deliver, and this helped compensate inflationary and utility cost increases. We anticipate grant income to not grow in future years.

The College was able to use its full funding allocation from the SFC, as far as the availability of cash allowed. The underlying operating surplus position is £0.332m.

The College's income for the 12 months to 31 July 2022 was £15.7m (last year £14.4m). Salary costs for the period, at £11.80m were 75.1% of income (72.8% for the previous year). Salary costs grew by 12.8% in year mainly due to planned headcount increases for the additional income

generated, additional pay and national insurance increases were managed within our budgeted numbers.

At 31 July 2022, the College has accumulated cash balances of £4.199m (last year £4.018m).

The College has significant reliance on the SFC as its principal funding source, largely from recurrent grants. In the 12 months to 31 July 2022 the SFC provided 73.4% of the College's total income (last year 73.8%).

### **Adjusted operating position**

The Statement of Comprehensive Income presents financial performance during the accounting period in accordance with the SORP. The Adjusted Operating Position (AOP) is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP, or other items out with the control of the College. The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the College. The College's underlying operating position is shown over.

	2021/22 £000	2020/21 £000
<i>Deficit before other gains and losses</i>	(1,711)	(697)
<b>Add back:</b>		
<i>Depreciation (net of deferred capital grant release)</i>	<b>201</b>	102
<i>Impairment</i>	-	-
<i>Net service cost pension adjustment</i>	<b>1,685</b>	997
<i>Net interest cost pension adjustment</i>	<b>209</b>	157
<i>Donation to Arm's Length Foundation</i>	<b>200</b>	-
<b>Deduct:</b>		
<i>Cash Budget for Priorities - Revenue funding allocated to loan repayments</i>	252	252
<b>Underlying operating surplus</b>	<b>332</b>	<b>307</b>

### Cash management

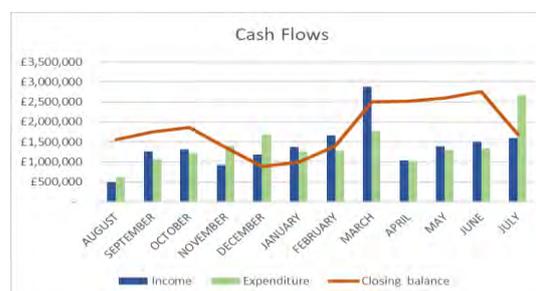


We cannot retain cash in advance of need. We do not have bank loans or overdrafts nor any plans to use such facilities. Cash is held at as low a level as possible, however, we need to allow for identified future payments, principally the Scottish Borders Campus Lifecycle Costs, and up to 30 days of operating costs.

The chart on the left shows cash balances (excluding lifecycle) were between 22-57 days (25-52 days 2020/21) of operating costs. This shows improvements implemented previous years have been maintained.

The College maintained positive operating cash balances over the year, and at 31 July 2022 showed a net inflow of £181k (last year net inflow of £439k).

The chart on the right shows the pattern of receipts and payments and the corresponding bank position each month (excluding Lifecycle Costs). The net balance was between £0.8m and £2.7m.



### Cash budget for priorities

A consequence of the ONS reclassification is in addition to preparing accounts under the SORP, there is a requirement to comply with Central Government budgeting rules. This affects the way in which depreciation charges are treated for budgeting purposes and how the College uses the cash released as a result. The College sector separately identifies this as a "cash budget for priorities", recognising that the Scottish Government has identified specific priorities for its use. Spend from the cash budget for priorities, and the impact on the operating position, is overleaf.

	2021/22 £000	2020/21 £000
Loan repayments	252	252
<b>Total Capital</b>	<b>252</b>	<b>252</b>
<b>Total Cash Budget for Priorities Spend</b>	<b>252</b>	<b>252</b>

### Creditor payment policy

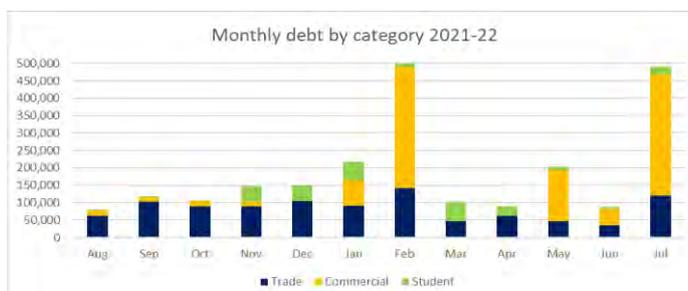
The College strives to comply with the Confederation of British Industry (CBI) prompt payment code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. Performance has significantly improved this year due to changes in processing arrangements. A number of improvements have been implemented during 2021/22 which have led to the overall improved performance as shown below.

The total number of invoices processed during the year was 3,890 (2021 3,306) with a value of £4,095k (2021 £3,853k).

<b>Measure of Better Payment</b>		<b>2021/22</b>	<b>2020/21</b>
<i>Paid by value</i>	In 10 days	£208k (5%)	£292k (8%)
	In 30 days	£2,709 (66%)	£1,695k (44%)
<i>Average days of credit taken</i>		32	43
<i>Paid by volume</i>	In 10 days	91 (2%)	132 (4%)
	In 30 days	2,492 (64%)	1,121 (34%)

### Debtors

The aged debt has a seasonal profile. Student and trade debt normally increases in September/October (after enrolment).



### Future plans

As noted previously, the College has a Strategic Ambition, supporting strategies and plans.

In support of the Regional Outcome Agreement 2022/23 with SFC, the College has been allocated core teaching funding of £9.88m, (last year £9.07m). The College budget is based on this level of funding.

The College provided a one year Financial Forecast Return (FFR) on 30 June 2022 based on the prescribed assumption from SFC. The return was scrutinised by the Finance & General Purpose Committee on 26<sup>th</sup> May and showed a planned surplus, for 2022/23, of £0.181 (last year £0.183m), and an adjusted operating position of £0.180m surplus.

Further guidance for a longer term FFR was received in August 2022. This guidance presents funding scenarios in relation to SFC funding and cost of living increases. The College has projected that savings of £537k in 2022-2023 would be required to return a surplus position. Historically the College has been good at estimating and delivering on saving targets through a combination of income generation, staffing changes and expenditure efficiencies. Delivering on this pessimistic scenario will require a realignment of our strategic and budget priorities. Draft

numbers for the FFR was submitted in September with the final version including commentary being submitted on 28 October 2022 following the Board meeting.

In negotiating Outcome Agreements and additional contracts such as MAs, we continue to make a case for additional activity in the Borders Region, reflecting unmet demand. The College plans to continue to reduce dependency on the main grant and seek opportunities in areas where it currently performs well, and targeting increased contributions to training costs from employers.

In developing our skills delivery further, skills delivery and employer engagement will be key drivers, supported by the maximisation of the use of digital delivery, and sustainability in its widest sense. This will be enabled through effective employee engagement and robust financial and risk management.

### **Post Balance Sheet Events**

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There are no post balance sheet events to report.

### **Disclosure of Information to Auditors**

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The members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

**Signed: Pete Smith**

**Principal and CEO**

**1 December 2022**

## Accountability Report

### 1. Corporate Governance Report

#### Introduction

The purpose of the Corporate Governance Report is to explain the College's governance structures and how they support the achievement of the College's strategic goals. The report incorporates:

- ✚ Directors' Report including Statement of Board Responsibilities
- ✚ Governance Statement.

Borders College is a further education corporation, established under the Further and Higher Education (Scotland) Act 1992, as amended by the Further and Higher Education (Scotland) Act 2005 and the Post-16 Education (Scotland) Act 2013. It is funded directly by the SFC.

It is a registered charity (Scottish Charity Number SC021180), is on the Scottish Charity Register and is entitled, in accordance with Section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a charity registered in Scotland. It is recognised by HMRC as a charity for the purposes of Section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on charitable activities. It receives no similar exemption in respect of Value Added Tax (VAT).

#### Directors' Report

The FReM requires government bodies to provide a Statement of Accounting Officer's responsibilities. The SFC Chief Executive is the Accountable Officer for the College sector and is required to provide a governance certificate of assurance covering all institutions to the Principal Accountable Officer of the Scottish Government, based upon certificates of assurance provided by institutions.

The Principal is required to provide an annual Certificate of Assurance to the SFC (to coincide with their Financial Year End of 31 March). The latest return was on 20 April 2022, which confirmed that controls have been, and are, working well. There were, in her opinion, no significant matters arising in the College which would require to be raised specifically in the governance statement.

#### Statement of Board responsibilities

The Board is responsible for the administration and management of the College's affairs, including an effective system of internal control, and is required to present audited financial statements annually. An independent Board Secretary supports the work of the Board.

The Board is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with applicable legislation, FRS 102 and relevant accounting standards.

The financial statements and related notes are prepared in accordance with the SFC Accounts Direction, which incorporates requirements from the Financial Memorandum and other formal disclosures that the SFC require the Board to make.

In preparing the financial statements the Board is required to:

- ✚ select suitable accounting policies, and apply them consistently
- ✚ make judgements and estimates that are reasonable and prudent
- ✚ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- ✚ prepare financial statements on the going concern basis unless it is inappropriate to assume that the College will continue in operation.
- ✚ ensure that funds from SFC are used only for the intended purposes and in accordance with the Financial Memorandum and any other SFC conditions
- ✚ ensure that there are appropriate financial and management controls to safeguard public funds and funds from other sources
- ✚ safeguard the assets of the College and prevent and detect fraud
- ✚ secure the economic, efficient and effective management of resources and expenditure.

The Board delegates specific authority and processes to committees. These committees are accountable to the Board.

The Principal is responsible for reporting to the Board any material weaknesses or breakdowns in internal control.

The terms and conditions of the Financial Memorandum between SFC and the Board of the College, require the Board through its designated office holder (the Principal) to prepare financial statements for each financial year that give a true and fair view of the state of the affairs of the College and the surplus or deficit and cash flows for that year.

### **Appointments to the Board**

The Board comprises independent members, two nominated student members, one elected teaching staff member, one elected support staff member, and the Principal. The roles of Chair and Vice Chair are distinct from the role of the Principal.

The Regional Chair is appointed by Scottish Ministers through the Public Appointments process. The Nominations Committee is responsible for identifying other new members, considering extensions of tenure for existing members and considering nominations for co-opted members.

The recruitment process for appointing new Board members involves advertising in local or national press, targeted letters to relevant organisations, extensive use of social media, and existing Board members identifying potential new members. All applicants are required to undergo the same selection process which is submission of a written application and interview by the Nominations Committee, and a person external to the College will also be on the interview panel. Members of the interview panel are required to confirm whether they have any prior knowledge of the applicants before the interview process is undertaken.

The Nominations Committee make recommendations to the Board concerning appointments, with the full Board retaining responsibility for approval of new members, extensions and co-options.

Any such appointment is also subject to approval by Scottish Ministers. The Committee remains committed to attracting a diverse membership of the Board.

Members are appointed for an initial period of four years; which can be extended for a further four years. Only in exceptional circumstances, and where compelling reasons exist, may a further extension of up to two years be approved. Six new members were appointed during the year.

During the year six members demitted office.

### **Board members effectiveness**

The Board has a strong and independent element and no individual or group dominates its decision-making process. The Board considers that each of its independent members is independent of management and free from any business or other relationship that could materially interfere with the exercise of their judgement.

The Board performance appraisal system involves the Chair meeting with each member annually during their term of office (except for the student member due to their appointment being for one year) to discuss their objectives and training needs. The Senior Independent Member leads the annual appraisal of the Chair, alone or in conjunction with the Vice Chair.

### **Board attendance and committee representation**

The Board met five times in 2021/22. The committee structure is shown below.



All committees are formally constituted with terms of reference approved by the Board. The terms of reference are set out in the Standing Orders (available on the Regional Board website). They are comprised mainly of independent members, one of whom chairs the committee. Due to Covid-19 and national policies on recruitment, the Interim Board Chair (from 4 March 2020) continued to chair the Finance and General Purposes Committee.

Agendas, papers and reports are supplied to members in a timely manner, prior to meetings. These documents, except those deemed to be confidential, are available on the website. From 23 March 2020 Board and committee meetings were held virtually. All members were able to take part in meetings either via video-conferencing or tele-conferencing. In person meetings resumed with the Regional Board on 3 March 2022.

The Board Secretary maintains a register of financial and personal interests of members. The register is available on the [Regional Board website](#).

Members who served on the Board during the year and up to the date of signature of this report were as listed in the table overleaf. Actual attendance is compared to the number of meetings that the member was eligible, as a member of the Board, to attend during the year.

Borders College  
Report and Financial Statements for Year Ended 31 July 2022

Name	Appointment	Resignation	Status of Appointment	Board attendance	C&Q	F&GP	Audit	Nom	Rem
R McCowan	1 February 2022		Chair	3 out of 3				C	M
E Acaster	14 August 2014 Re-appointed 14 August 2018	Ended 30 June 2022	Independent Member– Interim Chair until 31 January 2022	5 out of 5	M	C		C	M
A Cox	30 January 2017		Principal	5 out of 5	M	M			
D Peace	Reappointed 1 March 2019		Independent Member – Vice Chair. Senior Independent Member from 31 August 2021	4 out of 5		M		M	
D Black	16 February 2019		Academic Staff Member	3 out of 5	M				
N Broderick	1 February 2019	5 April 2022	Independent Member	3 out of 3	C				
P Cathrow	18 January 2021		Independent Member	5 out of 5	M				M
C Gillie	18 January 2021		Independent Member	4 out of 5			M		
D Johnson	1 June 2018		Independent Member	5 out of 5	M		M		
S Prentice	Reappointed 18 June 2021	18 June 2021	President, Student Association	3 out of 5			M		
J McBeath	1 February 2019		Independent Member	5 out of 5		M			
B McGrath	Re-appointed 1 August 2018	Ended 30 June 2022	Independent Member	4 out of 5			M	M	
A McKerracher	1 July 2021		Support Staff Member	5 out of 5			M		
L Mirley	18 January 2021		Independent Member	4 out of 5		M			M
L Parkes	Reappointed 1 March 2019		Independent Member	4 out of 5		M			C
K Davy	1 November 2021	17 June 2022	Student Member	4 out of 4	M	M			
P Scrimger	1 February 2019	23 January 2022	Independent Member	1 out of 2			C		
D Roberts	1 July 2022		Independent Member	0 out of 0	M				
V Key	1 July 2022		Independent Member	0 out of 0			M	M	
U Mbaezue	1 July 2022		Independent Member	0 out of 0		M			
B Quinn	1 July 2022		Independent Member	0 out of 0		M			
P McGreal	1 July 2022		Independent Member	0 out of 0			M		



In addition, the following Senior post holders exert influence on the direction of the College as a whole:

<b>Name</b>	<b>Designation</b>
H Anderson (to 19 April 2022)	Vice Principal – Curriculum and Student Services
J Grant (from 2 December 2021)	Executive Director – Enterprise and Business Innovation
H Robertson (to 31 July 2022)	Vice Principal – Finance and Corporate Services
A M Sturrock (from 09 May 2022)	Vice Principal – Student Experience

These Senior post holders are not Board members but are normally in attendance at the Board and its supporting committee structure.

The Board delegates certain responsibilities to its committees. The table below details these for each committee

### Audit Committee

- Chair - P Scrimger to 23 January 2022, C Gillie from 1 July 2022
- Met four times
- Agree and monitor the internal and audit work plan, considering their and SFC reports as they affect the College. High level review of internal control, including risk management and procurement, obtaining the relevant degree of assurance and review and recommend to the Board, for approval, the Annual Report and financial Statements.

### Curriculum and Quality Committee

- Chair - N Borderick to 5 April 2022, D Johnson from 6 April 2022
- Met three times
- Consider matters related to the standards of service provided by the College. It considers the appropriateness of curriculum offered and is responsible for driving quality assurance. KPIs for student achievement and retention.

### Finance and General Purposes Committee

- Chair - E Acaster to 30 June 2022 , L Mirley from 1 July 2022
- Met five times
- Agreeing financial policy and regulation. Recommends the annual budget to the Board and receives Business Review reports comparing actual and budget, and other financial indicators. Estates and ISLT strategy review.
- Approval of spend between £100,000 and £249,000
- Appropriate scrutiny of Human Resources

### Chair's Committee

- Chair - E Acaster to 1 February 2022 , R McCowan from 1 February 2022
- No meetings held
- Advises the Board on selection of the Principal, and on any matters relating to misconduct on any member or the Board Secretary
- Oversees any urgent matter that may affect the operation of the College, and makes recommendations in relation to matters of unusual or special interest not within the remit of any other Committee

### Nominations Committee

- Chair - E Acaster to 1 February 2022, R McCowan from 1 February 2022
- Met two times
- The Committee deals with nominations, appointments / extensions to the Board of ordinary members, including induction, training and development, and succession of Board members.

### Remuneration Committee

- Chair - L Parkes
- One meeting held
- The Committee determines the remuneration of the most senior staff, including the Principal. It reviews redundancy terms and conditions as required.
- Details of remuneration for the year ended 31 July 2022 are set out in note 6 to the Financial Statements and in the Remuneration and Staff Report.

## Governance Statement

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### Introduction

The College is committed to best practice in all aspects of Corporate Governance with regards to its business and that of all its related bodies. This statement describes the manner in which the College has applied the principles of good governance, set out in the 2016 Code of Good Governance for Scotland's Colleges. It also reflects guidance set out by Audit Scotland in their 2019 publication on Good Practice Note on improving the quality of College Annual Report and Accounts. Its purpose is to help the reader understand how the principles have been applied.

This statement comprises:

- ❖ Scope of responsibility
- ❖ System of internal control
  - Risk management arrangements
  - Internal audit arrangements
- ❖ Board self-evaluation
- ❖ Data security
- ❖ Going concern
- ❖ Review of effectiveness
- ❖ Significant issues
- ❖ Statement of compliance

## Scope of responsibility

The Board is the College's governing body. It is responsible for providing independent judgement on issues relating to the College's strategic direction, reputation, financial wellbeing, the wellbeing of staff and students and standards of academic conduct and probity. The Board is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. It is supported by committees with specific areas of remit.

The Board has delegated day-to-day responsibility to the Principal for maintaining a sound system of internal control which supports the achievement of the College's strategies and policies, whilst safeguarding the public funds and assets for which she is personally responsible, in accordance with responsibilities in the Financial Memorandum between Borders College and the SFC.

## The system of internal control

The system of internal control is an ongoing process designed to identify and prioritise the risks to the achievement of College strategy, goals and priorities, and drive up compliance with policies. It is designed to evaluate the likelihood of risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. It can only provide reasonable and not absolute assurance of effectiveness.

The College's system of internal control includes the following elements:

- ❖ A strategic ambition supported by service strategies, annual priorities, enabled by revenue, capital and cash flow budgets reviewed and agreed by the Board
- ❖ Regular review by the Board of KPIs, targets, risks and financial results involving variance reporting and forecasts
- ❖ Comprehensive Financial Regulations, approved by the Finance & General Purposes Committee setting out:
  - clear definitions of responsibilities and authority delegated to managers, including segregation of duties, and arrangements for holding managers to account
  - clearly defined requirements for approval and control of income and expenditure, with investment decisions being subject to detailed appraisal and review according to processes and levels set by the Board
- ❖ Comprehensive and robust risk management arrangements, for identification, assessment, and management of risks to an acceptable level
- ❖ College wide quality planning arrangements including self-assessment of compliance with quality indicators set by Education Scotland
- ❖ The adoption of formal programme and project management and controls where appropriate
- ❖ A professional Internal Audit team whose programme is approved by the Audit Committee and whose head provides an annual report with an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

The system of internal control has been in place in Borders College for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

### **Risk Management Arrangements**

The College reviewed its Corporate Risk Management arrangements and established a Risk Management Framework to replace the previous Risk Management Policy. The Strategic Risk Register was developed through Board level workshops. Risks have subsequently been added by the SLT, committees or the Board itself. Risk scores and ratings are amended as a result of analysis of progress in completing action plans and meeting performance indicators.

The Board and committees receive the full register at each meeting. Individual risks are shown at current and target rating. Members are advised of any new risks, changes in risk rating/score, and risks recommended for closing. Members provide scrutiny through questioning current controls, outstanding actions and focussing on risks above target or any new or emerging risks.

The table on page 10 contains a summary of our risk profile, across strategic goals. There are two high risks - one relating to the financial plans of the College, and the second relating to the potentially very severe impact of a cyber-attack. The table on page 25 shows all risks.

As evidenced by the risk ratings, the College continues to view inflationary financial pressure, and the consequences on the sustainability of funding levels, as the greatest threat to achieving its strategic goals.

Covid-19 has remained a managed risk during the year. The Incident Management Team structure (part of Emergency Plan) was invoked in March 2020 to manage our response. The IMT met as required to put in place control measures, work arounds, and communicate guidance to staff and students. The impact on student attainment was reduced to a minimum. The mechanisms which we have in place have enabled us to manage safety and delivery aspects very well and the mechanisms are fit for purpose moving forward.

Other elements of a robust risk management culture are in place:

- ❖ Health and Safety Committee supported by policies, procedures, training and review
- ❖ Emergency Plan, Business Continuity Plan, departmental risk assessments. The Business Continuity Plan has been substantively reviewed during the year. A full DR and restore test of our IT arrangements was successfully completed.
- ❖ Full suite of financial policies and procedures including Anti-Bribery and Anti-Fraud, and participation in the NFI initiative. Financial procedures have been updated and reviewed by Internal Audit during the year, with a substantial level of assurance provided.
- ❖ Robust safeguarding arrangements
- ❖ IT Security Policies
- ❖ Data Protection Policy, including data loss, procedures and guidance.

### **IMPACT ASSESSMENT**

Board and committee members are able to make connections between their scrutiny of reports provided and the register. Risks have been identified as a result of this scrutiny.

The Board identified a need to consider risk appetite and tolerances and thus ensure that the register remains reflective of current strategic direction. This commenced in January 2021 and concluded in September 2021. Recommendations for improving the risk management process were also identified. This refresh process is considered best practice, particularly given the launch of a new Strategic Ambition in Autumn 2020.

*The Board are satisfied that risk management arrangements are in place and working effectively. The Board is of the view that there is a formal ongoing process for identifying, evaluating and managing the College's significant risks which has been in place for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.*

### Internal Audit Service

The College internal audit service is provided by Wylie and Bisset, and operates in accordance with the requirements of the SFC's Financial Memorandum. The audit plan is informed by:

- ✚ discussion with the Vice Principal (Finance and Corporate Services)
- ✚ an analysis of the risks to which the College is exposed
- ✚ resource required to meet the identified audit needs
- ✚ a review of previous audits and reports
- ✚ an assurance mapping exercise
- ✚ identification of key controls.

The analysis of risks and the internal audit plan is approved by the Audit Committee.

Annually, the Internal Auditors provide the Board with a report on internal audit activity in the College. The report takes account of the following work:

- ❖ An assessment of whether or not the internal controls are reliable as a basis for producing the financial accounts
- ❖ A review of the College's procedures in place to promote and secure value for money A review and appraisal of financial and other controls operated by the College
- ❖ A review of the established policies and procedures adopted by the College
- ❖ A review of accounting and other information provided to management
- ❖ Compliance and substantive audit testing where appropriate.

The report includes their independent opinion on the adequacy and effectiveness of the College's system of risk management, control and governance processes.

### IMPACT ASSESSMENT

For the reviews undertaken in 2021/22 the table below summarises the findings of the auditors.

	Conclusion	High	Medium	Low
Education Maintenance Allowance	N/A	-	-	1
Student Support Funds	N/A	-	-	-
Credits	N/A	-	-	-
Budgeting and Financial Reporting	Substantial	-	1	1
Procedures Manual Review	Strong	-	-	1
Risk Management part 2	Strong	-	-	-
Health and Safety	Strong	-	-	-
IT systems	Strong	-	-	2
Follow up	Strong	-	1	3

Audit Committee noted last year the need to complete follow up actions timeously, and for robust consideration of amending timescales. The follow up system was improved during 2021/22, with a significant improvement in closing down follow up actions.

In his annual report, the Internal Auditor stated:

*"We are satisfied that sufficient internal audit work has been undertaken to allow us to draw a conclusion as to the adequacy and effectiveness of the College's risk management, control and governance processes. In our opinion Borders College did have adequate and effective risk management, control and governance processes to manage its achievement of the College's objectives at the time of our audit work. In our opinion, the College has proper arrangements to promote and secure value for money. Our fieldwork was carried out between September 2021 and July 2022 and we have not undertaken any further internal audit assignments at the time of this report."*

### Outstanding audit recommendations

<b>Audit year</b>	<b>Grade</b>	<b>Recommendation</b>	<b>Status</b>
<b>2021</b>	Low	The College will implement their Budget Control Spreadsheet as part of a wider Financial Procedures and Systems review.	Complete and verified by internal audit
<b>2018</b>	Low	The College continue to review and update the finance procedures manual	Complete and verified by internal audit
<b>2019</b>	Low	Test the IT Disaster Recovery Plan once staff members have returned to the College	Successfully completed with only minor issues, easily rectified
<b>2019</b>	4	Full review of asset register	Asset verification complete
<b>2019</b>	3	Some of current journal procedures are outdated	Financial procedures review complete and verified by audit
<b>2019</b>	2	No indication of material impairment	Full valuation to complete for 2022
<b>2021</b>	Low	Update Financial Regulations to include Single Source Justification	Will be in next annual update Nov 2022 Finance staff advise budget holders on requirement

The significant majority of audit points raised are low or occasionally medium risk. There has been a sustained improvement in closing down action points, and the full scale review of financial procedures has been a key factor in the improvement. Up to date procedural information is now available to support budget holders, and in the recent audit on management accounts and financial planning, the majority of budget holders provided positive feedback on their experience.

## **Board Development and Enhancement Plan**

The Board is required under the Code of Good Governance for Scotland's Colleges to keep its effectiveness under annual review and to have in place a robust self-evaluation process.

For 2021/22 the questionnaire based format used the previous year was circulated and responses submitted to the Board Secretary. The headings within the questionnaire reflect the key principles of governance contained in the Code and accordingly relate to the key Principles of Leadership and Strategy, Quality of the Student Experience, Accountability, Effectiveness, Relationships and Collaboration. The questions related to the broader picture behind each principle rather than seeking a detailed response to each point within a principle.

A response rate of 57% was achieved. The results of this questionnaire were analysed and reported to the Board in October 2022. Any items that had responses at 4 or below in the survey are included in the action plan.

This, along with items raised in individual Board Member annual reviews carried out by the Chair, forms the basis of the Board Development and Enhancement Plan.

### **Data security**

All staff are required to undertake IT Security and Data Protection training on induction and refresher within two years. The College implemented a programme of work to ensure compliance with the General Data Protection Regulations which came into force in May 2018. An audit of IT systems took place in 2022 which contained a recommendation in relation to password controls.

There were no reportable data events during 2021/22 (last year nil).

### **Going concern**

The going concern assessment is focussed on the short term (next 12 months).

The Regional Board has an agreed Strategic Ambition, and a Regional Outcome Agreement with the Scottish Funding Council which provides for reasonable certainty of credit income in 2022/23.

The Board has reviewed the financial projections and considers that the College has adequate resources to meet its ongoing liabilities, and continue operations for the foreseeable future.

- Scenario planning has been undertaken as part of the planning process and appropriate actions are built into the budget.
- Savings targets for 2022/2023 are £537k and are considered to be low or medium risk.
- The forecast cash flow for the College indicates cash days of between 22 and 57 each month, with a more elevated position at end March 2022 and end July 2022 due to the requirement to draw down full grant values at these times.

For these reasons, the College continues to adopt the going concern basis in preparing the financial statements.

The longer term financial position for the College is, as with many areas of the public sector more challenging. The Regional Board acknowledges these challenges and is working with Scottish Funding Council and the Senior Leadership Team to develop longer term plans to meet these challenges.

### **Review of effectiveness**

The Principal has responsibility for reviewing the effectiveness of the system of internal control. His review of the effectiveness of the system of internal control is informed by:

- the work of the internal auditors
- the work of the senior managers within the College who have responsibility for the development and maintenance of the internal control framework
- comments from the College's external auditors in their management letters and reports.

The Principal has been advised on the implications of his review of the effectiveness of the system of internal control by the Audit Committee, which oversees the work of the internal auditor and considers the findings of the external auditors. A plan is in place to address weaknesses and ensure continuous improvement.

Based on the Strategic Ambition, the College develops annual priorities and undertakes a comprehensive review of risks. They identify specific actions that should mitigate the adverse impact and exploit positive uncertainty. Internal controls are implemented and the subsequent year's appraisal will review the effectiveness of risk mitigation. In addition to the annual review, the SLT also consider risks relating to new areas of work.

The strategic risk register identifies the key risks, the likelihood of those risks occurring, their potential impact on the College and the actions being taken to reduce and mitigate risks. Risks are rated using a consistent scoring system, and assigned a target level. All risks are assigned to senior managers to manage. Senior management regularly considers the potential impact and likelihood of risks materialising and opens or recommends closing risks as appropriate. The updated register is presented for review to each meeting of the Board and its Committees. Mitigating actions have been effective in reducing risk exposure on many of our risks.

The SLT and the Audit Committee receive regular reports from the internal auditors, which include recommendations for improvement.

The Audit Committee's role is confined to a high-level review of the arrangements for internal control. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. At its November 2022 meeting, the Audit Committee carried out the annual assessment for 2021/22 by considering documentation from senior management and internal audit, and taking account of events since 31 July 2022.

### **Significant issues**

In putting together the governance statement the Principal needs to take a view on the extent to which issues are significant enough to warrant recording. The following matters have been highlighted from the performance report and corporate governance report:

- continued concern in relation to the financial impact of national bargaining, and job evaluation on future financial position. Cost of living, utilities increases are significant.

In the review of the effectiveness of the system of internal control, no further matters of significant concern have been identified relating to:

- achievement of the strategic ambition or other priorities
- financial stability, security or data integrity
- significant programme or project at risk
- fraud or other misuse of resources
- a material impact on the accounts.

To ensure the incoming Principal who commenced on 5 September 2022 September was able to gain assurance of the effectiveness of the internal controls a full handover was undertaken with exiting Principal over a three month period. This involved 10 scheduled weekly meetings which included a review of the internal controls. The new Principal has also since formally joining the

College undertaken a review of Annual Certificate of Assurance return sent to the Scottish Funding Council's in April 2022.

### **Statement of compliance**

The College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2022.

### **Conclusion**

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The Board considers that there is an ongoing process for identifying, evaluating and managing the College's operations, which reflects the strategic priorities and significant risks facing the College. This process has been in place for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements. The Board is satisfied that the internal control arrangements comply with all required regulatory standards and that all necessary disclosures have been made to aid the reader in understanding this report and financial statements.

## 2. Remuneration and Staff Report

### Remuneration Policy

The remuneration of the Chair of the Board is set by the Scottish Government. Remuneration of the Principal and senior management is agreed by the Remuneration Committee. The Committee takes into account public pay policy, pay awards to other categories of staff and guidance from the SFC and Scottish Government.

### Remuneration including salary and pension entitlements

The remuneration of senior staff, Board members and other public appointees is outlined as follows and has been audited by the College's auditors. Remuneration policy, sickness absence data, equalities, diversity & inclusion, disability, staff involvement, health & safety, and disclosures under The Trade Union (Facility Time Publication Requirements) Regulations 2017 are not subject to audit

### Salary entitlements<sup>1</sup>

The following table provides detail of the remuneration and pension interests of the Regional Chair and senior management.

Name	Year ended 31 July 2022			Year ended 31 July 2021		
	Salary £000	Pension Benefit £000	Total £000	Salary £000	Pension Benefit £000	Total £000
<b>R McCowan</b> Chair of the Regional Board (from 01 February 2022) (full year value)	10-15 20-25	- -	10-15	-	-	-
<b>E Acaster</b> Interim Chair of the Regional Board (from 04 March 20 to 31 January 2022) (full year value)	10-15 20-25	- -	10-15	20-25	-	20-25
<b>A Cox</b> Principal	110-115	40-45	155-160	110-115	35-40	145-150
<b>H Anderson</b> Vice Principal – Curriculum and Student Services (to 19 April 2022) (full year value)	50-55 76-80		50-55	70-75	20-25	95-100
<b>J Grant</b> Executive Director of Enterprise and Business Innovation (from 07 December 2021) (full year value)	45-50 70-75		45-50	-	-	-
<b>A M Sturrock</b> Vice Principal Student Experience (from 09 May 2022) (full year value)	15-20 70-75	15-20	30-35	-	-	-
<b>H Robertson</b> Vice Principal – Finance and Corporate Services (to 31 July 2022)	80-85	40-45	120-125	80-85	40-45	120-125

<sup>1</sup> Note:

- a) The salaries in the table above represent the amount earned in the financial year and include salary, bonuses, overtime and other allowances (as applicable)
- b) The value of pension benefits is calculated as the real increase in pension multiplied by 20 plus the real increase in any lump sum less the contributions made by the individual. The x20 multiplier aims to bring public bodies in line with other industries in disclosing an assessed cumulative pension benefit for a standard 20 year period which is the estimated life span following retirement.
- c) The details in this table are subject to audit

### **Accrued pension benefits**

Pension benefits for employees are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme which is notionally funded and contracted out of State Earnings-Related Pension Scheme, and the Scottish Borders Local Government Pension Scheme (LGPS). Both are Career Average Revalued Earnings schemes. This means that pension benefits are based on the revalued average of pensionable years' pay and the number of years that the person has been a member of the scheme.

Normal retirement age is linked to the member's individual State Pension Age.

Contribution rates are set annually for all employees and can be found in note 27. LGPS members with pre 01 April 2009 service have an automatic entitlement to a lump sum. Members with only post 01 April 2009 service have no automatic entitlement to a lump sum.

Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

## Senior managers' pension

Pension benefits are provided to senior management on the same basis as all other staff. The accrued pension benefits for the Regional Chair and senior management are set out in the table below, together with the pension contributions made by the College.

Name and role	As at July 2022		31 July 2021 to 31 July 2022		At 31 July 2022	At 31 July 2021	Real increase in CETV  £000
	Accrued pension at pension age	Accrued lump sum at pension age	Real increase in pension	Real increase in lump sum	CETV	CETV	
	£000	£000	£000	£000	£000	£000	
<b>R McCowan</b> Chair of the Regional Board (from 01 February 2022)	-	-	-	-	-	-	-
<b>E Acaster</b> Interim Chair of the Regional Board (from 04 March 20 to 31 January 2022)	-	-	-	-	-	-	-
<b>A Cox</b> Principal	10-15	-	2.5-5.0	-	153	119	34
<b>H Anderson</b> Vice Principal – Curriculum and Student Services (to 19 April 2022)	25-30	75-80	-	-	614	849	(242)*
<b>J Grant</b> Executive Director of Enterprise and Business Innovation (from 07 December 2021)	0-5.0	-	-	-	17	-	17
<b>H Robertson</b> Vice Principal – Finance and Corporate Services	40-45	-	0-2.5	-	587	551	36
<b>AM Sturrock</b> Vice Principal Student Experience (from 09 May 2022)	20-25	35-40	0-2.5	-	343	325	18

\*Note: H Anderson took retirement during the year and so the CETV decreased as a result.

## Cash equivalent transfer value (CETV)

A CETV is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

### Cash equivalent transfer value (CETV) (continued)

The value has been calculated based on the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits from their total pensionable service and not just their current appointment.

In considering accrued pension benefits figures the following should be taken into account:

- the figures for pension and lump sum are illustrative in light of the assumptions set out above and do not reflect the actual benefits that an individual may receive on retirement
- the accrued benefits figures reflect the pension contributions that both the employer and the scheme member have made.

### Real increase in CETV

This reflects the increase in CETV funded by the employer. It does not include the increase due to inflation, or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement), and uses common market valuation factors for the start and end of the period.

### Remuneration of senior post holders

Details of the remuneration of senior post holders is set out in Note 6 to the accounts, on page 67.

There were no payments to senior post holders in relation to compensation of early retirement or loss of office in 2020/21 or 2021/22.

There were no payments to past senior post holders in 2020/21 or 2021/22.

### Fair pay

Borders College supports the principles of Equal Pay and is committed to ensuring that the procedures in place to determine pay and conditions of employment do not discriminate unlawfully and are free from bias. To achieve this, it has an Equal Pay Statement and Policy. An equal pay audit was carried out in March 2021 and indicated that the College had a 9.2% pay gap between men and women. This was calculated using the mean. Nationally this is 15.5% therefore the College is much better than average. This pay gap has increased since the last reported figure of 6.9% which is due to more men being appointed to higher graded posts and a number of higher graded female postholders leaving employment. The audit is carried out every 2 years and so the next review is set for March 2023.

The College is currently paying the Living Wage as a minimum to its staff and is an accredited Living Wage employer. It is hoped that this will also help to address the gender pay gap.

The table below compares the median pay to the highest paid individual.

	2020/21	2021/22
<b>Highest paid official</b>	£111,944 3.7 times the median	£112,944 3.6 times the median
<b>Median of workforce</b>	£30,494	£31,494
<b>25<sup>th</sup> percentile</b>	£24,500 4.6 times the 25 <sup>th</sup> percentile	£23,768 4.7 times the 25 <sup>th</sup> percentile
<b>75<sup>th</sup> percentile</b>	£42,357 2.7 times the 75 <sup>th</sup> percentile	£43,357 2.6 times the 75 <sup>th</sup> percentile
<b>Lowest paid</b>	£17,290	£18,018

## Staff Report

### Number of senior managers by band

Remuneration of senior post holders, including the Principal (excluding employers' NI and pension contributions):	2022	2021
£10,001 to £20,000	1	-
£40,001 to £50,000	1	-
£50,001 to £60,000	1	-
£70,001 to £80,000	-	1
£80,001 to £90,000	1	1
£100,001 to £110,000	-	-
£110,001 to £120,000	1	1
	<u>5</u>	<u>3</u>

### Salaries and related costs

	Year to 31 July 2022			Year to 31 July 2021
	Directly employed staff	Seconded and agency staff	Total	Total
Wages and salaries	7,863,021	352,495	8,215,516	7,615,467
Social security costs	751,281	-	751,281	672,159
Other pension costs	3,186,917	-	3,186,917	2,385,602
Total	11,801,219	352,495	12,153,714	10,673,228
Average number of FTE	217	7.4	224.4	209.5

The College employed 113 males and 234 females during 2021/22. At the time of approval of the Remuneration and Staff Report, senior management comprised three females.

Voluntary staff turnover for 2021/22 was 15.5%, last year 7.1%.

### Sickness absence

The total number of days lost per full time equivalent (FTE) to sickness absence during 2021/22 was 17.7 days, an increase from 4.77 days last year. This increase is mainly due to a number of staff being absent on long term sickness absence, which represents 12.25 days. An additional element is the increased reporting from 2020/21, whilst staff were home working they were able to continue to work whilst not feeling 100%, with the return to campus this has reverted to the norm.

### Equalities, diversity and inclusion

The Performance Report on page 22 sets out the College commitment to the principles of equality, diversity and inclusion. We promote an organisational culture that enables every member of staff to feel respected and included, whatever their background, abilities, age, race, faith, sexuality or gender. Three of our six equality outcomes set out our position in relation to staff. Regardless of any protected characteristic:

- staff are treated with dignity and respect and their views help shape and improve our services (eliminating unlawful discrimination, harassment and victimisation)
- staff feel valued and have the opportunity to develop their knowledge and skills and to progress in their careers (advancing equality of opportunity between different groups)

- staff are representative of our community and offers a model of good practice in the promotion of opportunities for individuals with protected characteristics (advancing equality of opportunity between different groups).

## **Employment policies**

The Employee Resourcing Policy states our policy as being to recruit the best person for each vacancy, regardless of any protected characteristic. Applications for employment, training and promotion are monitored by protected characteristic and reported in the Equality Mainstreaming Report. Any pattern of inequality will be addressed. All College staff who participate in any aspect of the staff recruitment and selection process will have undergone training in recruitment and selection procedures and in equality and diversity.

Any applicant with a disability will be afforded reasonable adjustment with regard to all stages of the recruitment process. Where a candidate with a disability meets the minimum criteria, as set out in the person specification, they will be guaranteed an interview.

The College is committed to retaining and supporting individuals who have a disability and engage the services of the NHS Borders Occupational Health Service to provide guidance and recommendations to enable this to happen.

If a staff member becomes disabled during employment the College will support that individual to continue in employment wherever possible. Through welfare meetings and engaging where necessary with Access to Work, provision can be made to enable staff to continue to work. Our processes for training, career development and promotion are equality impact assessed and provide an even playing field for disabled staff to thrive and develop themselves within the College.

We monitor and report on disability, both to the SFC as part of the staffing return and through the Mainstreaming Report. Staff feel supported in their role and have opportunities to develop and apply for promotion. It is clear from this data that there continues to be a need for us to focus on encouraging individuals with disabilities or from ethnic minorities to apply to the College, although the level of applications from these groups is representative of the demographics of the area.

The College has retained the Disability Confident Employer Award which demonstrates our commitment to disabled staff and those applying to work with the College.

The HR Department has a process of carrying out exit interviews with staff members who are leaving. This can either be through an online survey or a face-to-face meeting/interview with a member of the HR team. During 2021/22, the majority of staff who completed the survey indicated that they would recommend the College as a good place to work.

## **Staff development**

It is our aim to enable each staff member to achieve the standards within the “Promoting Excellence: The Scottish Government’s response to the Review of Scotland’s Colleges 2007” report and the Staff Governance Standards (January 2011). These standards ensure that all staff complete a minimum of six days CPD per annum (pro rata for part time staff).

This standard is monitored as part of the College’s Staff Performance and Development Review process and individual staff members are responsible for maintaining records recording both formal and informal CPD. This is enabled through Staff Development Programmes.

## **Staff involvement**

The College has a Workforce Strategy that states we will maintain a committee structure which allows for consultation and negotiation with all staff groups and will provide, where possible, staff with the opportunity to progress through the implementation of next generation opportunities, promotions and talent management. Management meet regularly with the recognised trade unions, the EIS (Educational Institute for Scotland), Unison and a non-union staff representative for support staff.

We recognise the benefits of keeping employees informed about performance and encouraging suggestions for improvement of the College's position. A Joint Consultative Committee comprising management, and members of recognised trades unions (both teaching and support staff) has been established for this purpose. In addition, periodic core communication sessions are held on all sites to receive information and brief staff on current developments. The College publishes newsletters that are readily available to all staff.

Staff consultation is a key part of our strategic planning process with workshops taking place to allow all academic and support staff to contribute.

Pay policy is determined nationally through the Employers Association National Joint Negotiating Committee. Local engagement activity takes place through the Local Joint Negotiation and Consultation Committees, representation on Equalities and Inclusion Committee, and Health & Safety Committee, as well as informal meetings where we discuss staff matters, training and development.

## **Health and safety**

The College recognises and accepts its duties under the Health and Safety at Work Act 1974 and is committed to ensuring the health, safety and wellbeing of its employees, so far as is reasonably practicable. It also fully accepts its responsibility for other persons who may be affected by its activities. The College will take steps to ensure that its statutory duties are met at all times. The College upholds the principle of inclusiveness and will ensure that each employee and learner will be given health and safety information, and instruction and training in a format suitable for the learner. Adequate facilities and arrangements will be maintained to enable employees and their representatives to raise issues of health and safety. Competent people will be appointed to assist the College in meeting its statutory duties including, where appropriate, specialists from outside the College. In response to Covid we have invested significant energy in our action plan to implement social distancing, hygiene and other safety measures. Staff side have been fully involved in the process.

In 2021/2022 the College reported five incidents under the reporting of Injuries, Diseases and Dangerous Occurrences Regulations (last year there were three). 4 of these were students and one was a member of staff. All attended hospital for treatment, and were then discharged and sent home. There was no follow-up action from the Health & Safety Executive for any incident.

## **Trade union facility time**

Facility time is the provision of paid or unpaid time off from an employee's normal role to undertake Trade Union duties and activities as a Trade Union representative. There is a statutory entitlement to reasonable paid time off for undertaking Trade Union duties. There is no statutory entitlement to paid time off for undertaking Trade Union activities. In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, we are required to publish specific information on trade union officials and facility time. This information is to be published by 31 July each year.

This information is available on the College's website.

## Off-payroll engagements

As a public authority if we plan to offer a temporary job to someone who works through their own intermediary (often their own company, but this could also be a partnership or another person), we need to decide whether the off-payroll working rules apply.

A guidance note is on the College web site for the operation of this requirement.

The off-payroll working rules are in place to make sure that, where an individual would have been an employee if they were providing their services directly, they pay broadly the same tax and National Insurance contributions as an employee. As a public authority, we need to decide whether the off-payroll working rules apply because the appropriate conditions have been met. We also need to deduct tax and National Insurance contributions if we pay the worker's intermediary directly.

If the worker is paid by an agency or other labour provider, we need to tell the body that pays the worker that, in our view the off-payroll working rules should apply.

## Expenditure on consultancy

During the year there was £29,500 expenditure on consultancy (2020-21 £36,034).

## Exit packages

3 employees (2021 – nil) left under voluntary exit terms during the year. They received a total payment of £56,841 (2021 - nil). The table below shows the packages by cost band.

Cost band	Year to 31 July 2022			2021
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	-	1	1	-
£10,001 - £25,000	-	1	1	-
£25,001 - £50,000	-	1	1	-
Total number of packages	-	3	3	-
<b>Total cost (£)</b>	-	<b>56,841</b>	<b>56,841</b>	-

The Accountability Report was approved by order of the members of the Borders College Regional Board on 1 December 2022 and signed on its behalf by:

**R McCowan**  
Chair

**P Smith**  
Principal

### **3. Independent auditor's report to the Board of Management of Borders College, the Auditor General for Scotland and the Scottish Parliament**

#### **Reporting on the audit of the financial statements**

##### **Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of Borders College for the year ended 31 July 2022 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2022 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

##### **Basis for opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is 6 years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### **Conclusions relating to going concern basis of accounting**

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the Audit Scotland website.

##### **Risks of material misstatement**

We report in our Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

## **Responsibilities of the Board of Management for the financial statements**

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the college's operations.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;
- identifying which laws and regulations are significant in the context of the college;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Reporting on regularity of expenditure and income**

### **Opinion on regularity**

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

### **Responsibilities for regularity**

The Board of Management is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Reporting on other requirements**

#### **Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report**

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

#### **Other information**

The Board of Management is responsible for other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

#### **Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

#### **Matters on which we are required to report by exception**

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

### **Conclusions on wider scope responsibilities**

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

### **Use of our report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

David Eardley (for and on behalf of Azets Audit Services)  
Exchange Place 3  
Semple Street  
Edinburgh  
EH8 3BL

Date:

David Eardley is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

## Statement of Comprehensive Income

	Note	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>Income</b>			
SFC grants	1	11,544	10,616
Tuition fees and education contracts	2	1,439	1,330
Other grant income	3	1,011	1,030
Other operating income	4	1,720	1,415
Investment income	5	4	-
<b>Total income</b>		<b>15,718</b>	<b>14,391</b>
<b>Expenditure</b>			
Staff costs	6	11,801	10,460
Fundamental restructuring costs		94	99
Other operating expenses	7	3,622	3,037
Donation to charitable trust	10	200	-
Impairment	13	-	-
Depreciation	11	1,411	1,226
Interest and other finance costs	8	301	266
<b>Total expenditure</b>		<b>17,429</b>	<b>15,088</b>
<b>Deficit before other gains and losses, and tax</b>		<b>(1,711)</b>	<b>(697)</b>
Taxation	9	-	-
<b>Deficit for the year</b>		<b>(1,711)</b>	<b>(697)</b>
Actuarial gain/(loss) in respect of pension schemes	27	12,505	(400)
Net gain on revaluation of fixed assets	11	2,680	-
<b>Total comprehensive expenditure for the year</b>		<b>13,474</b>	<b>(1,097)</b>
Represented by:			
Endowment comprehensive income for the year		-	-
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive expenditure for the year		13,474	(1,097)
<b>Total comprehensive expenditure for the year</b>		<b>13,474</b>	<b>(1,097)</b>

All items of income and expenditure relate to continuing activities.

The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note 31 provides details of the adjusted operating position on a Central Government accounting basis.

## Balance Sheet

	Note	Year ended 31 July 2022 £000	Year ended 31 July 2021 Restated £000
<b>Non-current assets</b>			
Fixed assets	11	29,627	28,229
		29,627	28,229
<b>Current assets</b>			
Trade and other receivables	12	2,090	1,517
Investments (assets held for resale)	13	-	-
Cash and cash equivalents	14	4,199	4,018
		6,289	5,535
Less: Creditors: amounts falling due within one year (restated see note 32)	15	(4,395)	(4,073)
<b>Net current assets</b>		1,894	1,462
<b>Total assets less current liabilities</b>		31,521	29,691
Creditors: amounts falling due after more than one year	16	(19,410)	(20,747)
<b>Provisions</b>			
Pension provisions	20	(1,631)	(12,242)
Other provisions (restated see note 32)	19	(1,147)	(843)
<b>Total net assets</b>		<b>9,333</b>	<b>(4,141)</b>
<b>Restricted reserves</b>			
Income & expenditure reserve – endowment reserve	21	22	22
Income & expenditure reserve – restricted reserve	22	-	-
<b>Unrestricted reserves</b>			
Income & expenditure reserve – unrestricted	23	3,434	(7,416)
Revaluation reserve		5,877	3,253
<b>Total reserves</b>		<b>9,333</b>	<b>(4,141)</b>

The financial statements on pages 58 to 80 were approved by the Regional Board on 1 December 2022 and signed on its behalf on that date by:

**R McCowan**  
Chair

**P Smith**  
Principal

## Statement of Changes in Reserves

	Endowment	Income and expenditure reserve		Revaluation	Total
	(Note 21)	Restricted (Note 22)	Unrestricted (Note 23)	reserve	
	£000	£000	£000	£000	£000
<b>Balance at 1 August 2020</b>	<b>22</b>	-	<b>(6,495)</b>	<b>3,429</b>	<b>(3,044)</b>
Deficit from the income & expenditure statement	-	-	(697)	-	(697)
Other comprehensive income	-	-	(400)	-	(400)
Transfers between revaluation and income & expenditure reserve	-	-	176	(176)	-
Revaluation of fixed assets	-	-	-	-	-
Total comprehensive income for the year	-	-	(921)	(176)	(1,097)
<b>Balance at 1 August 2021</b>	<b>22</b>	-	<b>(7,416)</b>	<b>3,253</b>	<b>(4,141)</b>
Deficit from the income & expenditure statement	-	-	(1,711)	-	(1,711)
Other comprehensive income	-	-	12,505	-	12,505
Transfers between revaluation and income & expenditure reserve	-	-	56	(56)	-
Revaluation of Fixed Assets	-	-	-	2,680	2,680
Total comprehensive income for the year	-	-	10,850	2,624	13,474
<b>Balance at 31 July 2022</b>	<b>22</b>	-	<b>3,434</b>	<b>5,877</b>	<b>9,333</b>

## Statement of Cash Flows

	Note	Year ended 31 July 2022 £000	Year ended 31 July 2021 Restated £000
<b>Cash flow from operating activities</b>			
Deficit for the year		(1,711)	(697)
<b>Adjustment for non-cash items</b>			
Depreciation	11	1,410	1,226
Impairment	13	-	-
(Increase)/decrease in trade and other receivables	12	(573)	(718)
Increase/(decrease) in creditors	15	(1,215)	(427)
Increase in other provisions	19	304	(410)
Increase/(decrease) in pension provisions	20	1,894	1,154
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(4)	-
Interest payable	8	301	266
<b>Net cash inflow from operating activities</b>		<b>406</b>	<b>394</b>
<b>Cash flows from investing activities</b>			
Investment income		4	-
Non-current investment disposal		-	385
Receipt of deferred capital grants		200	596
Payments made to acquire fixed assets		(128)	(670)
		76	311
<b>Cash flows from financing activities</b>			
Interest paid		(301)	(266)
		(301)	(266)
<b>Increase in cash and cash equivalents in the year</b>			
		181	439
Cash and cash equivalents at beginning of the year	14	4,018	3,579
Cash and cash equivalents at end of the year	14	4,199	4,018

## Statement of Accounting Policies

### 1. Basis of Preparation

These financial statements have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction issued by the SFC that requires compliance with the Statement of Recommended Practice (SORP) 2019: Accounting for Further and Higher Education, and in accordance with Financial Reporting Standards 102 (FRS 102). The financial statements must also comply with the Scottish Public Finance Manual (SPFM), the Government Financial Reporting Manual (FReM) and Consolidated Budgeting Guidance (CBG).

The College is a public benefit entity and has applied the relevant public benefits requirements of FRS 102.

### 2. Basis of Accounting

In preparing the financial statements, the College is required to make estimates and assumptions that affect reported income, expenses, assets, and liabilities. Use of available information and application of judgement are inherent in the formation of estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

The College is satisfied that the accounting policies are appropriate and applied consistently. Key sources of estimation have been applied as follows:

<b>Estimate</b>	<b>Basis of Estimation</b>
Valuation of buildings	College buildings are of a specialist nature and are valued on the depreciated replacement cost basis. Irrecoverable VAT is capitalised, based on the partial exemption calculation.
Useful economic lives of buildings and equipment	Buildings are depreciated over their expected remaining useful economic life as assessed by an independent, qualified valuer.
Recoverable amount of trade debtors	Trade debtors are reviewed by appropriately experienced senior management team members with appropriate provision for non-payment of debt being charged to the financial statements as required.
Obligations under the LGPS	The Board has relied on the actuarial assumptions of qualified actuaries which have been reviewed and are considered reasonable and appropriate.
Sinking Fund	The sinking fund was established on co-location of Borders College and Heriot Watt University, on the Netherdale campus at Galashiels in 2009. It is a long term Lifecycle cost provision designed to provide for the lifecycle maintenance of the campus. The Fund Covers the Galashiels and Hawick campuses, primarily focusing on the softer elements of maintenance such as decoration within the first 10 years, the funds focus in the coming period is on more significant items such as heating and plant. Both parties contribute an annual sum to the sinking fund and maintenance costs are paid from the provision. The projected funding to be provided for was calculated at the time by Gardiner and Theobald after completing an in-depth life cycle review and has been subject to regular reviews within Campus management and externally. Hardies Property and Construction Consultants completed a full review at year 10 to ensure the appropriateness and adequacy of the cost projections and the contribution levels.

### 3. Recognition of Income

Income from the sale of goods or services is credited to the Statement of Comprehensive Income when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Comprehensive Income over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount, income receivable is shown net of the discount.

All income from short-term deposits and investments is credited to the Statement of Comprehensive Income on a receivable basis.

Funds the College receives and disburses as paying agent on behalf of a funding body are excluded from the Statement of Comprehensive Income.

#### *Grant funding*

Government revenue grants, including the recurrent grants from the SFC, are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred, it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance-related conditions of the grant have been met. Income received in advance of performance-related conditions being met, is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

### 4. Tangible Fixed Assets

#### *Land and buildings*

Land and buildings are stated in the Balance Sheet at depreciated replacement cost on the basis of a valuation carried out in July 2022. Irrecoverable VAT is capitalised based on the partial exemption calculation. Freehold land associated with the buildings and undeveloped freehold land is not depreciated. New buildings are depreciated over their expected useful economic life to the College of up to 50 years.

A review for impairment of fixed assets is carried out if events or changes in circumstances indicated that the carrying amount of the fixed asset may not be recoverable. Major improvements to buildings, where no new floor space is created, are depreciated over a term consistent with their useful life, to a maximum of the remaining undepreciated life of the building.

Buildings under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July 2022. Finance costs that are directly attributable to the construction of buildings are capitalised as part of the cost of those assets. Buildings are not depreciated until they are brought into use.

#### *Subsequent expenditure on existing fixed assets*

Where significant expenditure is incurred to tangible fixed assets it is charged to the Statement of Comprehensive Income in the period it is incurred, unless it meets one of the following criteria, in which case it is capitalised and depreciated on the relevant basis:

- where the subsequent expenditure provides an enhancement of the economic benefits of the tangible fixed asset in excess of the previously assessed standard of performance;
- where a component of the tangible fixed asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life, is replaced or restored; or

- where the subsequent expenditure relates to a major inspection or overhaul of a tangible fixed asset that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation.

#### *Revaluation reserve*

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from revaluation reserve to the Statement of Comprehensive Income together with any surplus or deficit on disposal.

#### *Equipment*

Equipment costing less than £3,000 per individual item, unless it is part of a group of items purchased as part of a discrete project, is written off to the Statement of Comprehensive Income in the period of acquisition. During last year we implemented a change in accounting policy which means we no longer capitalise grouped items and any other spend of less than £3,000. All other equipment is capitalised at cost. Capitalised equipment is depreciated over its useful economic life as follows:

Plant, equipment, furnishings and fittings	- up to 10 years
Computer equipment	- up to 8 years
Motor vehicles and general equipment	- up to 8 years
Buses	- up to 8 years

Where equipment is acquired with the aid of specific Government grants the related grant is credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

#### *Leased assets*

Costs in respect of operating leases are charged on a straight-line basis over the lease term. Leasing agreements that transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Statement of Comprehensive Income in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets held under hire purchase contracts that have the characteristics of finance leases are depreciated over their useful lives.

#### *Maintenance of premises*

The cost of long-term and routine corrective maintenance is charged to the Statement of Comprehensive Income in the period which it is incurred.

#### *Impairment of assets*

Any reduction in the recoverable amount of fixed assets arising from impairment reviews are recognised in the Statement of Comprehensive Income or Statement of Changes in Reserves as appropriate.

### **5. Investments**

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value. Current asset investments are included in the Balance Sheet at the lower of their original cost and net realisable value.

## 6. Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the financial year.

## 7. Taxation

The College is registered under Scottish Charity Number SC021180 and is a “Charity” within the meaning of Section 506(1) of the Income and Corporation Taxes Act (ICTA) 1988. Accordingly, the College is potentially exempt from taxation in respect of income and capital gains received within categories covered by Section 505 of the ICTA 1988 or Section 256 of the Taxation of Charitable Gains Act 1992, to the extent that such income and gains are applied to exclusively charitable purposes.

The College has no similar exemption in respect of Value Added Tax (VAT). Non-recoverable VAT arising from expenditure on non-trading activities is charged to the Statement of Comprehensive Income.

The College’s subsidiary company is subject to Corporation Tax and VAT in the same way as any commercial organisation.

## 8. Financial Instruments

Financial instruments are recognised in the Balance Sheet when the College becomes party to the contractual provisions of the instrument. All of the College’s financial instruments are classified as ‘basic’ in accordance with Chapter 11 of FRS 102. All of the College’s financial instruments are measured at transaction price.

Financial assets are derecognised when the contractual rights to the cash flows from asset to expire, or when the College has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Cash and cash equivalents: liquid resources include sums on short term deposits with recognised banks and building societies and government securities.

## 9. Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## 10. Pension Schemes

Retirement benefits to employees of the College are provided by the STSS and the LGPS.

Contributions to the STSS are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over employees’ working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme’s assets and the increase during the period in the present value of the scheme’s liabilities, arising from the passage of time, are included in pension finance costs. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS.

**11. Bursary and Discretionary Funds**

The College administers Bursary and Discretionary Funds from the SFC, on behalf of its student, acting as paying agent on behalf of SFC. Unexpended funds are included in creditors.

## Notes to the Accounts

	Note	Year ended 31 July 2022	Year ended 31 July 2021
		£000	£000
<b>1. SFC grants</b>			
SFC recurrent grant (including fee waiver)		9,678	9,072
Estates (maintenance) grants		192	28
Financial Sustainability Funding		-	279
Flexible Workforce Development Fund		369	172
ESF (Developing Scotland's Workforce)		136	-
Other SFC grants		245	238
HE & FE childcare funds	28b	37	32
Release of deferred capital grants	18	887	795
		<b>11,544</b>	<b>10,616</b>
<b>2. Tuition fees &amp; education contracts</b>			
Higher education fees – home & EU		344	338
Further education fees - UK		344	289
Skills Development Scotland contracts		541	549
Education contracts		210	154
		<b>1,439</b>	<b>1,330</b>
<b>3. Other grant income</b>			
Release of deferred capital grants – other government	18	323	329
European union funds		-	4
Other grants (revenue & capital)		676	485
UK based charities (revenue & capital)		-	23
JRS Grant		12	189
		<b>1,011</b>	<b>1,030</b>
<ul style="list-style-type: none"> <li>An average of 3 employees were furloughed during the year (last year average 32)</li> </ul>			
<b>4. Other operating income</b>			
Exam & registration fees		1	3
Income from academic departments		14	9
Sundry income		316	136
Catering & residences		185	23
Hire of accommodation & equipment		1,204	1,244
		<b>1,720</b>	<b>1,415</b>
<ul style="list-style-type: none"> <li>Because catering operations are managed by an external agency, catering income is netted off other operating expenditure to match catering expenditure.</li> <li>Hire of accommodation and equipment includes the recovery of costs from Heriot Watt University per the agreed Service Level Agreement.</li> </ul>			
<b>5. Investment income</b>			
Investment income on endowments	21	-	-
Other investment income		4	-
Net return on pension scheme	27	-	-
		<b>4</b>	<b>-</b>

- Interest received on discretionary funds increases support funding available for HE students therefore it is not included in the College's Statement of Comprehensive Income or Cash Flow Statements.

	Note	Year ended 31 July 2022	Year ended 31 July 2021
		£000	£000
<b>6. Staff costs</b>			
Wages and salaries		7,863	7,402
Social security costs		751	672
Other pension costs (including FRS 102 adjustment)		3,187	2,386
		11,801	10,460
Fundamental restructuring costs		94	99
		11,895	10,559
Teaching departments		5,193	4,516
Teaching and other support services		813	737
Administration and central services		5,162	4,584
Premises		633	623
		11,801	10,460
Fundamental restructuring costs		94	99
		11,895	10,559
Senior post holders' emoluments:			
Salaries		313	267
Pension contributions		60	52
Total emoluments		373	319
			£
The above senior post holder emoluments include amounts payable to the Principal of:			
Salary		112,860	111,761
Pension contributions		20,315	20,117
			Number
Average number of full-time equivalent staff, including senior post holders, during the year was:			
Teaching departments		89	82
Teaching and other support services		21	21
Administration and central services		89	84
Premises		18	18
		217	205
Remuneration of senior post holders, including the Principal (excluding employers' NI and pension contributions):		Number 2021/22	Number 2020/21
£10,001 to £20,000		1	-
£40,001 to £50,000		1	-

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£50,001 to £60,000	1	-
£70,001 to £80,000	-	1
£80,001 to £90,000	1	1
£110,001 to £120,000	1	1
	5	3

- Pension contributions for senior post holders are employers' contributions to the STSS and LGPS and are paid at the same rate as for other employees.

	Year ended 31 July 2022	Year ended 31 July 2022	Year ended 31 July 2021	Year ended 31 July 2021
	£000	Number	£000	Number
<b>Staff costs (continued)</b>				
Staff costs are analysed as:				
Staff on permanent contracts	10,765	182	9,607	170
Staff on temporary contracts	1,036	35	853	35
	11,801	217	10,460	205

## 7. Analysis of expenditure by activity

	Other operating expenses £000	FE & HE childcare fund £000	Depreciation £000	Interest & other finance costs £000	Year ended 31 July 2022 £000	Year ende d 31 July 2021 £000
Teaching departments	809	37	1,411	301	2,558	2,110
Teaching and other support services	18	-	-	-	18	7
Administration & central services	1,947	-	-	-	1,947	1,402
Catering & residences	-	-	-	-	-	-
Premises	811	-	-	-	811	1,010
Donation to charitable trust	200	-	-	-	200	-
<b>TOTAL</b>	<b>3,785</b>	<b>37</b>	<b>1,411</b>	<b>301</b>	<b>5,534</b>	<b>4,529</b>

	£000	£000
Other operating expenses include:		
External auditors remuneration – external audit of these financial statements	17	17
External auditors remuneration – non audit services	1	1
Internal auditors remuneration – internal audit services	10	8
Operating lease rentals – land, buildings & equipment	103	123

#### 8. Interest and other finance costs

	Note	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
On loans, repayable in more than five years		92	109
Net charge on pension scheme	27	209	157
		301	266

#### 9. Taxation

Neither the College nor its subsidiary company has a current or deferred liability to corporation tax in respect of the year (2021 £Nil).

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>10. Deficit for the year</b>		
The deficit for the year is comprised as follows:		
College deficit	(1,511)	(697)
Donation to Borders Further Education Trust	(200)	-
	<b>(1,711)</b>	<b>(697)</b>

#### Donation to Charitable Trust

Following the re-classification of Borders College as a public body by the ONS, the College is unable to generate and retain its own reserves for future investment. Cash backed reserves at 31 March 2014 and any future surplus generated can be donated to a charitable trust to be used in the future for the benefit of learners and potential learners at Borders College. The Borders Further Education Trust is an independent charity approved by OSCR (Charity Number SC044668). Transactions with this body are carried out at arm's length.

#### 11. Fixed assets

	Note	Assets under construction £000	Land & buildings £000	Plant & equipment £000	TOTAL £000
<b>Cost or valuation</b>					
As at 31 July 2021		328	29,198	3,708	33,234
Additions		24	18	86	128
Disposals		-	-	-	-
Revaluation		-	(123)	-	(123)
Reclassifications		(328)	-	328	-
As at 31 July 2022		24	29,093	4,122	33,239
<b>Depreciation</b>					
As at 31 July 2021		-	2,139	2,866	5,005
Charge for year		-	1,031	380	1,411
Disposals		-	-	-	-
Revaluation		-	(2,804)	-	(2,804)
As at 31 July 2022		-	366	3,246	3,612
<b>Net book value</b>					
As at 31 July 2021	32	328	27,059	842	28,229
As at 31 July 2022		24	28,727	876	29,627
<b>Net book value</b>					
Inherited		-	638	-	638
Financed by govt capital grant	18	-	17,365	839	18,204
Other		24	10,724	37	10,785
As at 31 July 2022		24	28,727	876	29,627

- Land and buildings were revalued at July 2022 by Ryden Chartered Surveyors in the capacity of independent valuer. The basis of valuation adopted was depreciated replacement cost and the valuation was made in accordance with the Royal Institution of Chartered Surveyors Global Standards 2022. This resulted in an increased valuation of £2,681,014. Land and buildings with a net book value of £29,627,427 have been funded from exchequer funds. These assets may not be disposed of without prior approval of the SFC.
- Plant and equipment includes assets under hire purchase and finance leases with a net book value of £Nil (2021 £Nil).

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
The depreciation charge for the period is analysed as follows:		
Depreciation based on cost	467	401
Depreciation based on valuation dated June 2019	944	825
	<b>1,411</b>	<b>1,226</b>
Owned assets	1,339	1,154
Assets held under hire purchase and finance leases	72	72
	<b>1,411</b>	<b>1,226</b>
<b>12. Trade &amp; other receivables</b>		
<b>Amounts falling due within one year:</b>		
Trade receivables	487	139
Prepayments and accrued income	1,532	1,357
Amounts due from subsidiary undertakings	-	-
	<b>2,019</b>	<b>1,496</b>
<b>Amounts falling due after one year</b>	<b>71</b>	<b>21</b>
	<b>2,090</b>	<b>1,517</b>
<b>13. Investments (assets held for resale)</b>		
Assets held for resale as at 1 August 2021	-	385
Impairment	-	-
Profit/(loss) on sale	-	(20)
Sale of assets	-	(365)
Assets held for resale as at 31 July 2022	-	-
<ul style="list-style-type: none"> <li>The properties – Thorniedean House and Academy Building, Melrose Road, Galashiels, were sold on 03 November 2020 and 15 April 2021 respectively.</li> </ul>		
<b>14. Cash and cash equivalents</b>		
College funds	4,169	3,981
Bursary funds	8	15
Other student support funds	-	-
Endowment funds	21	22
	<b>4,199</b>	<b>4,018</b>
<b>15. Creditors: amounts falling due within one year</b>		
Trade payables	321	170
Other creditors and accruals*	2,544	2,248
HE discretionary funds	28	16
Bursary funds	28	110
Other creditors (Netherdale)	17	358
Deferred capital grants (Government)	18	1,171
	<b>4,395</b>	<b>4,073</b>

- \* restated (see note 32)

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>16. Creditors: amounts falling due after more than one year</b>		
Other creditors and accruals	951	955
Other creditors (Netherdale)	17      1,374	1,749
Deferred capital grants (Government)	18      17,085	18,043
	19,410	20,747

**17. Other creditors (Netherdale)**

Amounts falling due within one year	375	358
Amounts due after more than one year	1,374	1,749
	1,749	2,107

**Deferred Consideration**

During 2006/07 the College acquired the Scottish Borders Campus of Heriot Watt University for a consideration of £4.75m. The cost of acquiring the Campus will be repaid to the University over a 17.5 year term, commencing in April 2009, the date on which the College moved to the refurbished campus. No interest is payable on the consideration. The cost of the campus acquisition is within Land and Buildings in note 11.

### 18. Deferred capital grants (government)

	SFC £000	Other govt £000	2022 Total £000	2021 Total £000
<b>As at 1 August 2021</b>				
Land and buildings	15,893	2,349	18,242	18,886
Equipment	481	491	972	856
	16,374	2,840	19,214	19,742
<b>Grants received in year</b>				
Land and buildings	-	-	-	179
Equipment	200	-	200	417
	200	-	200	596
<b>Released to Statement of Comprehensive Income</b>				
Land and buildings	774	103	877	824
Equipment	113	220	333	300
	887	323	1,210	1,124
<b>As at 31 July</b>				
Land and buildings	15,119	2,246	17,365	18,242
Equipment	568	271	839	972
	15,687	2,517	18,204	19,214

### 19. Other provisions

	2022 Lifecycle costs - Netherdale £000	2022 Leasehold dilapidation £000	2022 Restructuring costs	2022 Total £000	2021 Total Restated £000
<b>As at 1 August *</b>	995	-	82	1,077	780
Released to Statement of Comprehensive Income	(61)	-	(82)	(143)	(139)
Provision	121	-	92	213	202
<b>As at 31 July</b>	1,055	-	92	1,147	843

\*restated (see note 32)

### 20. Pension provision

	Note	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>Scottish Borders Council Pension Fund</b>	27		
Scheme assets		27,666	28,660
Scheme liabilities		(29,297)	(40,902)
Deficit in the scheme – pension liability		(1,631)	(12,242)

	Note	Year ended 31 July 2022	Year ended 31 July 2021
		£000	£000

### 21. Endowment Reserves

Restricted net assets relating to endowments are as follows:

George Heron Wilson Bequest		21	21
Robert Noble Trust		1	1
		22	22

Represented by:

Cash and cash equivalents		22	22
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### 22. Restricted Reserves

The restricted reserve represents the proceeds from the sale of exchequer funded assets that are being held for reinvestment in future estates' expenditure.

### 23. Unrestricted Reserves

General reserve		5,065	4,826
Pension reserve	27	(1,631)	(12,242)
		3,434	(7,416)

### 24. Capital and other commitments

No provision has been made for the following capital commitments:

Commitments contracted for		7	60
Expenditure authorised but not yet contracted		196	-
		203	60

### 25. Lease obligations

Annual rental commitments under operating leases are as follows:

#### Land, buildings and equipment

Leases that expire in less than one year		10	40
Leases that expire between one and five years		70	52
Leases that expire later than five years		-	-
		80	92

Future minimum operating lease payments due:

#### Land, buildings and equipment

That expire in less than one year		67	78
That expire between one and five years		161	192
That expire later than five years		-	-
		228	270

### 26. Contingent liabilities

The College had no contingent liabilities at 31 July 2022 (2021 £nil).

## 27. Pension schemes

Different categories of staff were eligible to join one of two schemes:

- Scottish Teachers' Superannuation Scheme (STSS)
- Scottish Borders Council Local Government Pension Fund (LGPS).

	2022 £000	2021 £000
<b>The total pension charge is analysed as follows:</b>		
STSS - contributions paid	692	649
LGPS - contributions paid	748	685
LGPS – FRS 102 charge	<u>1,685</u>	<u>997</u>
	2,433	1,682
Unfunded pensioner payments	<u>62</u>	<u>55</u>
Charge to the Statement of Comprehensive Income (staff costs)	<u>3,187</u>	<u>2,386</u>

### Scottish Teachers Superannuation Scheme

Borders College participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions.

- (a) Borders College has no liability for other employers' obligations to the multi-employer scheme.
- (b) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.
- (c)
- (i) The scheme is an unfunded multi-employer defined benefit scheme.
- (ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the Borders College is unable to identify its share of the underlying assets and liabilities of the scheme.
- (iii) The employer contribution rate for the period from 1 April 2021 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.
- (iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sergeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.
- (v) Border College's level of participation in the scheme is 0.10% based on the proportion of employer contributions paid in 2020-21.

## Scottish Borders Council Local Government Pension Fund

The scheme is a defined benefit statutory scheme administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 2014 and currently provides benefits based on career average revalued earnings. The scheme, as specified in the regulations, is financed by payments from employers and from those current employees who are members of the scheme and pay contributions at progressively higher marginal rates based on pensionable pay.

Contribution rates are set every three years as a result of an actuarial valuation of the fund. The last triennial valuation of the fund was at 31 March 2020. The valuation set the contribution rates for the period 1 April 2022 to 31 March 2024. The minimum employer contribution rate was set at 18%, rising to 18.5% on 1 April 2023 and the calculated cost of future accruals set to 20.6%, effective from 1 August 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

On the employers' withdrawal from the Fund, a cessation valuation will be carried out in accordance with Regulation 62 which will determine the termination contribution due by the employer, based on the assumptions deemed appropriate by the fund actuary.

### Assumptions

The principal financial assumptions used to calculate scheme liabilities under FRS 102 are:

	31 July 2022 %p.a.	31 July 2021 %p.a.
Salary increases	3.45%	3.55%
Pension increases	2.75%	2.85%
Discount rate	3.50%	1.60%

### Demographic assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	20.7 years	23.3 years
Future Pensioners	21.6 years	25.2 years

Figures assume members aged 45 as at the last formal valuation date.

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future improvements is shown below:

Current Pensioners	Future Pensioners
CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.	CMI 2020 model, with a 0% weighting of 2020 data, standard smoothing (Sk7), initial adjustment of 0.5% and a long term rate of improvement of 1.5% p.a.

Please note that the mortality assumptions used to value the obligations in the Employer's closing position are different to those used to value the obligations in the Employer's opening position.

## Commutation

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HMRC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

## Scheme assets

The major categories of plan assets as a percentage of total plan assets as at 31 July are:

Asset breakdown	31 July 2022	31 July 2021
Equities	48%	51%
Bonds	23%	27%
Property	27%	20%
Cash	2%	2%

The College's fair value of plan assets is approximately 3.0% (2021 3.0%).

The current service cost includes an allowance for average administration expenses of 0.8% of payroll. The present value of funded liabilities comprises approximately: £17,402,000 (employee members), £4,231,000 (deferred pensioners) and £7,050,000 (pensioners) as at 31 July 2022.

	31 July 2022 £000	31 July 2021 £000
<b>Charged to staff costs</b>		
Current service cost	(2,477)	(1,747)
Administration expenses	-	-
Past service cost, including curtailments	(18)	-
<b>Total charged to staff costs</b>	<b>(2,495)</b>	<b>(1,747)</b>
<b>Charge for net return on pension scheme</b>		
Interest on assets	461	346
Interest on cost	(670)	(503)
<b>Net interest charged</b>	<b>(209)</b>	<b>(157)</b>
<b>Charge to other comprehensive income</b>		
Return on assets less interest	(1,821)	3,834
Other actuarial gains/ (losses)	-	-
Change in financial assumptions	14,189	(3,812)
Change in demographic assumptions	147	356
Experience loss	(10)	(778)
<b>Actuarial Gain/(Loss)</b>	<b>12,505</b>	<b>(400)</b>
<b>Total charge to the Statement of Comprehensive Income</b>	<b>9,801</b>	<b>(2,304)</b>

## Analysis of the movement in deficit during the year

<b>Deficit in scheme at the start of the year</b>	(12,242)	(10,688)
Service costs	(2,495)	(1,747)
Employer contributions	810	750
Net interest costs	(209)	(157)
Actuarial (loss)/gain	12,505	(400)
<b>Deficit at end of period</b>	<b>(1,631)</b>	<b>(12,242)</b>

28a. FE bursaries and other student support funds

	2022 FE bursary £000	2022 EMAs £000	2022 Other £000	2022 Total £000	2021 Total £000
<b>Balance b/fwd</b>	<b>110</b>	-	-	<b>110</b>	242
Allocation received in year	2,605	113	41	2,759	2,434
Expenditure	(2,578)	(113)	(74)	(2,765)	(2,343)
Repaid to funding council as clawback	(110)		0	(110)	(223)
College contribution to funds	-			-	-
Intra-region allocations	-			-	-
Virements	-		41	41	-
<b>Balance c/fwd</b>	<b>27</b>	-	<b>8</b>	<b>35</b>	110

**Represented by:**

Repayable to SFC as clawback	27	-	-	27	110
Retained by college for students	-	-	8	8	-

- These grants are available solely for students; the College acts only as paying agent. The grants and related disbursements are therefore excluded from the Statement of Comprehensive Income.

**28b. FE & HE childcare funds**

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
<b>Balance b/fwd</b>	<b>0</b>	76
Allocation received in year	37	32
Expenditure	(37)	(32)
Funds repaid to funding council as clawback	-	(76)
Virements	-	-
<b>Balance c/fwd</b>	<b>-</b>	-

**Represented by:**

Repayable to funding council as clawback	-	-
Retained by College for students	-	-

- FE & HE childcare fund transactions are included within the College Statement of Comprehensive Income in accordance with the Accounts Direction issued by SFC.

## 29. Related party transactions

Borders College is a body incorporated under the Further and Higher Education (Scotland) Act 1992 and receives funding from the SFC.

Scottish Borders Council and the SFC are registered as related parties. During the year, Borders College had various material transactions with these bodies and a number of other colleges and higher education institutions.

Due to the nature of the College's operations and the composition of its Board (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board may have an interest. All transactions, involving organisations in which a member of the Board may have a material interest, are conducted at arm's length and in accordance with normal project and procurement procedures.

The College had no other transactions with non-public bodies in which a member of the Board has an interest and that, in aggregate, exceeded £6,000.

The College had transactions during the year or worked in partnership with, the following publicly funded or representative bodies in which members of the Board hold, or held, official positions.

Member	Organisation	Position
A Cox	BFET	Trustee
A Cox	Live Borders	Board Member
E Acaster	Colleges Scotland	Board Member
D Black	Scottish Borders Council	Wife is Early Years Manager
P Cathrow	SOSEP	Economic Infrastructure Development Project Manager

Organisation	Income		Balance included in trade receivables	
	2022	2021	2022	2021
Borders FE Trust	-	£70,868	-	-
South of Scotland Economic Partnership	£14,833	-	£14,760	-
Scottish Borders Council	£144,761	£122,776	£1,517	£(136)
Live Borders	£530	£2,195	-	-

Organisation	Expenditure		Balance due included in creditors	
	2022	2021	2022	2021
Scottish Borders Council	£110,750	£149,677	£73,778	£75,379
Live Borders	£56,053	£9,889	-	-
Colleges Scotland	£30,113	£30,367	-	-

Under FRS 102, members of senior management are classed as key management personnel as they have authority and responsibility for the planning, directing and control of the organisation. Detail of the remuneration paid to senior managers is within the Remuneration and Staff Report. All transactions with related parties are in line with normal terms and conditions of sale and purchase.

## 30. Events after the reporting period

There are no events to report.

### 31. Non-cash Budget for Depreciation

	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
Deficit before other gains and losses (FE/HE SORP basis)	(1,711)	(697)
Add: Non-cash allocation for depreciation (net of deferred capital grant)	201	102
Operating deficit on Central Government accounting basis	<u>(1,510)</u>	<u>(595)</u>

Following reclassification, colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the SORP accounting rules. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the SORP, the College recorded an operating deficit of £1,711k for the year ended July 2022 (2021 £697k). After adjusting for the non-cash allocated provided under government rules, the College shows an 'adjusted' deficit of £1,510k (2021 adjusted deficit of £595k) on a Central Government accounting basis.

### 32. Prior Year Adjustments

The prior year has been restated for Job Evaluation as an accrual instead of a provision. This is to be consistent with the sector wider approach.

The prior year adjustment to Creditors (note 15) is:

	£000
As at 31 July 2021	3,606
Prior year adjustment	467
As at 31 July 21 (restated)	<u>4,073</u>

The prior year adjustment to Provisions (note 19) is:

	£000
As at 31 July 2021	1,310
Prior year adjustment	(467)
As at 31 July 21 (restated)	<u>843</u>

## Appendix 1 – Scottish Funding Council accounts direction

### Accounts direction for Scotland's colleges 2021-22

- 1) It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
- 2) Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
- 3) Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2021-22 (FReM) where applicable.
- 4) Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2022.
- 5) The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
- 6) Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council  
18 July 2022

## Appendix 2 – Glossary of terms

AOP	Adjusted operating position
ALF	Arm's Length Foundation (Borders Further Education Trust or BFET)
BCC	Borders College Consultants Ltd
BCSA	Borders College Students Association
BDU	Business Development Unit
BFET	Borders Further Education Trust (also known as ALF or Arm's Length Foundation)
CBI	Confederation of British Industry
CETV	Cash Equivalent Transfer Value (value of pension scheme benefits)
Co2	Carbon dioxide
CPD	Continuing professional development
EIS	Educational Institute for Scotland
ESF	European Social Fund
ESP	Energy Skills Partnership
EU	European Union
FEFT	Further Education Full Time
FEPT	Further Education Part Time
FFR	Financial Forecast Return
HEFT	Higher Education Full Time
HEPT	Higher Education Part Time
FRC	Financial Reporting Council
FTE	Full Time Equivalent staff numbers
GDPR	General Data Protection Regulations
HMRC	Her Majesty's Revenues and Customs
HNC/D	Higher National Certificate / Diploma
HR	Human resources
I&E	Income & Expenditure
ICT	Information Communications and Technology
ICTA	Income and Corporation Taxes Act 1988
ISA	International Accounting Standards
ISLT	Information Systems and Learning Technologies
IT	Information Technology
KPIs	Key Performance Indicators
Kwhrs	Kilowatt hours
LGBT+	Lesbian, Gay, Bisexual, Transgender/Transsexual +
LGPS	Scottish Borders Local Government Pension Scheme
MA	Modern Apprenticeship
ONS	Office for National Statistics
OSCR	Office of the Scottish Charity Register
QTR1	First quarter of the financial year
SBC	Scottish Borders Council
SCQF	Scottish Credit and Qualifications Framework
SDS	Skills Development Scotland
SEC	Student Experience Committee
SFC	Scottish Further and Higher Education Funding Council
SIMD1	Scottish Index of Multiple Deprivation - most deprived
SLT	Senior Leadership Team
SORP	Statement of Recommended Practice
SOSE	South of Scotland Enterprise
SSES	Student satisfaction and engagement survey
STEM	Science Technology Engineering and Maths
STSS	Scottish Teachers Superannuation Scheme
tCo2	Tons of carbon dioxide
VAT	Value added tax
VLE	Virtual Learning Environment