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## Borders College

### Finance & General Purposes Committee

Meeting at 17:30 Thursday 22 September 2022

#### MS Teams

#### Actions

Item	Action	Responsibility and Date	Action Status
40/22	<b><u>Strategic Risk Register –</u></b> Changes to the 1c rating were noted as having reduced from 9 to 6 – new rating to be taken forward to the Curriculum Quality Committee.	VP F&CS October 2022	Completed
35/22	SLT to consider how Borders College is addressing the criteria and principles of Fair Work. This will be included as part of reporting to the F&GP Committee by the Head of HR.	Head of HR September 2022 committee	Completed – included within the report for November F&GP

## Borders College

### Finance and General Purposes Committee

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#### Minutes

ITEM	MINUTE
<b>Present</b>	Lynn Mirley (Chair) Pete Smith (Principal) Liz Parkes Ray McCowan Bernie Quinn Ugonna Mbaezue
<b>In Attendance</b>	Andrew Kirkness (Acting Vice Principal – Finance and Corporate Services) Ingrid Earp (Regional Board Secretary) Suzie Hartley (Minutes)
<b>31/22</b>	<b>Chair's Welcome</b> The Chair welcomed everyone to the meeting.  A change to the agenda order was noted to move item 38/22 - Business Review to the first point to be discussed.
<b>32/22</b>	<b>Declaration of Conflict of Interest</b> L Parkes informed that she is currently working for the Rail and Standards Board and Amey infrastructure for Wales.
<b>33/22</b>	<b>Register of Members' Interest</b> Nothing was noted.
<b>34/22</b>	<b>Apologies for Absence</b> Apologies were noted from D Kerr.
<b>35/22</b>	<b>Minutes of Previous Meeting held on 26 May 2022</b>  The minutes of the previous meeting held on 26 May 2022 were agreed as accurate by all members of the Committee and there were no corrections.  The action from the previous meeting in relation to the Sustainability Strategy being reported to Board twice per year can be removed. It was noted that the College doesn't have a sustainability manager as such. They do, however, work in partnership with AEUC and regularly link in with Rory Hill, Sustainability Manager who is shared between three colleges.  SLT to consider how Borders College is addressing the criteria and principles of Fair Work. This will be included as part of reporting to the F&GP Committee

	<p>by the Head of HR - <b>No paper from F&amp;GP last time, concluded in next F&amp;GP in November</b></p> <p style="text-align: right;"><b>ACTION: Head of HR</b></p>
<b>36/22</b>	<p><b>Matters Arising</b></p> <p>Update on salary negotiations - potential EIS strike action scheduled in May was resolved over the Summer and the 2021 pay dispute for lecturers and support staff was resolved with a pay increase agreed. The discussions around the pay award for September 2022 are still in their early stages. It is anticipated that there may be a higher than budgeted for pay award.</p>
<b>SECTION A – ITEMS FOR APPROVAL</b>	
<b>37/22</b>	<p><b><u>Business Review – Paper B</u></b></p> <p>Acting VP Finance &amp; Corporate Services provided an overview on the financial position at period 12 2021/22 and advised that some year-end transactions are still to occur.</p> <p>Key points;</p> <ul style="list-style-type: none"> <li>• Outturn of £183k surplus for the year, excluding pension interest. Going forward, this will be offset as part of OAP.</li> <li>• £105k reduction in terms of surplus position – positive to note that this includes a £200k contribution to Borders Further Education Trust (BFET) for future investment to be utilised by the College in the future. Intention is to use this for the immersive space (this will be presented to Board).</li> <li>• Significant variances in income and pays – a lot is expected in the mid-year return.</li> <li>• Additional income through DEBI for £285k for the flexible workforce development fund.</li> <li>• Lennartz have engaged with KPMG to claim back significant VAT as a result of paying an additional amount (17.5% to 20%)</li> <li>• Income from the Melrose Road sale (£350k) to be invested into the campus restructure (currently on hold).</li> <li>• £115k deferred capital to apply against spend on open purchase orders for electric cars – delivery currently delayed due to world supply chain issues but anticipated this calendar year.</li> <li>• Appendix 4 of the report recognises an improvement in payment terms. The aim is to improve on this and systems development will be the next challenge to enable this.</li> </ul> <p>L Mirley declared an interest in relation to the Melrose Road sale in terms of her connection with Eildon Housing.</p>
<b>38/22</b>	<p><b><u>Budget 22/23 &amp; Financial Forecast Return (FFR) – Paper C</u></b></p> <p>Committee considered how to present the Budget 22/23 &amp; Financial Forecast Return to Board for approval. The efforts of the Finance team in aiming towards a balanced position were recognised but it was also acknowledged that more work is needed around how, if possible, to achieve this.</p> <p>Staffing cost increase assumptions as advised by the public sector pay policy will be a key element impacting projections – negotiations are anticipated to begin at 10%.</p>

It is anticipated that there will be an increase in deficit over the Financial Forecast Return period. The Committee considered whether to present the paper to the Scottish Funding Council (SFC) including deficits and add a narrative/scenario planning or to present as balanced but include a very significant reduction in staffing costs. The submission date is 30 September.

It was noted that all colleges are in the same position. It is anticipated that £20 million in cuts are expected in the year to come which potentially looks like a 10% reduction year on year.

L Mirley felt it important to stay calm and respond sensibly under this pressure and plan for different situations. U Mbaezue reasoned that the situation could get worse based on the next government response and suggested whether it would better to accept a deficit position. The alternative is to present a balance but lose staff in the process or make significant changes to the way the college is funded.

Acting VP Finance and Corporate Services proposed that breaking even in the 22/23 budget is achievable but also acknowledged the unknowns in terms of the constantly changing financial climate and that short-term forecasting will be important.

L Parkes raised concern around the significant savings required and the additional commercial income needed to achieve savings without having a detrimental impact on the curriculum. She indicated a preference for presenting a balanced budget, but noted concern this is very likely over promising what can be achieved.

Acting VP Finance and Corporate Services acknowledged the £300k commercial income challenge but is confident the College has the funds required through deferred income for 22/23. He recognised there are many variables in relation to achieving savings and being reactive to this will be key. If there is a move towards a 5% pay award, this would cost an extra £300k which represents a risk.

Looking ahead to 23/34, SFC have provided scenarios in relation to a flat cash position. Potential additional income has been identified, for example through engagement with Scottish Borders Council's shared prosperity fund, the development of a CRM which will give a return on investment and continuing to grow SDS development. Beyond this, things get more challenging.

Potential cost savings suggested include closing Tweedbank campus and moving it to Galashiels, vacancy management – no plans for specific restructuring and historically there has been no voluntary severance scheme although reductions in the flexible workforce is an option. 5% is built into the plan already to account for inflation and non-staff costs. It was noted that there is an annual operational loss of £340k and nothing in the plan to consider a pay award over 2%.

L Parkes highlighted that this is the first time a deficit position has been put forward and feels that the paper, in narrative terms focusses on 22/23 but does not support an understanding of 23/24. She suggested submitting further figures in an appendix and a more detailed report including various

	<p>scenarios and an explanation of what the assumptions for the forecast are and to emphasise the difference between forecast and financial plan.</p> <p>R McCowan favoured presenting a deficit position and reasoned that trying to deliver a balanced outcome and making significant staff cuts would present a risk to the function and core capability of the College. He suggested presenting a realistic worst-case scenario with an alternative narrative leaning towards optimistic and a wider message that cutting staff would be catastrophic. P Smith agreed he'd be comfortable with R McCowan's suggestion and to make decisions throughout the year to balance the budget going forward.</p> <p>B Quinn favoured looking at a worst-case scenario. He queried the impact of losing staff and closing Tweedbank for example. The Committee was informed this would be considered through asset management planning and there would be no change to the curriculum at Galashiels campus except removing extra capacity within the structure.</p> <p>R McCowan agreed that the narrative needs to come forward more strongly and clearly before being taken forward to the Board.</p> <p>U Mbaezue asked if external staffing costs are being addressed. The Committee were advised that there is a plan for a significant reduction and that in prior years they have received specific funding for this from flexible workforce development.</p> <p>Further discussion to take place around addressing the savings challenges discussed, prior to taking forward the forecast position agreed by this Committee. Concern was raised around potential reputational risk if a draft was presented and subsequent changes were made. Committee members were reassured that this is common practice in other areas and agreed to present a draft with a view to approval and sign off at the board meeting in October. The Committee also agreed to attend an extraordinary board meeting next week to discuss this item further.</p>
<b>SECTION B – ITEMS FOR DISCUSSION</b>	
39/22	<p><b><u>Asset Management Strategy Update – Paper D</u></b></p> <p>Acting VP Finance &amp; Corporate Services provided an overview of activity in relation to Integrated Asset Management and Capital Planning.</p> <p>Key points;</p> <ul style="list-style-type: none"> <li>• A recent buildings valuation exercise undertaken with Rydens added £2.7 million to assets.</li> <li>• Capital Plan 2022/23 – total £565k capital expenditure being funded by BFET, Scottish Funding Council and £155k of College cash balances.</li> <li>• Opportunity for the College to become fossil free (identified in appendix 3 of paper D). Further discussion needed around funding required and an application to the Scottish Government funding streams to help achieve this.</li> <li>• Heat pump thermal storage - secured additional funding for hydraulic modelling.</li> </ul> <p>U Mbaezue queried whether funding due from the Scottish Government comes out of the College account initially before being returned by the government and whether this affects the FFR. It was confirmed that this is</p>

	the process but the funds are returned quickly and this shouldn't affect the overall picture.
<b>40/22</b>	<p><b>Strategic Risk Register – Paper E</b> Paper E was presented in a new format which focusses on the changes to and movements in the Register.</p> <p>Changes to the 1c rating were noted as having reduced from 9 to 6 – the result of CLM's ability to manage student's situations and a now full recruitment to the student Mental Health Team. This new rating will go forward to the Curriculum Quality Committee.</p> <p style="text-align: right;"><b>ACTION: VP F&amp;CS</b></p> <p>Change also noted to 3c rating from 16 to 12. The cost of living was identified as a factor and what the College can do to support and address this. Reduced cyber risk has also influenced the rating following the move to DataVita and the successful recovery of servers and data and having cyber insurance in place.</p> <p>U Mbaezue congratulated the college on their Digital Transformation and Sustainability awards.</p>
<b>SECTION C – ITEMS FOR INFORMATION</b>	
<b>41/22</b>	<p><b>Papers for Publication (Standing Item)</b> Papers that are still in draft or are commercially sensitive will not be published.</p>
<b>42/22</b>	<p><b>Any Other Business</b> R McCowan requested that acronyms are explained or a glossary is provided.</p> <p>L Mirley encouraged Committee members to give their views on whether they are getting what they need from meetings and to highlight anything they feel is irrelevant.</p> <p>A review of the terms of reference for sub committees is currently underway, to create a clarity of purpose so there is no overlap with committees. More discussion is needed to finalise this.</p>
<b>43/22</b>	<p><b>Date of Next Meeting</b></p> <p>The date of the next F&amp;GP Committee meeting is at 17:30 on Thursday 17 November 2022 via Teams.</p>

Signed.....

**Chair**

Signed.....

**Board Secretary**