

## Principal's Report

### 1.0 PURPOSE OF PAPER

#### For discussion

- 1.1 This paper summarises College activities not reported elsewhere, as well as items which may be of general interest to the Board, including external engagements undertaken by the Principal and CEO. It also provides an update on Key Performance Indicators (KPIs).

### 2.0 EXECUTIVE SUMMARY

- 2.1 This paper details developments since my last report in March 2025.
- 2.2 Overall, KPI's show a positive position.
- 2.3 With national pay negotiations now relatively settled, the funding level for the entire FE sector and our Region in particular remains the most significant risk for Borders College.
- 2.4 We are taking a number of actions to mitigate risk, improve student experience and outcomes, and deliver a more efficient and sustainable business model.

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

- 3.1 This paper is presented for information and discussion.

### 4.0 UPDATES ON COLLEGE ACTIVITIES

#### 4.1 External Engagements and Liaison

- 4.1.1 Since the last Board meeting, in addition to continued liaison with regional partners via the Regional Economic Partnership, Community Planning Delivery Board and Elected Member Oversight Committee of the Edinburgh and South East Scotland City Region Deal, my external engagements and liaison have included: -
- Continuing regular meetings with the Chief Executive of Scottish Borders Council to consider matters of mutual interest and benefit.
  - Continuing regular meetings with the Chief Executive of South of Scotland Enterprise (SoSE) to consider matters of mutual interest and benefit.
  - Continued to promote the College's interests and involvement in Galashiels place planning via the Galashiels Town Team.

- Hosted members of the Capital City Partnership to consider opportunities for a Rural Skills Gateway within any future City Region Deal funding.
- With the Vice Principal – Student Experience, met with Capital City College Group to discuss potential opportunities and constraints around our ambition to grow HE provision.
- With the Chair, welcomed the SFC CEO and Interim Joint Chair to discuss regional priorities and financial sustainability.
- With the Director of People Services, met with the senior team from UHI Inverness to discuss approaches to staff engagement.
- Met with the Principal and CEO of Dundee and Angus College to consider approaches to capital funding.
- Attended the Royal Society of Edinburgh's conference on the future of tertiary education funding in Scotland.
- Met with the Principal and Chief Executive of SRUC to consider further opportunities for collaboration.

4.1.2 With the re-constitution of Colleges Scotland Board, I have been elected as a Trustee nominated by College Principals Group. I also continue to represent the College and college sector at: -

- College Principal's Group (Colleges Scotland)
- CDN Good Governance Steering Group
- College Employers Scotland (CES)
- Modern Apprenticeship Working Group (Colleges Scotland)
- College Sector Finance Committee (Colleges Scotland)
- Board of Directors of Advanced Procurement for Universities and Colleges (APUC)

## **4.2 Staff Matters**

4.2.1 The most significant matter to report is the conclusion of the consultation to merge activities formerly within our four curriculum sectors and the Department for Enterprise and Business Innovation (DEBI) to create a single delivery model, undertaken within the four sectors. The consultation was one of the key actions taken as part of our Strategic Implementation Plan to create a sustainable academic and business model. The model was created in response to feedback from staff groups from across the College and aims to give a more responsive and efficient service.

4.2.2 Our four sectors have changed names slightly to reflect the changes, as follows: -

- Applied Construction and Engineering (Head of Sector – Greg Steele)
- Landbased & Rural Skills (Head of Sector – Andrew Johnson)
- Creative, Enterprise, Technology and Essential Skills (Head of Sector – Dale Clancy)

- Health & Social Care, Early Education, Sport and Supported Programmes (Head of Sector – Nikki Walker)

Note that Andrew Johnson leaves the College at the end of the academic year. We have appointed a replacement in Alex Reynolds, who comes to us from The King's Foundation and was formerly employed by SRUC. Alex will join us in the autumn.

- 4.2.3 We are now in a period of transition. We accepted four applications for severance reducing our complement by 3.36FTE. One-off cost to the College was £75k, delivering recurring savings of £164k per annum. Appointments have been made to all new posts, with all changes to be in place by 01 August 2025.
- 4.2.4 As noted in my last report, our Great Places to Work 2025 showed significant upward progress. Our GPTW certification has been renewed and we have been confirmed as a Great Place to Work for Development. A full report was provided to Finance and Resources Committee on 17 June 2025, as part of the People Services Report.

### **4.3 National Pay Bargaining and Job Evaluation**

- 4.3.1 The current National Recognition and Procedures Agreement (NRPA) has been in place between colleges and trade unions since approximately May 2015. On 19 March 2025, UNISON and Unite formally communicated to all signatories their intention to resign from the current NRPA, and requested negotiations commence to complete a sole Support Staff NRPA. The other signatories to the NRPA, the EIS-FELA and the GMB, have expressed their opposition to the resignations of UNISON and Unite, and have stated that the current NRPA can continue to operate regardless of these resignations.
- 4.3.2 The CES Team's view, supported by legal advisers, is that the current NRPA cannot continue to operate for the GMB in the absence of UNISON and Unite.
- 4.3.3 On 16 April 2025, CES held an extraordinary meeting. CES agreed to: -
- take a proactive position and develop a new NRPA to take to the support staff trade unions to formally negotiate terms
  - aim to work towards a six-month notice period as requested by the trade unions, with the expectation that in real terms it could take nine to twelve months to develop a revised NRPA and finalise signatories

While the aim was to bring a final draft revised NRPA to the CES meetings in May 2025 for final review, that has slipped slightly, although a final version is being actively worked on.

- 4.3.4 Once the revised NRPA has been finalised, it will be up to individual college Boards to consider whether they wish to sign up to the new NRPA. I would therefore anticipate that Borders College should consider this at the first meeting of the 2025-26 Academic Year.

4.3.5 As previously reported, national pay negotiations for lecturing staff are settled for the period to 31 August 2026.

4.3.6 The previous round of support staff negotiations settled pay up to and including 31 August 2025 and considerable work has been ongoing to reach agreement for pay awards to be implemented from 01 September 2025. Negotiations on a three year deal are progressing, with the most recent offer from management being: -

- Year 1 (2025/26) – 4.25%
- Year 2 (2026/27) – 3.25%
- Year 3 (2027/28) – 3%
- £1,150 underpin in Year 1 for salaries up to £27,000
- Continued support for an increase in the overtime threshold to £44,000 and an increase to the standby allowance of £120 per week
- A commitment to completing the National Organisational Change Guidance

This is very close to the unions' most recent position and we are hopeful of a resolution before the summer.

4.3.7 Management have stated that the excess over 3.0% in Years 1 and 2 can only be implemented if funded by Scottish Government.

4.3.8 Nationally, work continues to enable the support staff job evaluation scheme to progress, with regular meeting between the joint secretaries. Management have made it clear that there will be no pay harmonisation and have been asked to confirm this in writing. The next step will be to confirm a clear project plan that will allow Scottish Government to release funding.

#### **4.4 Financial Sustainability and College Sector Finances**

4.4.1 Financial sustainability remains the most significant risk to Borders College. Executive, working with the Board, have now identified a range of actions which the College will work through to reach a sustainable business model. These include those identified in the Strategic Implementation Plan (SIP) plus further actions which will have the potential to result in fundamental change to the College. The model was agreed by the Board on 17 April 2025 and submitted to SFC. A response was received on 13 June. Noting that they were unable to confirm future funding for individual colleges at this stage, the response went on to say: -

***“Reinstatement of 2,654 credits for Academic Year 2026–27 (cut in AY 2023–24)***

- *In AY 2023–24, all colleges received a 10% reduction to their credit thresholds without a corresponding reduction in funding. This was introduced in response to concerns from the sector around deliverability and effectively increased the credit price for all colleges.*

- *Now that allocations for AY 2025–26 have been published, we are keen to work collaboratively with the sector to consider funding approaches for AY 2026–27, with the aim of agreeing shared principles. However, the scope for change will be heavily dependent on the outcome of the Scottish Government’s own budget process in December 2025.*

***Request for further increase to core funding of £460k to mitigate reduction in HWU income***

- *As this relates to core teaching funding, it is tied to the broader considerations as outlined above. We will consider this request in line with the wider discussions on the AY2026–27 budget.*

***Support for one-off restructuring costs of up to £720k over the period 2024–25 to 2026–27***

- *We understand this to mean voluntary severance and associated costs; SFC do not provide funding for voluntary severance or related restructuring costs.*

***Support for Green Book business case (£400k) and estimated £4.95M in capital funding for campus redevelopment following HWU departure***

- *We want to acknowledge and thank Borders College for the work it is doing to rationalise its estate and plan proactively for the future. We fully appreciate the significance of the situation and the scale of the challenge.*
- *We will continue to explore potential options for financial support internally and will follow up as soon as we are in a position to provide further detail.”*

4.4.2 While not the positive answers we would have wanted, it does leave open the potential for future revenue adjustments to support our position on Credit allocations and the impact of the HWU departure. While we will also continue to engage on capital funding, we will have to retain a fallback position of continuing use of Tweedbank and mothballing parts of Scottish Borders Campus. I am anticipating a discussion with the SFC Acting Director of Finance in week beginning 23 June and will update the Board following that.

4.4.3 Meanwhile, SFC have issued 2025-26 funding allocations to the sector, incorporating changes to the funding model: -

- The Credit value applicable for each institution has been re-calculated, based on their current curriculum delivery profile.
- The historic premia applied have been removed and a fixed element of funding allocated, based on college “families”, roughly based on size.
- Both changes have a positive impact for us although, to protect colleges who would lose significantly, mitigation has been applied, limiting gains and losses in 2025-26 but to be phased out over the following two years.

- SFC have stated they will begin the process to withdraw Credits from colleges where current delivery is not in priority areas or where it does not meet Credit guidelines. This will then be re-allocated to regions who can demonstrate unmet demand and is critical to our achieving a sustainable business model.

All changes are reflected in our budget and Financial Forecast Return.

#### **4.5 Heriot-Watt University / Scottish Borders Campus**

- 4.5.1 This forms a significant element of activity in our Strategic Implementation Plan over the next eighteen months, as the University exits the shared space and services at Scottish Borders Campus.
- 4.5.2 At the time of writing we are experiencing delays from Heriot-Watt in paying for shared services, with the current outstanding balance sitting at £874k, including VAT. The University also failed to provide the recent Campus Management Committee with representation holding sufficient authority to approve the 2025-26 shared services budgets. We have now initiated communication through our lawyers to prompt a resolution, before resorting to more formal means.

#### **4.6 Convention of the South of Scotland**

- 4.6.1 The most recent meeting took place on 10 March 2025, with actions noted as follows: -

<b>ACTION</b>	<b>LEAD</b>
As the Workforce Mobility Project fund is coming to an end, use the progress made to create a best practice transport data hub, in collaboration with organisations who can provide input and support, or users of the project, that sees that continuation beyond 2027, using data analysis to provide consistent high quality data which everyone would have access to, locally, regionally and nationally.	SOSREP SAGT Ewan Doyle (SBC)  SG/Transport Scotland
Feedback on the benefits of the Workforce Mobility Project to be given by Regional Transport Partnership Chairs to TS and CoSS members.	RTP Chairs  Transport Scotland
Commit to ongoing data provision to inform policy development and decision making, sharing best practice across Scotland, and identifying other data sources held by CoSS members, strengthening the business case.	SOSREP SAGT ALL  Transport Scotland

Develop the tools to ensure 'untapped' transport demand and sustainable travel potential is understood.	SOSREP SAGT Ewan Doyle (SBC)  SG/Transport Scotland and NHS & H&SCP, and other Publicly Funded Organisations
Develop a business case for the expansion of bus networks across the region using data. This should be done through the lens of bus as a growth sector.	SOSREP SAGT  Transport Scotland
LAs to work with TS on funding opportunities and innovative use of existing public funding to expand bus network.	SOSREP SAGT and TS
TS to inform LAs when they are able to access the Bus Infrastructure Fund for next financial year, including the eligibility criteria.	TS
LAs to develop their proposals for BIF funding including quick wins e.g. improving bus stops. Consider whether infrastructure to support Community Transport can form part of this.	LAs & Community Transport Sector
Promotion of existing ticketing products such as One Ticket to be undertaken.	SOSREP SAGT / TS
ScotRail to work with SBC on joined up services incl. timetable alignment to meet local needs where possible and provision of integrated ticketing.	LAs/ ScotRail/ TS
REP to consider how to mobilise community benefit funds to support local transport services	SOSREP/ SOSE/ SG
SOSREP to consider whether use of Section 75s can be improved in the region to improve local transport services.	SOSREP
Maximise benefits of existing rail infrastructure – improve promotion of existing routes; enhance integration with bus routes.	SOSREP SAGT/ TS/SG and ScotRail.
Region to collectively agree transport priorities, recognising the significant cost and timescales for rail infrastructure where bus service improvements are be more affordable, agile and delivered more quickly and	SOSREP SAGT

concurrently with larger and longer term investment in rail.	
Deliver new and existing marketing activity partnerships that promotes visitor experiences across SoS with a focus on using public transport. Activity links actions within "South of Scotland Responsible Tourism Strategy.	SOSE/VS
TS to continue to make representations to UKG re maximising provision at Reston and on the case/commitment to Borders Rail extension feasibility study.	Transport Scotland
SDS and SoSE/LAs to work together to identify a willing bus service operator to take part in SDS Skills for Growth Service which helps the company with future skills needs as well as helps to improve their wellbeing and future recruitment plans	SDS/ LAs and SOSREP
Engage with operators to demonstrate what good looks like i.e. good work/life balance, pay, conditions, flexible working environment, career path, incentives etc.	SOSREP SAGT
Devise a marketing plan to make careers in transport look more appealing. Should be a continuous/regular campaign not a one-off, reinforcing that Transport is a growth sector.	SDS/ Transport Scotland/ SG
COSS members to consider response to the <a href="#">Transport Just Transition Plan consultation</a> (which will close on 19 May 2025), on behalf of the region	SOSE
TS to share Bus Task Force Outcomes.	Transport Scotland
Update on Skills to be presented at next CoSS	SDS
REP to discuss possible agenda items for Autumn Convention at their meeting on 23rd March and inform CoSS Secretariat	SOSREP

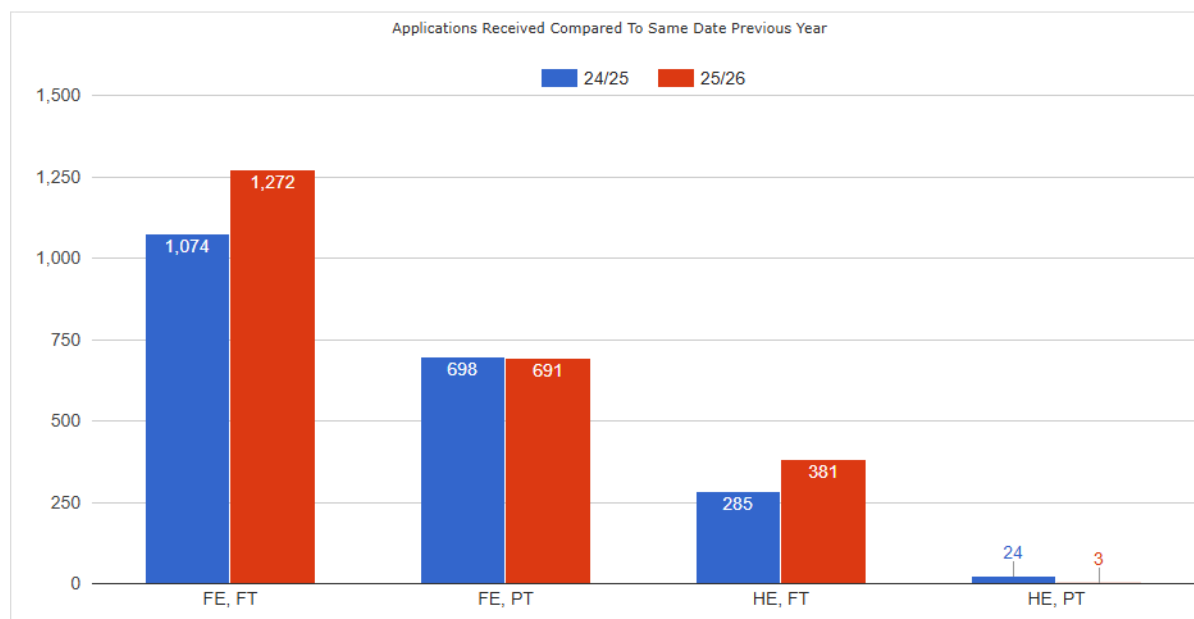
4.6.2 The next meeting is scheduled for 26 September 2025.

## 4.7 Applications 2025-26

4.7.1 A comparison of applications for 2025-26 against the equivalent period in 2024-25 is shown below in **Figure 1**:



**Figure 1: Application totals 2024-25 and 2025-26**



4.7.2 As can be seen, full-time applications are significantly ahead of the equivalent period last year, although it should be noted that we have been more efficient in processing applications from returning students.

4.7.3 Of particular note is the recovery in HE full-time students. This will have a positive impact on our fee income and has been factored into our 2025-26 Budget.

4.7.4 From the overall numbers, we would expect to meet our enrolment targets and look to be on course to also meet our Credit target for 2025-26.

#### **4.8 Other College Activity**

4.8.1 With the end of the 2024-25 Academic Year, this has been a particularly busy time for all staff, ensuring our students complete their courses. All of our campuses have been a hive of activity, with individual programme prizegiving ceremonies and events. Many of these are highlighted across our social media channels and I would recommend that Board members view these wherever possible.

4.8.2 Our Graduation 2025 has now been set for 23 October.

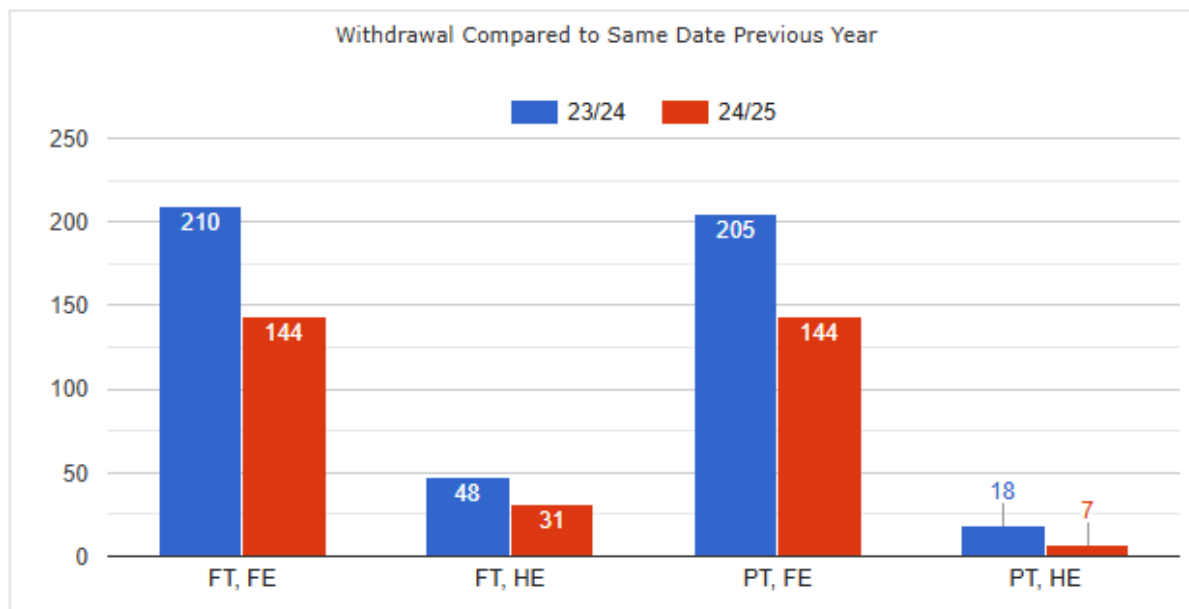
### **5.0 KEY PERFORMANCE INDICATORS**

#### **5.1 Student Outcomes**

5.1.1 As previously reported, with the exception of part-time FE, our learner success dropped from 2022-23 to 2023-24, in part due to an increase in withdrawals. In order to address this, we created a new Retention

Committee, with the aim of sharing best practice across the College to ensure our students are able to complete their studies. This has had a positive impact, with withdrawals reduced as shown below in **Figure 2: -**

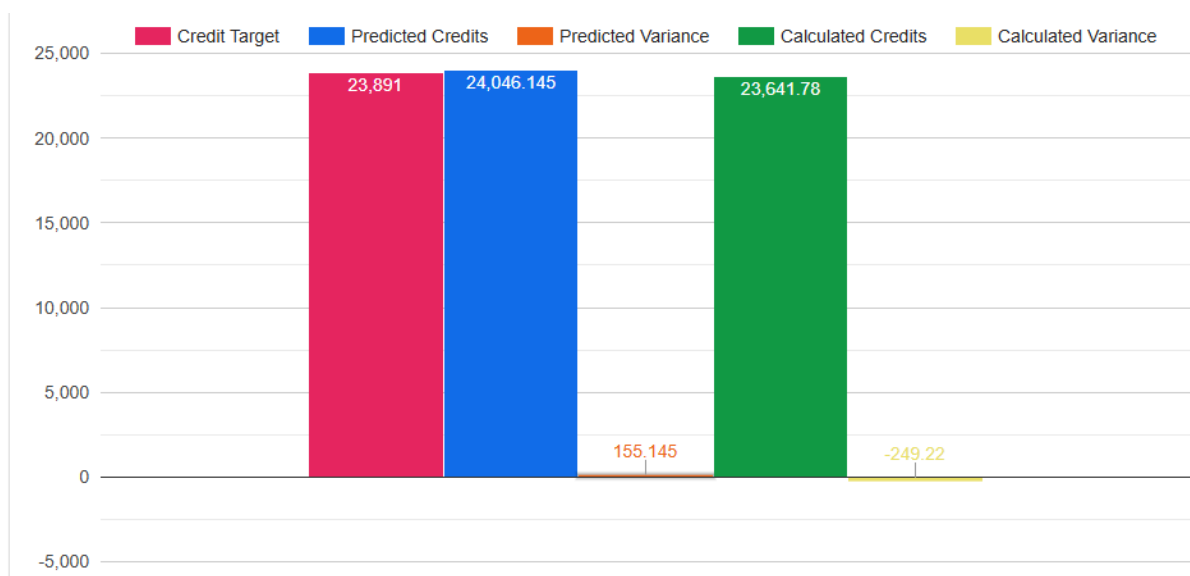
**Figure 2: Withdrawals**



## 5.2 Credit Utilisation

5.2.1 Our projected Credit position for 2024-25 is shown in **Figure 3** below: -

**Figure 3: Projected 2024-25 Credit Position**



As can be seen, we expect to exceed our Credit target. We continue to make the case to SFC to increase the allocation to our Region.

## 5.3 Financial Indicators

- 5.3.1 Staff Expenditure as a Percentage of Total Expenditure is a helpful indicator of the College's vulnerability to nationally-negotiated pay settlements, as well as its ability to be responsive in flexing resource allocations.
- 5.3.2 Non SFC/Credit Income as a Percentage of Total Income is a helpful indicator of the College's flexibility in resourcing non-core activity.
- 5.3.3 Cash Days held is an indicator of the College's liquidity and ability to meet ongoing commitments. SFC expects us to retain only around 15 days cash at any time, without drawing cash "in advance of need".
- 5.3.4 Current forecast indicators to the year-end, extracted from the College's management accounts are as shown in the following **Table 1**:-

**Table 1: Financial Forecast Indicators**

			24-25 Approved Budget	24-25 Forecast	23-24 Full Year Actual
Staff Expenditure	<u>staff expenditure</u>	%	67	66	65
	total expenditure				
Non SFC/Credit Income	<u>non-sfc/credit income</u>	%	15	17	15
	total income				
Cash Days		no of days	29	31	38

## 5.4 People Services Indicators

- 5.4.1 Current People Services indicators are shown in the following **Table 2**:-

**Table 2: People Services Indicators**

	2022/23	2023/24	2024/25
No of days lost due to short term absence	381	479	281
No of days lost due to long term absence	1148	983	872
Total days lost	1529	1462	1153

Voluntary staff turnover for the period August 2024 to April 2025 was 4.7%, a decrease from 6.2% for the full year last year.

- 5.4.2 Staff Sickness Absence – The total number of days lost per full time equivalent (FTE) to sickness absence during the period 1 August 2024 to 30 April 2025 was 4.5 days approximately, 1.6% absence rate. For the same period the previous year this was 5.4 days approximately and 1.7%.

## 5.5 KPI Summary

- 5.5.1 Withdrawals show a significant decrease over last year, which should also translate to improved student success.

- 5.5.2 Financially, our KPI's are relatively stable, although we expect cash to reduce over time due to the overall negative financial projections.
- 5.5.3 Our People Services indicators also show a relatively stable position compared to 2023-24.

## **6.0 IMPLICATIONS AND CONSIDERATIONS**

### **6.1 Financial Implications**

- 6.1.1 There are no direct financial implications as a result of this paper, although many of the measures discussed are intended to contribute to financial sustainability.
- 6.1.2 The known financial impacts which are identified have all been incorporated within current year projections and future years' budgets. As noted, further mitigations will be a significant focus for Executive and Board over the coming month.

### **6.2 Learner Implications**

- 6.2.1 The impact on learners remains our priority. All our actions are intended to improve experience and outcomes.

### **6.3 Staff Implications**

- 6.3.1 Staff implications are as discussed in Section 4.

### **6.4 Equality and Diversity Implications/Equality Impact Assessment**

- 6.4.1 There are no direct implications as a result of this paper.

### **6.5 Sustainability/Environmental Implications**

- 6.5.1 There are no direct impacts as a result of this paper.

## **7.0 RISK COMMENTARY**

- 7.1 There are no direct risks resulting from this paper. The potential impacts of public funding decisions are highlighted on our College Strategic Risk Register.

## **8.0 CONCLUSION**

- 8.1 Overall, the College is performing well, with strong application numbers across our curriculum. There are a number of positive actions taking place, with risks being managed.

P D SMITH  
Principal & CEO

13 June 2025

**Previous Board or College Committee Approvals:**

n/a

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