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FINANCE & RESOURCES COMMITTEE

4 June 2026

Business (Finance) Review and Update

1.0 PURPOSE OF PAPER

For information

- 1.1 The purpose of the paper is to provide Committee members with an overview of the financial position as at 30 April 2026 (Quarter 3 2025/26) and an update of the year end projected forecast position to 31 July 2026.

2.0 EXECUTIVE SUMMARY

- 2.1 The initial budget for 2025/26 was approved by the Board in June 2025. Work has been ongoing across all areas of the College to review the financial forecast position to 31 July 2026.
- 2.2 The Income and Expenditure to 30 April and the year-end forecast is shown in Table 1 and reflects changes following the Quarter 3 (Q3) budget review meetings. This shows an adjusted operating position (AOP) of £634K deficit against an original deficit budget of £517k and a revised budget position based on the Q2 forecast of £693k deficit.
- 2.3 Tables 2a and 2b shows non-Scottish Funding Council (SFC)/ credit income forecast to 31 July 2026.
- 2.4 Table 3 details the progress on the agreed savings targets and additional savings and pressures identified for 2025/26.
- 2.5 Table 4 shows the actual capital spend as at 30 April 2026 along with a forecast to 31 July 2026.
- 2.6 Appendix 1 shows the Key Performance Indicators for 2025/26.

3.0 RECOMMENDATION(S)/ACTION(S) REQUIRED

- 3.1 It is recommended that the Finance & Resources Committee:
- 3.1.1 Notes the Income and Expenditure forecast position to 31 July 2026 in table 1.
- 3.1.2 Notes the non-SFC/credit income forecast position in tables 2a and 2b.
- 3.1.3 Note the savings achieved/ forecast in table 3.
- 3.1.4 Notes the Capital forecast position in Table 4.
- 3.1.5 Note the Key Performance Indicators in Appendix 1.

4.0 BACKGROUND

- 4.1 The College sets its budget in June for the following Academic Year. The budget for 2025/26 was approved by the Regional Board on 26 June 2025.
- 4.2 In line with the Financial Procedures Manual, budget review meetings are held with senior managers/budget holders on a regular basis, and always at the end of each quarter. The outcome of these meetings, along with any other relevant information received, is reflected in the updated forecasts.

5.0 QUARTER 3 FINANCIAL REVIEW

- 5.1 Financial monitoring meetings have taken place with budget holders, reviewing income and expenditure projections to 31 July 2026. The assumptions are based on a hold on non-essential spend for the remainder of the year.
- 5.2 Table 1 below shows the updated forecast position following the Quarter 3 budget review.

Table 1

		2025-26 Approved Initial Budget £	2025-26 - Revised budget £	2025-26 - Q3 Forecast	Variance from revised budget	2025-26 Actual to 30 April £
Applied Construction & Engineering						
	Expenditure	1,558,922	1,560,684	1,593,560	32,876	1,265,454
	Non Core funding income	(437,385)	(432,385)	(486,385)	(54,000)	(348,563)
	Net Budget	1,121,537	1,128,299	1,108,281	(21,124)	916,891
Health, Social Care, Early Education, Sport & Supported Programmes						
	Expenditure	2,115,286	2,122,121	2,125,898	3,777	1,545,862
	Non Core funding income	(631,608)	(699,608)	(699,608)	0	(252,415)
	Net budget	1,483,678	1,422,513	1,426,290	3,777	1,293,448
Landbased & Rural Skills						
	Expenditure	951,204	958,718	959,114	396	660,635
	Non Core funding income	(119,638)	(119,638)	(119,638)	0	(87,444)
	Net budget	831,566	839,080	839,476	396	573,191
Creative Enterprise, Technology & Essential Skills						
	Expenditure	1,476,692	1,491,734	1,484,578	(7,156)	1,134,949
	Non Core funding income	(318,208)	(384,208)	(384,208)	0	(257,239)
	Net budget	1,158,484	1,107,526	1,100,370	(7,156)	877,710
Curriculum Support & Projects						
	Expenditure	1,229,408	1,229,820	1,230,018	198	834,173
	Non Core funding income	(109,325)	(107,325)	(107,325)	0	(86,368)
	Net budget	1,120,083	1,122,495	1,122,693	198	747,805
Other Support Services						
	Expenditure	8,812,699	8,777,304	8,692,266	258,576	7,281,518
	Non Core funding income	(3,806,346)	(3,499,552)	(3,396,641)	(240,703)	(4,724,907)
	Net budget	5,006,353	5,277,753	5,295,626	18,979	2,556,611
SFC Credit Income						
		(9,865,679)	(9,865,679)	(9,865,679)	0	(8,287,169)
(Surplus)/Deficit		856,021	1,031,986	1,027,056	(4,930)	(1,321,514)
AOP Adjustments for Non Cash Items		338,804	338,804	392,672	53,868	0
AOP		517,217	693,182	634,384	(58,798)	0

- 5.3 The budget was revised to reflect the Q2 forecast position. The movement in variances reported from the revised budget to Q3 forecast, before AOP adjustments for non-cash items, is £4,930.
- 5.4 The initial budget approved in June 2025 assumed the generation of non-SFC income to the value of £1.8m and **Table 2a** details a shortfall of £449k. The Q2 report provided an explanation of £399k shortfall and the Q3 review identified a further shortfall of £50k from Q2 due to funding from the Educational Entrepreneurial Pathway not being realised.

Table 2a

Funder	Fund/Purpose	2025-26 Approved Budget Net of Commitments £000's	Actual Grant Income £000's	Variance £000's
Education Contracts	Apprentices via SNIPEF, CITB, SECT & SMTA	213	213	0
FE & HE Tuition Fees	Full time & Part time Courses	344	362	-18
Skills Development Scotland	Modern Apprentices	467	495	-28
SOSE Start Up	Educational Entrepreneurial Pathway	50	0	50
City Deal	Training & delivery digital courses	43	40	3
City Deal	Training & delivery sustainability courses	74	65	9
Sport Scotland	Active Campus Co-ordinator	40	40	0
Scottish Borders Council LEP	Find Your Vibe	42	42	0
Scottish Borders Council	Schools Academy	55	55	0
Frances Sprot Trust	Breakfast/Lunch club	4	4	0
Interface	Innovation Vouchers	15	10	5
Savings plan	Increased Grant target		0	0
Scottish Borders Council	Shared Prosperity Fund Retrofit - no longer available	220	0	220
Income shortfall against targets	anticipated income based on assumptions in budget paper	208	0	208
Total		1,775	1,326	449

- 5.5 Table 2b below sets out new sources of income updated in the quarter 3 budget review meetings that have partially offset the shortfall in income against target. The increase of £72k on the net contribution from the bottom line since Q2 mainly relates to the Educational Entrepreneurial Pathway, the Café to Career LEP and ESP funding. Work is ongoing with service managers to support the generation of new commercial income to offset the projected position.

Table 2b

Funder	Fund/Purpose	2025-26 New Grant Funding £000's	Identified Commitments £000's	Net Contribution to bottom line £000's
SOSE Start Up	Educational Entrepreneurial Pathway	39	10	29
Scottish Borders Council	Parental Employability NOLB - cohort 1 and 2	40	5	35
Scottish Borders Council LEP	Towards Transition NOLB	16	3	13
Scottish Borders Council	ESOL with Employability NOLB	25	20	5
Scottish Borders Council	Café to Career Local Employability Partnership NOLB	23	10	13
Energy Skills Partnership	ESP Grant	54	22	32
Total income targets secured		197	70	127
Income shortfall against targets (table 2a)	Income target included in budget which there are no known income or grants			449
Total income targets unsecured				322

- 5.6 Table 3 details the saving targets for 2025/26. Quarter 3 review identified the following savings and cost pressures in operational budgets. The Adjusted Operating Position is a deficit of £634k. This is a reduction of £51k from £685k deficit at Q2 with the main difference relating to funding for additional pay costs increasing by £45k.

Table 3

	Adjusted Operating Result (Surplus)/Deficit	Adjusted Operating Result (Surplus)/Deficit
	£000's	£000's
Board Report 26/06/2025	881	881
	Agreed Savings Plan Approved Budget	Savings Delivered
	£000's	£000's
Additonal Commercial Programmes (income gap)	20	20
Additional non core Grant Funding (income gap)	25	25
Commercial use of estates	6	6
Efficient Use of Resources	65	65
Reduced Shared Service Delivery Costs	66	66
Management Structures	181	181
Total Level 1 Savings	363	363
AOP after Level 1 savings	518	518
Vacancy release from Staffing non recurring		46
Procurement savings recurring		7
Non essential spend savings non recurring		57
Total quarter 3 savings delivered		110
Identified cost pressures		(29)
Income shortfall in Non Core Funding from Table 2b		(322)
		759
Funding for additional pay costs		125
Revised FFR projected AOP Deficit/(Surplus) Qtr3		634

5.7 Table 4 below details the forecast position of the capital programme to 31 July 2026 and its funding sources.

Table 4 – Capital monitoring 25/26

Projects	Spend to Apr-26 £000's	Forecast to July-26 £000's	Revised Budget Apr-26 £000's	Forecast Variance £000's	Carried forward to 26/27 £000's	Actual Under/over spend £000's
Equipment						
Laptop Refresh Programme	101	101	101	0		0
Network Refresh	99	99	99	0		0
Fundamental Mechanics	26	29	29	0		0
Minibuses	89	132	132	0		0
Digital Signage	43	43	43	0		0
Student Funding Module	31	31	31	0		0
Finance for the Future	2	2	39	37	37	0
TTC - Air condition replacement	0	8	8	0		0
Galashiels Campus security	2	20	20	0		0
Buildings						
Campus Redevelopment - Main	15	303	303	0		0
Campus Redevelopment - Priority 3	0	139	139	0		0
Borderlands	24	24	23	(1)		(1)
Contingency	0	0	41	41	40	41
Total Expenditure	432	931	1,008	77	77	40
Funded by						
SFC 24/25 Capital Grant B/F		(209)	(209)	0		
SFC 25/26 Core Capital Grant		(424)	(424)	0	0	
SFC Emergency Unplanned 25/26		(53)	(53)	0		
SFC Emergency Unplanned 25/26		(24)	(24)	0		0
SFC First Wave Funding		(298)	(298)	0		0
Total Funding		(1,008)	(1,008)	0	0	0

5.8 Additional capital funding of £53k was secured from SFC from their Emergency/Unplanned works.

5.9 Table 4 above details a net underspend of £77k across the programme.

5.10 Due to resource constraints there has been a delay in the progress of the Finance for the Future project. This project will not commence until after 31 July 2026 and £37k capital allocation will be carried forward into 2026/27.

5.11 The SFC First wave funding has been allocated to the Campus Redevelopment – Main and the Campus Redevelopment – Priority 3.

6.0 IMPLICATIONS AND CONSIDERATIONS

6.1 Financial Implications

Financial implications are detailed above in the report. This report is the third quarter review for 2025/26. Regular forecasting of the financial position is required to enable informed decisions to be made involving all financial aspects of the College.

6.2 Learner Implications – there are no direct learner implications as a result of the contents of this report. Future financial sustainability of the College may have implications to learners.

6.3 Staff Implications – there are no direct implications as a result of the contents of this report. The longer-term financial stability of the College may have implications on staffing levels.

6.4 Equality and Diversity Implications/Equality Impact Assessment – there are no direct equality implications from the contents of this report.

6.5 Sustainability/Environmental Implications – there are no direct sustainability implications from the contents of this report.

7.0 RISK COMMENTARY

7.1 Due to reducing funding the financial sustainability is a significant risk to the College. Strong financial management and reporting is a key mitigation to ensure the College meets its financial targets.

7.2 Staffing costs reflect approx. 70% of the Colleges overall costs. These are subject to national pay bargaining with the pay award for Support Staff agreed and the pay award for Lecturing Staff close to agreement.

7.3 As shown in Table 2a the non-SFC/ credit income for the year is £1.8m. This funding is non-recurring. The table highlights that there is a high risk that £322k of this target may not be met. Officers across the College are actively looking for additional funding opportunities via partnership working groups and network opportunities.

8.0 CONCLUSION

- 8.1 The forecast Adjusted Operating Position (AOP) following adjustments for non-cash items such as depreciation has reduced from £685k revised budget at Q2 to £634k forecast deficit for 2025/26 at 30 April 2026. Work will be ongoing over the remaining months to closely monitor activity against this forecast position.

Vivienne Buchan/Gregor Hall, Financial Controllers

Previous Board or College Committee Approvals:

Finance & Resources Committee 12 March 2026

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Key Performance Indicators

Appendix 1

			25-26 Approved Budget	25-26 Forecast	25-26 Actual
Staff Expenditure	<u>staff expenditure</u>	%	64	64	65
	total expenditure				
Non SFC/Credit Income	<u>non-sfc/credit income</u>	%	24	24	24
	total income				
Cash Days		no of days	29	31	23