



FINANCE & RESOURCES COMMITTEE

27 November 2025

Business (Finance) Review and Update

1.0 PURPOSE OF PAPER

For discussion

- 1.1 The purpose of the paper is to provide Committee members with an overview of the financial position at 31 October 2025, and an update of the 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 31st October 2025.
- 2.2 The Income and Expenditure forecast to 31st October 2025 is shown in Table 1 para 5.2 and is currently projecting in line with the initial budget.
- 2.3 Table 2 para 5.4 details non Scottish Funding Council (SFC)/credit income at 31st October 2025.
- 2.4 Table 3 details the agreed savings targets for 2025-26.
- 2.5 The Capital forecast at 31 October 2025 is shown in Table 4 para 5.8 and shows the projected spend within approved budgets and projects on track.
- 2.6 Appendix 1 shows the Key Performance Indicators for 2024-25.
- 2.7 At this time, while a number of additional savings have been identified, we are not proposing making any changes to the approved budget. After more detailed analysis has been done, we will make changes in Quarter 2.

3.0 RECOMMENDATION(S)/ACTION(S) REQUIRED

- 3.1 It is recommended that the Finance & Resources Committee: -
- 3.1.1 Discuss the Income and Expenditure forecast position to 31 July 2025 shown in 5.1;
- 3.1.2 Discuss the Non SFC/credit income forecast position;
- 3.1.3 Discuss the Capital forecast position in Table 4; and

3.1.4 Discuss 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 1 FINANCIAL REVIEW

5.1 With the implementation of the new Delivery Model and the changes to administration functions, work has been undertaken to amend the coding structure to reflect these changes. Finance and budget managers have been working together to ensure budgets are in the correct place and each budget manager has now agreed their opening budget position.

5.2 While a number of efficiencies and pressures have already been identified, at this time, no changes are proposed; the forecast therefore remains as originally set, as detailed in **Table 1** below: -

Table 1

	NET EXPENDITURE / (CONTRIBUTION)			
	2025-26 Approved Initial Budget	2025-26 - Q1 Forecast	2025-26 Actual to 31 October	2025-26 Initial budget - Q1 Forecast
	£	£	£	£
Applied Construction & Engineering	1,213,511	1,213,511	317,653	0
Health, Social Care, Early Education, Sport & Supported Programmes	1,393,005	1,393,005	248,772	0
Landbased & Rural Skills	886,077	886,077	136,343	0
Creative Enterprise, Technology & Essential Skills	1,213,418	1,213,418	308,630	0
Curriculum Support & Projects	730,293	730,293	253,148	0
Other Support Services	5,285,396	5,285,396	466,615	0
SFC Credit Income	(9,865,679)	(9,865,679)	(2,861,047)	0
(Surplus)/Deficit	856,021	856,021	(1,129,886)	0

5.3 The forecast Adjusted Operating Position (AOP) following adjustments for non-cash items such as depreciation is £517k and remains in line with the AOP approved in the Financial Forecast Return submitted to Scottish Funding Council in June 2025.

5.2 Alongside this, we have identified a number of further efficiencies and savings, together with additional cost pressures, and these will be incorporated in Quarter 2. The major elements in this are: -

	Saving
Increased number of FTHE students – 225 against budget of 194 – confirm after cut-off	tbc
Grant finder contract discontinued	£7,000
Printer contract reduction	£23,000
Funding for additional 1.14% professional services pay award	Est. £40,000
Increased ISEC fees	(£7,000)
Increased Insurance cost	(£5,000)

5.4 The initial budget assumptions include the generation of non SFC credit income to the value of £1.841m detailed in **Table 2** below together with new income sources identified in the Quarter 1 review.

Table 2 Non SFC Credit Income 2025-26

		2025- 26 Initial Income Budget	2025- 26 New Project Income
Funder	Fund/Purpose		
Education Contracts	Apprentices via SNIPEF, CITB, SECT & SMTA	213	
FE & HE Tuition Fees	Full time & Part time Courses	379	
Skills Development Scotland	Modern Apprentices	467	
SOSE Start Up	Educational Entrepreneurial Pathway		30
Scottish Borders Council	Learn Grow Project NOLB		20
Scottish Borders Council LEP	Towards Transition NOLB		16
City Deal	Training & delivery digital courses	40	
City Deal	Training & delivery sustainability courses	65	
Sport Scotland	Active Campus Co-ordinator	40	
Scottish Borders Council LEP	Find Your Vibe	43	
Scottish Borders Council	Schools Academy	55	
Energy Skills Partnership	Build EV charger points	54	
Frances Sprot Trust	Breakfast/Lunch club	4	
Interface	Innovation Vouchers	15	
Total Income targets secured		1,375	66
Miscellaneous		173	
Scottish Borders Council	Shared Prosperity Fund Retrofit	293	
Total income targets unsecured		466	
		1,841	66

5.5 The above table provides details to of the income secured and unsecured included in the initial income budgets for 2025-26. As at the end of Quarter 1 there is an income gap of £466k with £66k identified to date. Note that this is a gross figure. Our delivery teams are working with our funders and customers to secure additional business and any net impact will be adjusted in Quarter 2.

5.6 Table 3 details the saving targets for 2025-26. A total of £377k has been released through the 2025-26 Initial Budget setting. This figure relates to management restructures and reduced shared service delivery costs. A

further £184k has been identified as possible savings to be released in the remainder of the year. This will be confirmed in Quarter 2.

Table 3 Savings Target

	2025-26 Part Year £000	2026-27 Full Year £000
Savings released from Initial Budgets	377	410
Additional Commercial Programmes	25	25
Planned Phase 2 Savings		
Estates & Facilities	41	55
IT & Digital Learning	118	127
Level 2 additional		
10% of remaining SS (excluding student support)		84
Lecture efficiency of hours		69
5% Additional Commercial		8
Total Savings Release Identified	<u>561</u>	<u>778</u>

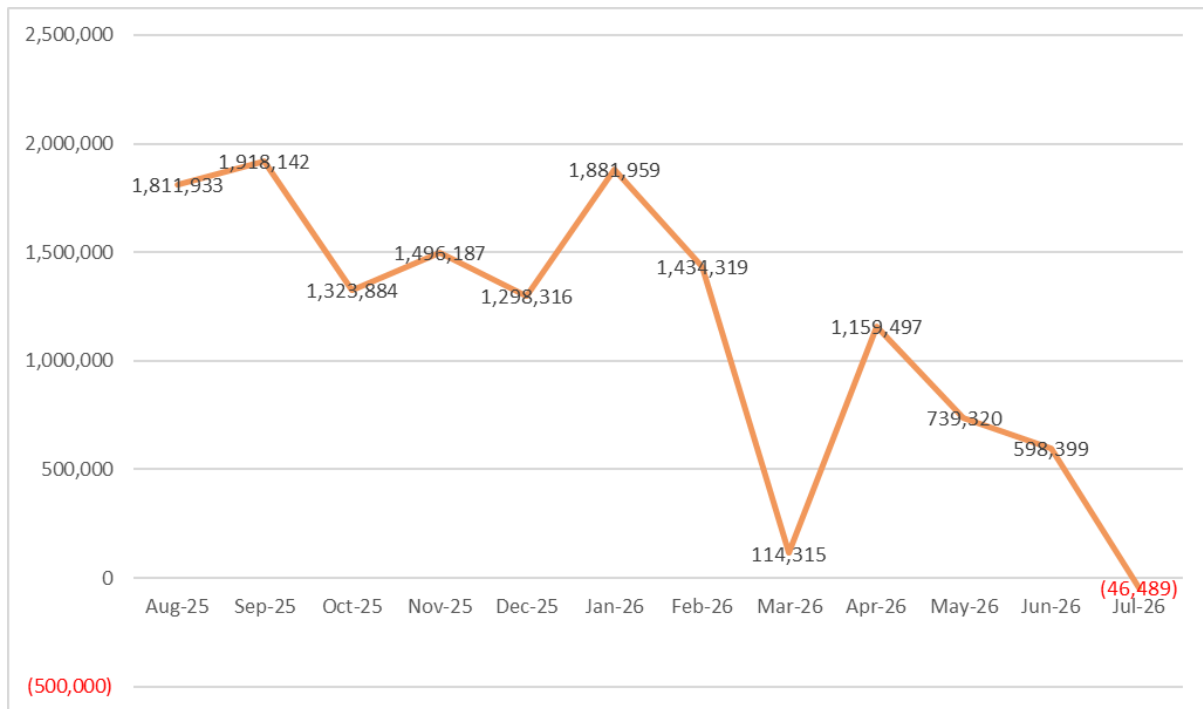
5.7 **Table 4** below details the allocation of the capital funding and projection to July 2026. Currently all projects are on track and projected to be within budget. Additional capital funding of £53k has been secured from SFC for Emergency/unplanned works. This is for be the Digital signage project and works for RAAC which have been completed. This additional funding has there freed up an element of the initial capital allocation to be allocated to continued work required for the campus redevelopment.

Table 4**Capital (lifecycle and high priority backlog maintenance) funding**

	2024-25 b/f £000's	2025- 26 £000's	Total Budget 2025-26 £000's	2025-26 Actual Qtr 1 £000's	Outstandin g works to be completed £000's
Balance Sheet Expenditure					
Mini buses	90	46	136	90	46
Network Refresh	90		90	90	0
Campus Redevelopment		97	97	15	82
Finance to the Future	29	80	109	2	107
Student Funding Module		32	32	11	21
Fundamental Mechanics		29	29	24	5
Digital Signage		43	43		43
Total Balance Sheet Expenditure	209	327	536	232	304
Income & Expenditure spend					
Laptop refresh		97	97	55	42
Campus Redevelopment – additional		53	53		53
Total I&E Expenditure	0	150	150	55	95
unallocated / contingency	8		8	8	0
Total	217	477	694	295	399

6.0 CASHFLOW

- 6.1 Cashflow monitoring looks at the actual cash position, the future cash position and the College's ability to pay both its creditors and staff. The financial review provides information on the budgeted and projected position, which includes technical accounting adjustments such as accruals and some items such as depreciation which are not actual cash transactions.
- 6.2 Every month the College submits a cashflow forecast to the SFC. The following graph is the latest cashflow forecast submitted to the SFC on Thursday 13th November. The SFC year-end is 31st March and Colleges are requested to hold a limited amount of cash on the 31st of March. Therefore, this forecast assumes that the College will pay April's pension and national insurance contributions in March to limit the cash balances held at the 31st March 25.



- 6.3 This cashflow forecast shows that the College will be overdrawn at the 31st July 26. The College does not have an overdraft facility and is in contact with the SFC to discuss possible strategies to avoid the College requiring an overdraft. This is a sector wide problem and according to a recent SFC report “four Colleges are forecasting a cash deficit by the end of 2025/26, increasing to 12 colleges by the end of 2027/28”.

7.0 IMPLICATIONS AND CONSIDERATIONS

7.1 Financial Implications

Financial implications are detailed above in the report. This report is the first 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.

- 7.2 **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.

- 7.3 **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.

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

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

8.0 RISK COMMENTARY

- 8.1 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.
- 8.2 Staffing costs reflect approx. 70% of the Colleges overall costs. These are subject to national pay bargaining with pay agreement for Lecturing and Support Staff recently agreed. The funding implications of the pay offer to Support Staff is currently being worked through however it is anticipated that there will be a positive impact due to a commitment from Scottish Government to provide additional funding support.
- 8.3 As shown in Table 2 the non SFC credit income for the year is £1.8m. This funding is non-recurring. The table highlights that there is a risk that £400k 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.

9.0 CONCLUSION

- 9.1 The forecast Adjusted Operating Position (AOP) following adjustments for non-cash items such as depreciation is £517k and remains in line with the AOP approved in the Financial Forecast Return submitted to Scottish Funding Council in June 2025. There have been no changes to the forecast out turn at Quarter 1. The review process has been identified some additional cost pressures alongside savings relating to procurement and HE income. These amendments will be made and reflected in Quarter 2.

Vivienne Buchan/Gregor Hall, Financial Controller

Previous Board or College Committee Approvals:

Finance & Resources Committee 17 June 2025; Regional Board 26 June 2025.

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Key Performance Indicators

Appendix 1

			25-26 Approved Budget	25-26 Forecast	25-26 Actual
Staff Expenditure	$\frac{\text{staff expenditure}}{\text{total expenditure}}$	%	61	61	58
Non SFC/Credit Income	$\frac{\text{non-SFC/credit income}}{\text{total income}}$	%	23	23	33
Cash Days		no of days	29	31	23