



Report and Financial Statements

For the year ended

31 July 2020

Charity No. SC021180

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Professional Advisors

The College's professional advisors during the period to 31 July 2020 were as shown below.

External Auditors

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Exchange Place
3 Semple Street
Edinburgh
EH3 8BL

Internal Auditors

Wylie & Bisset
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Glasgow
G2 4TP

Bankers

Royal Bank of Scotland
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Galashiels
TD1 3AY

Solicitors

Thornton Law LLP
Citypoint, 3rd Floor
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RBS Mentor
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Strategic Report

The Strategic Report comprises an overview and a detailed performance analysis. It takes an integrated approach to assessment of our achievements in 2019/20 and aims to:

- Help stakeholders to understand and assess how well Borders College has continued to implement its Strategic Plan, supporting strategies, and Financial Plan
- Celebrate successes of 2019/20 and highlight priorities for 2020/21
- Showcase our commitment to our wider duties as a public body.

1. Overview

The overview provides a summary of the College's purpose and activities, and a high level, fair and balanced summary of performance during the year.

Statement from the Interim Chair of the Regional Board

It is a pleasure to write this introduction to Borders College Report and Annual Accounts 2019/20.

This has been a year of two distinct parts. In March 2020 Tony Jakimciw our long standing Chair of the Regional Board demitted office at the end of his term, leaving the College in robust shape for a sustainable future and with the very best wishes of members of the Board. Tony is an outstanding strategist and leader who frequently left us in awe of his encyclopaedic knowledge of the education sector, developed over many years as a College Principal and specialist advisor.

I was appointed as his successor as interim Chair, having been Vice Chair, and pending appointment of a new Chair. This part of the year concluded in late March when we faced the immediate challenge of COVID-19 and lockdown.

Little did we know that the second part of the year would be the most difficult in the College's recent history. Borders College was in a strong position as, with great foresight and innovation, elements of the digital curriculum had already been implemented, and later planned phases of this work were accelerated. Students and staff are at the very core of the College, and strenuous efforts were made to support the complexities of learning, teaching, home working, health and wellbeing with positive outcomes. Budgetary decisions were carefully considered, as noted in the report, with emphasis being placed on safe working and learning wherever it took place. Considerable additional expenditure was incurred on provision of digital devices for remote working and on preparations to make buildings safe for gradual return.

The resilience and co-operation of the leadership team of the College, the incident management team, the students' association and individual members of our talented and dedicated staff and students cannot be praised too highly. Our stakeholders have supported the College, collaborators have upheld agreements and many new partnerships have been forged based on mutual support and innovative practice. There has been an overwhelming response from all those who share our commitment to transform the lives of learners and people displaced from employment, with a strong emphasis on transferable skills to contribute to economic recovery over time.

The Board has worked with the leadership team to develop and approve a new Strategic Ambition for the College, 2020-2025, which places emphasis on the College's role as a focal point and a place for extensive development work with partners such as South of Scotland Enterprise,

Borderlands and City Deal to address local, regional, national and wider economic and social challenges. In support of this we also promote the importance of sustainability (economic and environmental) and global citizenship. Many of these themes are expanded upon in following sections of this report.

I must thank Board members for their support and unfailing commitment to the College, and not least Angela Cox, Principal and CEO, and the College community for their selfless dedication to overcome the difficulties of the last few months without compromising student outcomes and longer term sustainability of the organisation.

Elaine Acaster, Interim Chair of the Board

Statement from the Principal

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.

The College has accelerated its digital and blended learning during this academic year. This has provided more inclusive learning opportunities. This builds on the successful £6.6m joint bid from Borders College and Dumfries and Galloway College to SOSEP for the creation of a South of Scotland Learning and Skills Network which has enabled the College to establish the BSTEM hub in Hawick, the BTECH hub in Galashiels, and digital spokes in schools, businesses and communities.

The Curriculum Strategy 2018-2023 provides a framework for the direction and future development of the curriculum. This will be refreshed in 2020/21 in light of our new 5 year Strategic Ambition and the changing skills needs as the economy recovers from Covid-19 and the impact of BREXIT is realised.

In partnership with Edinburgh University and other Edinburgh South East City Region Deal partners, we developed and led the delivery of a Data Science module which is now embedded in a range of curriculum areas.

We created the Borders Care Career Academy in partnership with NHS Borders and Scottish Borders Council, providing a focal point for high quality, flexible education and training for care in the Borders. The model of enabling a range of training and skills development from entry level to degree is also the basis of the Tourism Academy currently being developed.

We were the lead partner in establishing the Borders Regional STEM Hub group, and the driving force for creation of the Borders Region STEM Strategy (launched in October 2019).

We also successfully set up a technical hub to provide Boatbuilding Apprenticeships in Eyemouth Boatyard as a result of a successful innovation bid. The expectation is that this resource will also be able to be accessed by other technical apprentices living and working in the east of the region. We continue to make good progress against the goals set in our Strategic Plan with overall student success increased from 75.7% to 76.5% and satisfaction at 90% (above the national average). We continue to grow our business through an increasingly differentiated offer in response to our regional economy and national priorities. We continue to build a sustainable organisation through investing in our people, digital technologies and estates in order to respond to current and future need.

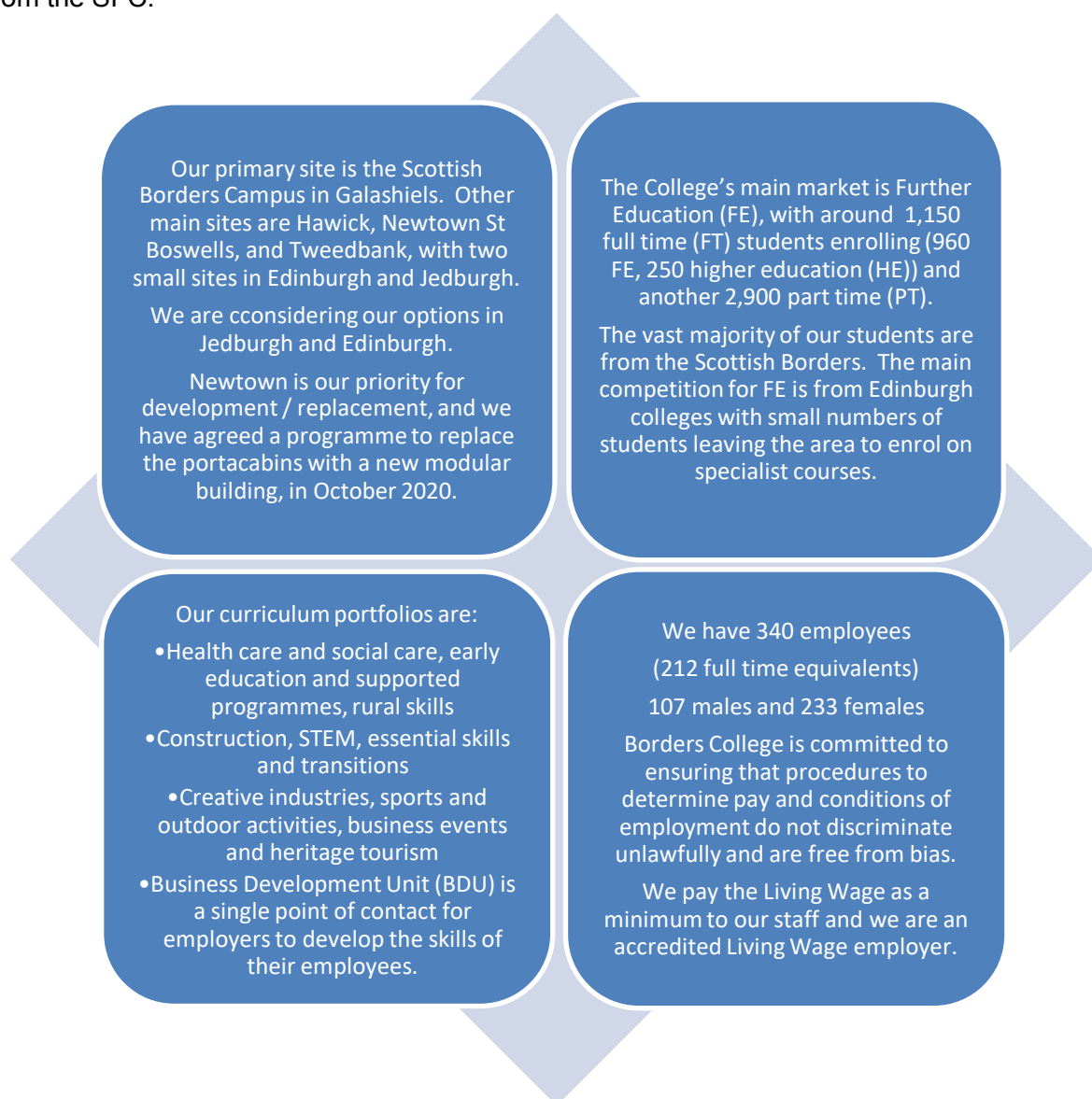
In our final 2019/20 return to the Scottish Funding Council, we delivered 130 credits above our target of 25,954 credits. For our 2019/20 Modern Apprentices contract we were initially awarded 163 starts with growth in all areas from the previous year and the addition of Manufacturing Textiles Products. During the year we requested and had approved a further 90 places which brought our total to 253 of which we filled 249. Our 2020/21 starts again show growth in all areas and the addition of Boatbuilding and Repair. We are expecting to see increased uptake particularly in Social Services and Healthcare and Social Services Children and Young People.

In June 2019, the Board approved the 2019/20 budget. To achieve this we needed to make continued efficiencies in staff budgets and increase income. In March 2020 we had achieved a balanced budget but due to the impact of Covid-19 with additional costs and a small reduction of external income we are posting a deficit of £86k (before pensions adjustments). Plans are already in place to mitigate this deficit and we expect to return to a balanced budget in 2020/21.

Angela Cox, Principal of Borders College

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 SFC.



The College is the lead partner for the Regional STEM Strategy Group and very good progress has been made against the action plan. Curriculum changes have been made to ensure STEM related subjects are available to students, apprentices and employers. A new course for Manufacturing Engineering at SCQF Level 6 was introduced in August 2019 and the National Progress Award in Data Science was delivered to a variety of vocational subject areas including Motor Vehicle, Hairdressing and Care. This has enabled the students to develop their IT and meta-skills whilst improving their communications skills. The college also launched the BSTEM Sustainable Construction Centre in Hawick which provides facilities for local companies and apprentices to utilise some of the latest technology within the building trade.

The number of students and apprentices within the Early Years curriculum has continued to grow and we are planning to deliver the second year of HND Childhood Practice from August 2020.

The school curriculum has been reshaped to enable a greater focus on landbased subjects including forestry, conservation and bee-keeping. The number of places on the Foundation Apprenticeship courses have grown to 24 in 2019/20 across four subjects.

Following the opening of the BTECH Care hub, the college introduced the PDA Acute and Community Care and the PDA Developing Professional Practice – Health and Social Care at SCQF Level 8. This enabled the college to provide realistic ward and home settings for those employed within the NHS and with local care providers.

Strategic Plan

In June 2016, the Board agreed the College Strategic Plan – “*Our Strategy – Towards 2020*”. The table below shows our assessment of progress during 2019/20 against our annual priorities.

<p>Develop a workforce that meets the needs of our future Delivery</p>	<p>Good progress</p> <ul style="list-style-type: none"> Improved staff satisfaction results and engagement during the Covid-19 crisis and improved relations with our Trade Unions The ability to convert from a physical to virtual college in 5 days with student engagement remaining at 91% through a range of personalised learning and support approaches
<p>Develop a curriculum offer which reflects national and regional priorities</p>	<p>Strong progress</p> <ul style="list-style-type: none"> Implementation of phase 1 of learning and skills network, discussion ongoing about phase 2 Accelerated use of digital learning and student laptops SMART Assessor implemented in BDU Continue to progress, complete and sign up more apprenticeships <p>Slow progress on skills alignment work – delayed due to Covid</p>
<p>Partnerships</p>	<p>Good progress</p> <ul style="list-style-type: none"> Programme management approach adopted £152k project income in 2019/20, £105k confirmed for 2020/21 Unconfirmed share of the Advanced Manufacturing Challenge Fund (£3.3m for South of Scotland)
<p>Systems Alignment</p>	<p>Good progress</p> <ul style="list-style-type: none"> 3 year digital delivery plan agreed and first years targets exceeded Commissioned a Digital Transformation Programme Attendance review completed and critical recommendations implemented Online enrolment & induction implemented for August 2020
<p>Performance</p>	<p>Good progress</p> <ul style="list-style-type: none"> Lesson observation system in place, and early signs of improvement in learning and teaching Tracking and monitoring in place and support for students ‘at risk’ Mental wellbeing officer post established Working in partnership with BCSA to provide remote support to students

High priorities moving forward are to:

- ✚ develop a workforce that meets the needs of delivery
- ✚ develop a learning and training offer that reflects the outcomes of the Skills Alignment report and responds to regional and national economic recovery
- ✚ work with established partnerships and create new opportunities for collaborative growth
- ✚ through digital transformation create a more agile service delivery and improve our end user experience
- ✚ improve the quality of our delivery and enabling services that results to improve student success and stakeholder satisfaction
- ✚ embark on a culture change project that contributes towards our Sustainability and operational efficiency goals.

Key Risks

During 2019/20 the College successfully reduced the level of risk across four of the five strategic goals. Two new risks were added in relation to the impact of Covid-19 on (a) our financial performance and (b) delivery of the curriculum. Through our response plan we effectively managed the impact of both risks in year. We continue to identify national pay bargaining, uncertainty over BREXIT, and the sustainability of funding, as the greatest threats to achieving our strategic goals.

Strategic Goal	19 July 2019		31 July 2020		
	No of risks	Sum of risk scores	No of risks	Sum of risk scores	Within target level
Respond to the needs of our region	5	35	3	19	3
Deliver successful outcomes for all our learners	6	24	4	25	2
Provide a high quality College experience	4	21	1	4	1
Grow our business	6	39	2	8	2
Build sustainability	11	91	7	64	6
Total value of all risk scores		210		120	
Reduction in total value of risk scores				90 (42%)	

Further detail on the risk register is set out on pages 24-25.

During the year the Regional Board agreed a new Strategic Ambition. As a consequence the strategic risk register will be rebased. This work has commenced with a review of the existing register. With deeper analysis of the risks, it was evident that the ultimate impact, and the mitigation strategies for several of our financial risks were the same. On this basis we have merged them. Other risks have been closed where the control measures are deemed effective. The total score of all our risks was 120 at July 2020, compared to 210 at July 2019.

Going Concern

The Regional Board has agreed a new Strategic Ambition and has an agreed Regional Outcome Agreement with the Scottish Funding Council which provides for certainty of credit income in 2020/21. 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 for 2020/21 are significantly higher than normal however are considered to be low or medium risk. The forecast cash flow for the College indicates cash days of between 20 and 30 each month (financial strategy target of minimum of 10 days). For these reasons, the College continues to adopt the going concern basis in preparing the financial statements.

Performance Measurement

Performance is considered on delivery of our strategic goals, risk mitigation, and against non-financial and financial performance. SFC require the College to publish and report on progress against targets for national priorities. The Strategic Plan "Towards 2020" contains Key Strategic Indicators designed to measure performance and ensure College sustainability and progress is reported throughout this document.

The graphic shows success rates in 2019/20. Figures for 2019/20 were audited during September, and are subject to change up to publication by SFC in January 2021. Except for HEPT this level of performance is an improving trend over the three years of the Strategic Plan. HEPT Learner Success has reduced compared to the previous year and the college performance is slightly worse than the sector average by 1.6%. Partial success improved on the previous year but total withdrawal increased and negatively impacted on learner success. Detailed action plans are in place to improve success rates of the courses for concern.



Performance Summary

Overall, even with the significant impact of Covid-19, the College continues to perform well against its targets and performance indicators. The College benefitted from a redistribution of 300 credits in year and exceeded its revised activity target by 130 credits, which represents 0.50% of the 25,994 credit target. Student success was again strong, with success rates above the sector average. Good progress was made on our strategic priorities.

Excluding pension fund changes, a deficit of £0.086m was generated, which is an improvement on the mid year projection of £0.218m. The deficit arose from a combination of the impairment of the Melrose Road site, a provision for restructuring, and the impact of Covid-19 on both income and expenditure. The College was able to use its full resource allocation from the SFC, as far as the availability of cash allowed.

2. Performance Analysis

This section of the Strategic Report provides a more detailed analysis of financial, non-financial and qualitative performance. We measure performance in a variety of ways:

- achievement of credit and other SFC activity targets
- curriculum development and performance
- student involvement and satisfaction
- KPIs for support areas
- social responsibility
- CO2 reduction
- risk exposure
- financial.

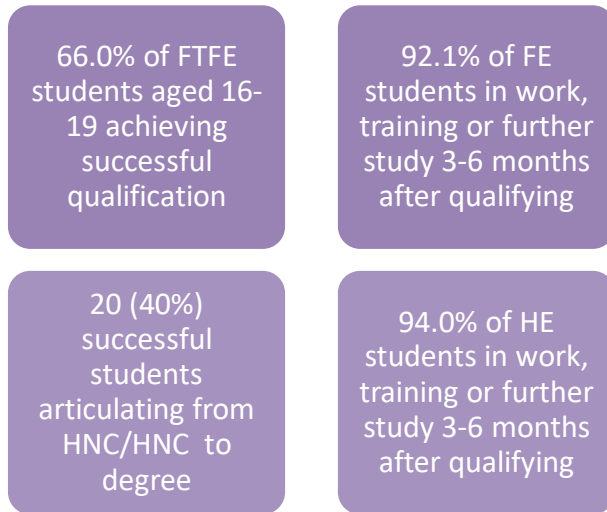
Implementation of the Strategic Plan

“Towards 2020” the College’s Strategic Plan 2016-2020 sets our strategic purpose and the five strategic goals which guide our work, underpinned by our vision, values and behaviours.

<p>Strategic purpose</p> <p>Borders College will deliver success for all learners through:</p> <ul style="list-style-type: none"> ✚ Successful qualification outcomes and ✚ Positive destinations <p>Borders College will support the economic and social development of the Scottish Borders through:</p> <ul style="list-style-type: none"> ✚ The coherent and responsive provision of education, training and skills and ✚ Excellence in learning and teaching 	<p>Strategic goals</p> <p>We have set five strategic goals to guide our plans towards 2020:</p> <ul style="list-style-type: none"> ➔ Respond to the needs of our region ➔ Deliver successful outcomes for all learners ➔ Provide a high quality College experience ➔ Grow our business ➔ Build sustainability
<p>Vision, Values and Behaviours</p> <p>To be a College in which all learners succeed and which inspires growth, creates opportunity, raises aspirations and enhances lives.</p>	
<p>For our learners, staff, partners and communities we will be:</p> <ul style="list-style-type: none"> ✓ Inspiring ✓ Collaborative ✓ Innovative ✓ Supportive ✓ Excellent 	<p>To deliver our values we will:</p> <ul style="list-style-type: none"> ✓ Behave as one team with a common purpose – the success of our learners, ourselves and our colleagues ✓ Maintain the highest level of respect for each other ✓ Value the contribution of everyone working for, learning in and associated with the College ✓ Act professionally and with integrity at all times ✓ Provide a positive role model for each other and our learners
<p>The College has developed a set of supporting strategies, which are available on our website.</p>	

Credit and Other SFC Activity Targets

This graphic shows the successful destinations for our qualifying students (March 2020).



Over the period of the strategic plan the College has achieved year on year growth in delivery of credits.



Our Modern Apprenticeships (MA) contract with SDS runs from April until March therefore the figures below are based on these timescales.

- for 2019/20 we were initially awarded 163 starts with growth in all areas from last year and the addition of Manufacturing Textiles Products. During the year we requested and had approved 90 more places which brought our total to 253 of which we filled 249.
- in 2020/21 we were awarded 231 MA starts again with growth in all areas and the addition of Boatbuilding and Repair. We have already seen a large uptake in MA places this year and have started 108 against a target of 65 for this point in the year. We are expecting that we will continue to see increased uptake particularly in Social Services and Healthcare and Social Services Children and Young People.
- we are considering applying to SDS for a further increase over the remaining 6 months of the contract. If approved our final contract numbers for 2020/21 could exceed 300.

Curriculum

The curriculum has been built following the curriculum for excellence guidelines, creating a portfolio of courses that meets the wide range of vocational needs and learner abilities.

Each student on a mainstream programme is supported in developing their essential skills for life and work as well as learning the vocational skills necessary for their chosen field of work. The College has an Essential Skills Policy and extensive work experience opportunities to support it. The College also offers a learning support service to all students who experience difficulties. The

service provides an assessment of need and then makes the necessary reasonable adjustment to educational service provided for that individual.

Student achievement

Learner success rates are comparable to last year for FT FE and HE programmes and continue the upward trend of the last four years. The College operates several Realistic Working Environments that enable students studying Hairdressing, Beauty Therapy and Hospitality to gain skills in preparation for employment. In addition, the majority of students participate in an external work placement or benefit from industry-led projects.

	Mode	Early withdrawal	Further withdrawal	Completed partial success	Completed successful
Further Education	Full time	11.4%	19.7%	0.3%	68.6%
Higher Education	Full time	4.9%	16.0%	0.0%	79.1%
Further Education	Part time	4.4%	9.3%	5.9%	80.2%
Higher Education	Part time	0.6%	10.9%	8.0%	80.5%
TOTAL ALL		6.2%	13.0%	4.0%	76.8%

Student successes

Business Development Unit: Exceptional Achievement Award - Abbie Duncan	Abbie is the first Foundation Apprentice to complete her award with BDU. This exciting opportunity for young people has allowed Abbie to enter into her subject of choice whilst still attending school.
Business Development Unit: Special Recognition Award – David Murray	Throughout the time David was undertaking his MA in Business and Administration, he demonstrated a high level of commitment to his course, submitting evidence regularly and within the deadlines set. David did find some of the elements of the course challenging but, by working together with his colleagues and tutor, he overcame these. He successfully completed the course within the allocated time.
Business Development Unit: Student of the Year – Euan Aikman	Euan began work in a school kitchen in 2018 and went on to SBC HQ to work in the staff restaurant. Throughout his award Euan demonstrated a positive attitude and worked hard to ensure he has prepared thoroughly for all assessments. He practised recipes and meal planning and worked closely with his assessor and colleagues to ensure he was able to meet the criteria for the award. Euan has approached his qualification with a smile and has always been prepared to go the extra mile.
Celebrity TV Artist highlights students work	Grayson Perry is one on Britain’s most famous contemporary artists, writers and broadcasters and chose Lana Turner’s work as one of his favourite pieces in an online feature.
Lockdown student short-listed for regional heats	Hairdressing student Cheryl Johnstone progressed to stage two of the Wella Xposure 2020 Digital Heats by submitting her work digitally during lockdown,

<p>Mountain biking students take podium places</p>	<p>Polly Henderson U21 – Trophy of Nations (team GB) World Champions Jayden Randell U18 – British Enduro Series Champion William Brodie U16 – Scottish Downhill Champion Calum Johnston U19 – Scottish Enduro Series Champion</p>
<p>Horse care highlights</p>	<ul style="list-style-type: none"> ✓ Errin Heenan qualified for the Dodson and Horrell National Amateur Show jumping championships at Aintree and was nominated for youth performer of the year at Horse Scotland National equestrian awards. ✓ Clem Crawford completed 2 days training to become a mental health first aider so she could help other students. ✓ Cerys Rennie has just secured a job with top show jumper Ron Brady at his yard near Stirling. ✓ Morag Williams gained her British Horse Society Silver challenge award.
<p>College student Braden makes history in Hawick</p>	<p>Carpentry and Joinery student Braden George, who is 17, made history after becoming the youngest member of Hawick Community Council.</p>
<p>Sky`s the limit for courageous young gamekeeper</p>	<p>Gamekeeping student Charlie Blance had her achievements recognised at Lantra Scotland’s ALBAS (Awards for Land-based and Aquaculture Skills), where she took top prize for overall winner of the prestigious awards. As one of the few women working in the sector, Charlie is keen to see a more diverse workforce and feels she can help make this happen by showing others what she can achieve.</p>
<p>Former student weaves her magic for Doddie’s Tartan</p>	<p>Emily Redman is credited with designing the Doddie Weir Tartan. She said: <i>“At the age of 15 I wanted to leave school and eventually progress to university, so the Borders College course was the perfect fit. Being at college first then moving to university made the transition so much easier. “It was the ideal route to getting a place at university and I was really lucky to make so many great friends during my time at college and then university.”</i></p>
<p>Apprentice Andrew is switched on to success</p>	<p>Andrew Palmer, who works for Scottish Borders Housing Association, was named stage two electrical apprentice of the year at Borders College.</p>
<p>Cheryl completes her Social Service and Healthcare Modern Apprenticeship in record time</p>	<p>Care home worker Cheryl Shoemaker, who is 33, originally met fortnightly with her tutor Andrea Scott, face-to-face, to discuss work and plan evidence gathering. The lockdown put hold to this from the end of March. Through various online tools, including WhatsApp, she was able to discuss and gather evidence. Video calls also allowed her to carry out observations safely with no risk to either the service users or tutor.</p> <p>Responding really well to the new way of studying, she was proactive in seeking support and worked hard to complete her award before her deadline, delivering a portfolio of a really high standard, two months early.</p>

Curriculum development

The College is making very good progress against the Curriculum Strategy. Departments have continued to work towards the 30% delivery through the use of technology and e-learning. The College joined the Blended Learning Consortium which enables access to a range of online content including videos. These are all compatible with our VLE. The College introduced Office 365 during the year and with the necessity of “working from home”, the use of TEAMS and One Note has increased substantially as a delivery tool.

Borders College is a member of the Regional Learner Journey Steering Group and actively contributes to the work stream groups: Curriculum Pathways and Admissions and Referrals. Articulation arrangements have been updated and several new pathways for HE students have been generated.

We continue to work closely with the Education Department of SBC to provide a curriculum offer to Senior Phase pupils. We have developed short courses for Primary school pupils to widen their career aspirations within Care and STEM occupations.

In partnership with SDS and SBC, we ran three Foundation Apprenticeships. The subjects are Social Services: Healthcare: Social Services: Children and Young People and Business Skills. Three more subjects will start in August 2020: Software Development, Civil Engineering and Creative and Digital Media.

The Regional STEM Hub group which consists of Universities, SBC, Education Scotland and ESP have made good progress against the STEM Action Plan which was launched in October 2019.

Support for digital learning

Support for digital learning has developed in 2019/20 to become a separate e-learning team managed by a curriculum manager and includes an e-Learning Developer (instructional designer) and Independent Learning Specialist. At the time of writing this report another e-Learning Developer has been appointed. The move away from the ISLT team to a curriculum area was intended to raise the profile of e-learning across Borders College and expand the provision of this approach from the baseline measurements taken in December 2018. The team continue to provide support to staff in developing online content and assessment, training at CPD events, and give support to both staff and students around basic skills in Moodle and Office 365. The impact of Covid-19 on digital learning and assessment has created an opportunity for further growth and Borders College has secured access to Blended Learning Consortium teaching materials that have been developed on a national basis. Engaging and training staff in remote learning for a range of students became even more important and will continue into 2020/21.

Scotland’s Colleges Digital Ambition was approved in October 2020 and is supported with a suite of documentation to assist in local implementation. The digital roadmap in particular will be helpful to influence digital learning strategy, set targets, and to focus the work of the new Digital Learning Forum. Refocusing our approach to staff training and development will be crucial.

Student Involvement and Satisfaction

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

- ❖ focus groups
- ❖ annual survey
- ❖ lesson and unit evaluations
- ❖ class representative system
- ❖ user groups - catering / facilities
- ❖ student representation on college committees
- ❖ feedback through enrolment, induction and learning.

Student representation

One of the most important ways we get feedback from students is through the Class Representative System (a team of Class Representatives and Lead Representatives who collect and feedback on the student experience). The system is designed to empower student representatives to influence the curriculum, learning and teaching approaches, as well as raising concerns on behalf of individual students or groups. Class Representatives are elected by their classes and in turn the Lead Representatives are nominated by staff members and sit on the Student Experience Committee (SEC).

“We like how we get a voice through the Student Experience Committee to change things on our course and around the college.”

Skills for Learning & Work Year 1

Feedback is discussed at SEC meetings with relevant actions assigned by members of the Senior Leadership Team. Meetings are attended by Lead Reps and Senior Managers and chaired by the Student President to ensure a student focussed approach. The system is coordinated by BCSA who are responsible for recruitment, training and

support of student representatives, and coordination of the SEC.

BCSA’s team of Student Officers provide student representation across all committees and user groups relevant to the student experience and have developed strong positive working relationships with Senior Managers and the Wider Leadership Team.



BCSA also works closely with the Principal to create ways for students to feedback directly to Senior Managers. Examples include *Buzz the Boss* – a text messaging service direct to the Principal, *Ask Angela*; an open forum with the Principal, and *Talk Pizza* - a lunch time opportunity for students to discuss the student experience with Senior Managers.

Student community

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 at the beginning of the academic year with BCSA enrolment and induction events held to create a welcoming and inclusive atmosphere from the start of term.

Some examples of successful BCSA events and activities include annual Welcome Week, an event for World Mental Health Day, a step count challenge, Hustings with Westminster candidates, a Christmas Fair, regular clubs and societies and an awareness raising calendar with monthly themes.

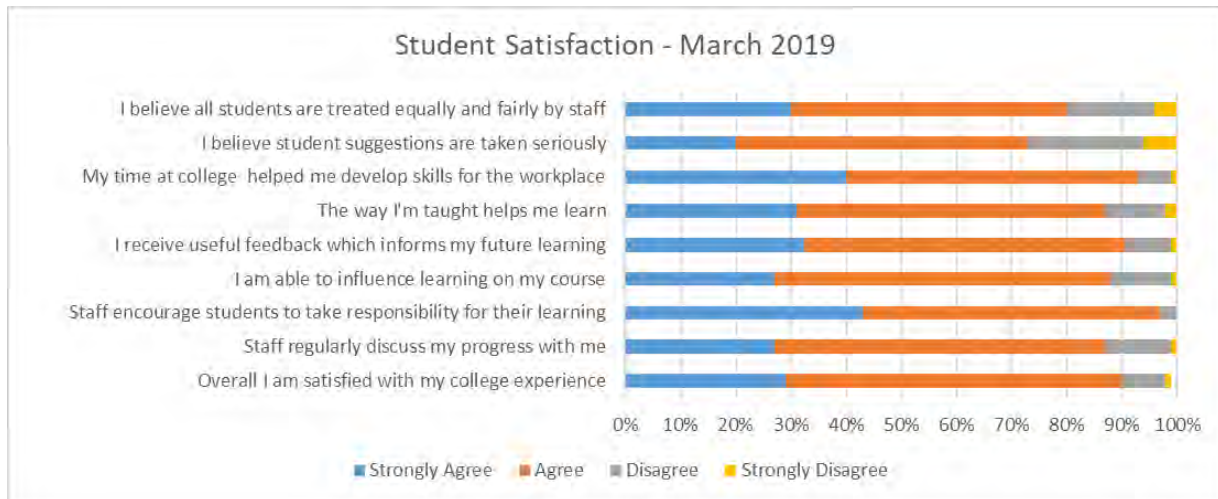
Sustainability initiatives included a coat swap, sustainability shop and “Free Food Fridays” in partnership with Fareshare, Tesco and ASDA providing students with supermarket food surplus every Friday. In the six months of this project 629kg of food was redistributed.

Due to campus closures in response to Covid-19 and during lockdown, support was provided to students through foodbank referrals, distribution of food hampers, daily video calls and enhancing the online student community

Student satisfaction

The percentage of students overall, satisfied with their college experience remains high at 94% (Student Experience and Engagement Survey March 2020). Our targets are 90%, a level which is achieved overall and for the majority of the indicators.

Unfortunately, Covid-19 struck at the launch of the annual Learner Feedback Survey which impacted on our ability to promote the survey and encourage students to complete it. Although satisfaction ratings appear to have increased since 2018/19, response rates are considered too low and inconsistent to be reliable. This is why the chart below presents the March 2019 position.



Enabling Services

Student services

The Student Services Department supports individuals who have specific needs. They:

- ✓ Liaise closely with the Student Funding team, whereby individual's needs are assessed and support and/or services are provided for via appropriate use of student support funds.
- ✓ Provide mental health and wellbeing support. The department has introduced a focussed counselling service, and is working to build resilience as well as engage with our community partners to enable signposting to wider specialist support services.
- ✓ Are a remote reporting centre - issues relating to hate crime and other criminal matters can be referred on to the police for further investigation. It has been used to report gender based violence and sexual bullying.
- ✓ Provide wider health and wellbeing support, administer free sanitary products, and promote sexual health awareness and information including the issue of condoms.
- ✓ Provide needs assessment and alternative learning and assessment arrangements to support students with additional learning requirements to maintain, progress and achieve on their chosen learning journey.

The College recognises the need to provide pastoral support to respond to the increasingly complex personal lives and poor mental health that our students experience. We provide additional course focused pastoral support through our Achievement Coaches, and our student support team along with the Student Association work closely with a range of external agencies to keep our students retained.

Student funding

The Student Funding team provide support to students during the application process and provide advice and guidance to maximise income, including entitlement to state benefits while attending College and at the end of the academic session.

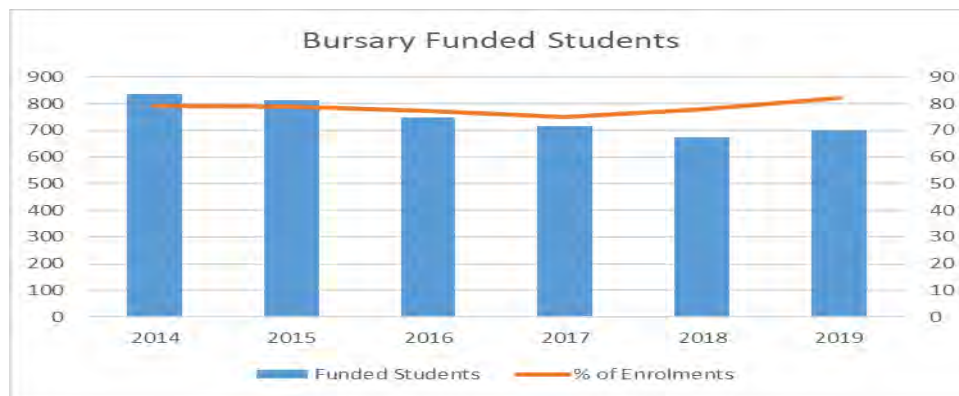
They calculate and award appropriate funding to students through disbursement of the following funds:

- Further Education Bursaries
- Education Maintenance Allowance
- Childcare Funds

- Discretionary Funds
- Transport Costs.

The service has grown significantly to include the assessment and payment of additional funds to support students who have been financially affected by Covid-19 during lockdown and over the summer period.

This chart shows the volume of bursary funded students and as a percentage of all enrolments from 2014/15 to 2019/20.



Information systems and technology

During 2019/20 we enhanced the team through appointment of a graduate apprentice who will be pivotal in supporting e-learning systems and activities.

The first year of the digital delivery plan has been completed with significant milestones being the upgrade of our Identity Management System, roll out of Office 365, implementation of smart assessor, further expansion of student loan laptops and locker system, and the upgrade of our finance system. We have accelerated the programme by implementing additional projects relating to the learner journey:

- online enrolment
- online induction module in moodle
- following a survey of 2020/21 students digital requirements, we purchased a further 150 student loan laptops and funded data packages as required.

In addition to creating hubs within our campuses, SOSEP funding allowed us to create digital spokes in the majority of the secondary schools, businesses (Farne Salmon, Eyemouth Marine), and the community (Heart for Duns, Innerleithen, Newcastleton). Unfortunately, installation could not be completed by end July 2020 due to the lockdown. Installation and commissioning is now progressing in all areas. Delivery to the school spokes commenced with Higher Psychology. A programme of joint delivery has recently been announced with Dumfries and Galloway College.

In the week prior to lockdown, the team expanded the roll out of Virtual Private Network (VPN) to enable staff to have access to their desktop and systems from home. Staff were encouraged to take home IT equipment that they would need to work from home. Once lockdown started to ease we operated a delivery service for essential equipment.

Borders College has commissioned a local company, Agenor, to lead a Digital Transformation Programme. Work commenced in June 2020 in three phases:

- Phase 1 Discovery. This will present the “as-is” state.
- Phase 2 Design. In this phase we will reach agreement to the future state design. This will include consideration of working with partners to share risk, maximise opportunities, and share cost and resources.
- Phase 3 Delivery. This involves implementation of the desired future state.

Management information systems

The Management Information Systems (MIS) Department is responsible for ensuring we provide statistical information to our funders to ensure the College is able to draw down the correct credit funding. Wylie and Bisset our internal auditors review our processes and procedures to allow us to meet the requirements of our funders. This session we have achieved a clean audit with no recommendations.

The department also

- ❖ registers students with relevant awarding bodies to ensure that they are certificated for the qualifications they are undertaking whilst with us
- ❖ develops MIS systems to allow us to work efficiently and effectively whilst providing a good customer service
- ❖ works with IT developers to improve and develop systems to meet the needs of the College and our customers and external agencies
- ❖ liaises with staff and students across the College to provide a first class customer experience.

In 2019/20 the team developed and implemented online enrolment one year ahead of schedule.

Estates

The Estates department provide services to both the College and Heriot Watt University:

- ✓ ensure all sites and buildings are well maintained and meet all statutory requirements
- ✓ implement projects to respond to the needs of the curriculum and business
- ✓ room booking and time tabling services to ensure resources are well planned and meet the demands of the curriculum
- ✓ health and safety services to ensure anyone attending any of our sites are safe and we comply with all statutory requirements
- ✓ manage external catering providers to ensure a wide range of high quality food is available for all users with our Union and shop.

The Student Union offers many options for vegan and vegetarian diets. There is a varied choice of foods from around the world such as Vietnamese, South African, Jamaican, Mexican, Indian and North African. The menu ensures that a wide variety of religious beliefs are catered, with halal meat sourced for many dishes.

The latter part of 2019/20 has been dominated by the Covid-19 pandemic. Our campuses were closed on 23 March 2020 and we began to re-open on 10 August 2020. We have risk assessed all areas of the College, involving staff and union representatives in implementing control measures. Measures have been taken to support social distancing including shields for reception areas, floor

markings and wayfinding, and hand hygiene arrangements. The Union is currently available only for takeaway, operating a click and collect service and cashless payment.

The replacement of the portacabins at Newtown St Boswells had to be deferred due to the impact of the pandemic on the construction industry. It is now scheduled for October 2020.

Efforts to dispose of the Melrose Road campus were also impacted by the pandemic however there has been renewed activity since August 2020.

Human resources and development

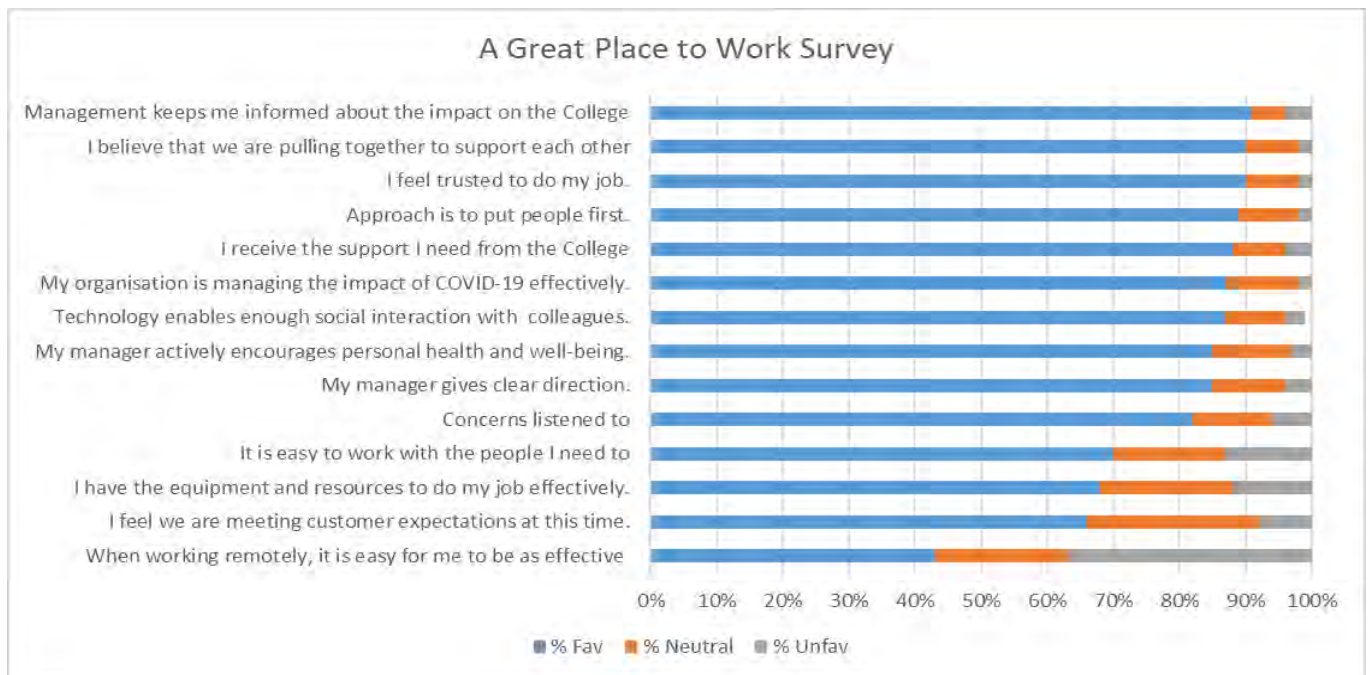
The HR and Development Department provides services to support staff and managers:

- ✓ development activities to support the implementation of the Workforce Strategy
- ✓ supporting the employment journey from advertising, recruitment, services to support employment through to ending the employment journey
- ✓ providing services to maintain and enhance staff health and wellbeing
- ✓ staff development activity to maintain a professionally and well qualified and trained staff group who follow the values and behaviours of the College
- ✓ providing employment, payroll, wellbeing, staff development and pension services to staff
- ✓ continually enhancing the service to enable more on-line and electronic transfer of information.

Employee engagement

During the period, we used a toolkit provided by Great Places to Work to understand what impact moving to home and on line working was having on our staff.

82% of staff felt that their concerns were being listened to, 89% felt that the College’s approach to Covid-19 is to put people first and 91% felt that they were kept informed about the impact of Covid-19 on the College.



During the year we:

- improved relationships with our trade union representatives through regular meetings with the Principal and Head of HR, so that we could be more responsive to staff feedback.
- continued the development of the Wider Leadership Team which comprises all staff with line management responsibility. Through this group we were able have regular face to face and then virtual meetings, using a workshop format to allow staff to feedback good practice,

lessons learned, and challenges still to be tackled. Where appropriate we have invited union representative to take part. During the Covid crisis the group has met more frequently as a good forum to problem solve and information share.

In response to the Covid-19 pandemic we used the Incident Management Team model (within our emergency plan structure) to problem solve, and to manage communications for staff and students. A sub group was established to focus on the student experience including preparations for the new academic year. Union representatives and student representatives were included. We also operated an IMT structure with Heriot Watt University to ensure a consistent approach was in place for the Scottish Borders Campus. We operated a scheme to deliver needed office equipment to staff. We recognise that a significant number of staff were not able to meet their job role either in full or part during the lockdown phase. Following the reopening of the campus on 10 August 2020, this position will begin to change.

Customer engagement

We have continued to engage with employers and successfully agreed all our Flexible Workforce Development Fund allocation for 2019/20 with new employers identified for engagement in 2020/21. Our successful move to smart assessor and the benefit of a paperless system during lock down was almost immeasurable – we are currently performing better than expected against our target for 2020/21.

Although our short course and commercial delivery suffered as a result of Covid-19, we have successfully moved our programmes online and we will deliver a more streamlined programme going forward. All our marketing and communication is now completed electronically and the team have adapted well to working from home. Our customers continue to work with us flexibly to deliver programmes and our feedback through evaluations completed by employers and students has been very positive. It has been important to respond quickly to customer demand and to work collaboratively on a blended approach to business development and training.

Corporate Social Responsibility

The Board has a corporate social responsibility to provide 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 and representative group of individuals.

The College recognises its 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 consider the local economy when undertaking procurement options.

Equalities, diversity and inclusion

Borders College is committed to promoting equality of opportunity, celebrating and valuing diversity, eliminating unlawful discrimination, harrassement and voctimisation, and promoting good relations for all our staff, students, visitors and partners.

Our commitment to equality, diversity and inclusion is enshrined within our mission and values.

- ❖ We promote a culture that enables every student and member of staff to feel respected and included, whatever their background, abilities, age, race, faith, sexuality or gender
- ❖ We embrace the benefits and opportunities that come from having a diverse mix of staff and learners

- ❖ We ensure that everyone has a fair chance to achieve agreed goals and we may take positive action or, if permitted, positively discriminate to help them achieve those goals.

Everyone is different so diversity includes all of us, not just those from minority groups.

- ❖ We oppose all unlawful or unfair forms of discrimination, harassment and victimisation.
- ❖ We are particularly concerned with those groups within society who are more likely to experience discrimination and are protected by the Equality Act 2010.
- ❖ We monitor our recruitment, our provision and the success of students from across the range of protected characteristics.

The College supports all equality strands and protected characteristics. Examples of achievements include;

- ✓ achievement of the Silver LGBT Charter Mark
- ✓ additional support to learners who declare they have a disability
- ✓ the College is approved as a disability confident employer
- ✓ the College is committed to ensuring all stakeholders have an opportunity to influence policy
- ✓ all staff are required to undertake training which identifies legislation requirements and practical responsibilities
- ✓ Borders College will ensure positive action in supported under-represented groups to achieve a place at college

In 2019 the College appointed an Equality, Diversity and Inclusion Officer to further develop and embed equality practices within the organisation. Work undertaken this year includes:

- ❖ development of support resources for lecturers, including presentations and workshops
- ❖ reviewing and updating the Equality Impact Assessment process and procedure
- ❖ delivery of equalities training on topics including Scottish Mental Health First Aid Transgender Awareness Training and Unconscious Bias training
- ❖ launching a suite of online mental health modules for staff
- ❖ College staff from a variety of teams joined forces to form the Equalities Group, an awareness raising team to focus on events and information sharing around community, equality and diversity.

We have set six equality outcomes for the College. Regardless of any protected characteristic:

Equality Outcome	Relates to General Duty
<i>1. learners from all backgrounds have good access to our services and achieve high levels of success</i>	advancing equality of opportunity between different groups
<i>2. learners are prepared for life, work and to be responsible citizens</i>	fostering good relations between different groups
<i>3. learners and staff are treated with dignity and respect and their views help shape and improve our service</i>	eliminating unlawful discrimination, harassment and victimisation
<i>4. staff feel valued and have opportunities to develop their knowledge and skills and to progress in their careers</i>	advancing equality of opportunity between different groups
<i>5. Board and staff are representative of our community and offer good practice in promotion of opportunities for individuals with protected characteristics</i>	advancing equality of opportunity between different groups
<i>6. users of our facilities and services can access them easily</i>	eliminating unlawful discrimination, harassment and victimisation

Corporate parenting

We have a legal responsibility as a Corporate Parent for young people who are care experienced, implemented on 1 April 2015 as part of the Children and Young People (Scotland) Act 2014. We have a Corporate Parenting action plan that we monitor regularly, reporting annually to the Curriculum and Quality Committee. It was fully reviewed and updated in September 2019.

We recognised that our plan's actions and commitments are not only critical in supporting our care experienced young people, but also reflect our ambition and vision for all students who face additional barriers to entering, maintaining and sustaining a successful learning journey.

Although there is no legislative requirement placed upon the College, it was our wish to widen our Corporate Parenting principles to ensure those values are reflected in supporting access and inclusion while enabling attainment and positive outcomes for our wider student community, in particular those who are:

- student carers
- estranged from family
- experiencing mental health issues.

With these principles at our heart, the College became one of the first in Scotland to be recognised with the Going Further Award for Student Carers in August 2020.

Human rights

The College is committed to protecting the human rights of all staff and students and all of our policies and procedures are based on principles of dignity, fairness, respect and equality. This ensures that staff and students are protected in everyday life regardless of who they are, where they live and how they chose to live their life.

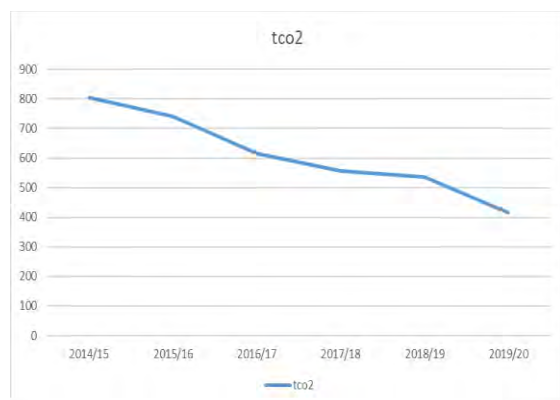
Environment and sustainability

Borders College is 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. Over the last decade, a diverse and impactful range of projects have resulted in a significant reduction in our carbon footprint, including the installation of a 50kw Solar PV system on the roof of the main campus and the retrofit of LED lights across the College estate. These have generated significant cost savings and in a substantial drop in electricity usage. Perhaps most notably, the College initiated an award-winning and innovative partnership with SHARC Energy Systems to install and operate a low temperature heating system to supply its campus buildings, the first of its kind in the UK.

Other projects including harvesting rainwater for gardens and livestock, repurposing recycled and reused materials, and student site visits for practical learning, have highlighted the need for a coherent approach to delivering a sustainability strategy for the future, holding students, staff and key stakeholders to account.

Six factors have affected our consumption and emissions over the past few years:

- size and usage of estate (Tweedbank added in 2017)
- implementation of the solar PV system in 2017/18
- SHARC energy heating plant from 2017/18
- weather patterns
- solar production
- Covid-19.



Co2 emissions have continued to fall, reducing from 806 tco2 in the baseline year 2014/15 to 416 tco2 in 2019/20. This is largely due to campuses being closed from late March to early August due to Covid-19.

For the same reason, the contribution of our SHARC heating system to our renewable energy consumption has been very significantly reduced. The reduction in Co2 would have been much greater had the SHARC system been fully operational.

Anti-bribery and anti-corruption

Our Anti-Bribery Policy states:

- ✚ bribery is a criminal offence. We will not pay bribes or offer improper inducements to anyone for any purpose, nor do we, or will we, accept bribes or improper inducements.
- ✚ to use a third party as a conduit to channel bribes to others is a criminal offence. We will not engage indirectly in or otherwise encourage bribery.
- ✚ we are committed to the prevention, deterrence and detection of bribery. We have zero-tolerance towards bribery. We aim to maintain anti-bribery compliance 'business as usual', rather than as a one-off exercise.

Our Anti-Fraud and Corruption Policy states that the results of fraud and/or corruption can be costly, time consuming, disruptive and unpleasant. The College, therefore, sees that the overriding principle to be applied is that of prevention. Where this fails, reporting, investigation and, where necessary, sanctions, will be pursued rigorously and swiftly. The Policy is available on our website and sets out preventative measures including policies and procedures, systems, internal audit, culture, and staff recruitment and training.

Identification and Mitigation of Strategic Risk

During 2019/20 the College continued to mitigate identified risk of the achievement of the five strategic goals. The below contains a description of the eight risks with a rating of more than eight on the strategic risk register as at July 2020 and compared to last year (11 risks). There are currently two high risks, both related to Covid-19. Not all the factors are within the College's control. Other factors besides those listed may also adversely affect the College.

Strategic Goal	Risks	Score	Last year
Respond to the needs of our Region	IF BREXIT has a significant impact on the Borders economy THEN the College cannot meet the needs of the region	9	9
	IF EU funded credit activity is withdrawn, THEN the College may not be able to sustain activity levels	10	10
Deliver successful outcomes for all our learners	IF our outcomes don't show a positive trend THEN it may impact on our Education Scotland grade and potentially our SFC funding	9	9
	IF students are not enrolled in the most appropriate programme, THEN they may be less likely to succeed	9	12

Strategic Goal	Risks	Score	Last year
Provide a high quality College experience	No risks above 8		
Grow our business	No risks above 8		
Build sustainability	IF national bargaining drives pay awards upwards ahead of any additional resources which are generated through growth, THEN the College will have less flexibility in managing its remaining resources	9	12
	IF protection against cyber-attack is not sufficient, THEN the College could suffer financial and reputational damage, or negative impact on student success	9	12
	IF the Coronavirus continues to spread and increase in impact, THEN the College may need to invoke contingency measures to protect staff and to maintain critical services	15	New risk
	IF the Coronavirus continues to spread and increase in impact, THEN the College may incur a deficit due to increased costs and reduced income.	15	New risk

Data protection and cyber security risks have been reassessed during the year and the risk rating is elevated to reflect the importance of fully implementing mitigating plans. Cyber Essentials Plus accreditation was achieved in August 2019 and renewed in August 2020. This provides confidence to students and other stakeholders that we take the security of systems and data seriously.

As evidenced by the risk ratings above, Covid-19 has had a material impact on the College and has required the College to invoke Emergency Planning arrangements at various times between March 2020 to September 2020. The Incident Management Team has proved very effective at driving and coordinating activity, empowering staff in their response to the various challenges faced, and communicating key messages to staff and students. Our Covid-19 response has been risk and benefits driven, with a determination to maintain critical services, enable remote teaching and learning, and enable students to succeed.

We have risk assessed all areas of the College, involving staff and union representatives in implementing control measures. To date, we have incurred £52,023, some of which will be shared with HWU. This is within the parameters estimated at the start of the year.

- Spend to support physical distancing is £9,151, includes all signage, screens, and PPE. (Please note this does not include PPE for Students which is ordered by curriculum areas)
- Additional cleaning and hygiene costs (extra cleaners, and wipes). Total spend to date £37,110. This includes the 4x new electrostatic machines, hand sanitising machines, antiviral wipes, and additional cleaning materials required. The monthly cost of the Baxter Storey 3 x staff is £2,800 per month.
- Loss on catering services, Our Loss on Baxter Storey services based on the recent forecasted budget is £7k/month. This is higher than previously estimated and is based on a 70% reduction in takings.
- Outside social space, Hire cost £5,762 for 8 week period, £200/wk thereafter.

The College continues to identify national pay bargaining, uncertainty over BREXIT, and the sustainability of funding, as significant threats to achieving its strategic goals. A BREXIT impact and risk assessment has been compiled and reported to the Regional Board, and is under review.

Financial Planning and Performance

Financial strategy

The College's financial strategy has four objectives:

Financial Sustainability	<ul style="list-style-type: none"> • Outcome Agreement negotiation to ensure the needs of the region are recognised; and that the College receives a resource allocation to meet demand and deliver on national and local priorities • manage financial resources to fully fund the maintenance of estate and ICT infrastructure, and future identified estates and ISLT developments • ensure that all costs are accounted for, including depreciation and financing • always consider long-term projections as part of budgeting
Resource Deployment	<ul style="list-style-type: none"> • allocate resources through a budgeting cycle which considers external economic influence and scenario planning • fully use allocation from SFC on both an academic and financial year basis • ensure that the budget cycle focuses on strategic priorities, including front line service delivery - curriculum planning, estates, and ICT/ISLT • ensure that expenditure on staff is reduced to 65% of turnover by 2019/20
Liquidity	<ul style="list-style-type: none"> • maximise returns, against agreed risk profiles and within the constraints of the public sector regulatory framework • minimise financing and banking costs • retain adequate cash reserves, at a level of not less than 10 days trading activity
Innovation and Flexibility	<ul style="list-style-type: none"> • optimise the use of SFC income to support innovation in learning and teaching while continuing to deliver against core performance indicators • maximise funding from sources other than the SFC, with such funding to rise to 29% by 2019/20

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). The new SORP was issued in October 2018 and must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter.

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. During 2019/20 the College received funding of £46k from BFET for the implementation of smart assessor. BFET also funded the roll out of loan laptop lockers to Newtown St Boswells which will fall into financial year 2020/21.

The College retains one subsidiary company, BC Consultants Limited (BCC). BCC ceased trading on 31 July 2010 and all operations were transferred to the College. Final transactions for BCC were posted in 2012/13 and it is now dormant.

Budget

In June 2019, the Board approved the 2019/20 budget. The budget resulted in an Income and Expenditure (I&E) surplus of £18k. Planning for a near breakeven position allows us to effectively use our cash as well as our resources. However to achieve this we need to make continued efficiencies within staff budgets. Management plans were in place to achieve the £107k savings required for 2019/20.

The budget was revisited during the year:

- ❖ the FFR submission showed a projected surplus of £16k, with no material changes compared to the approved budget
- ❖ the FFR was approved by the Chair's Committee in September 2019
- ❖ the mid year return identified a forecast deficit of £218k, taking into account the impact of Covid-19, a loss of income and increase in expenditure for implementation of control measures.

Financial results

Excluding pension fund changes, a deficit of £0.086m was generated (prior to pensions adjustments, actuaries report is yet to be received), which is an improvement on the mid year projection of £0.218k. The deficit arose from a combination of the impairment of the Melrose Road site, a provision for restructuring, and the impact of Covid-19 (income loss from trading activity, income from the job retention scheme and costs to implement measures to support hygiene arrangements, PPE and social distancing). The College was able to use its full resource allocation from the SFC, as far as the availability of cash allowed. This is a good result for the College.

The underlying operating surplus position is £173k.

The impact of Covid-19 was additional spend of £53k to implement social distancing, hygiene and other safety measures. This is less than originally predicted. There is no discernable impact of BREXIT on the financial performance. We anticipate the loss of ESF grant income in future years.

The College's income for the 12 months to 31 July 2020 was £14.0m (last year £13.4m). Salary costs for the period, at £9.1m were 65.1% of income (70.6%% for the previous year).

At 31 July 2020, the College has accumulated cash balances of £3.579m (last year £2.957m).

The College has significant reliance on the SFC as its principal funding source, largely from recurrent grants. In the 12 months to 31 July 2020 the SFC provided 71.2% of the College's total income (last year 76.7%).

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 overleaf.

	2019/20 £000	2018/19 £000
<i>Deficit before other gains and losses</i>	(955)	(1,038)
Add back:		
<i>Depreciation (net of deferred capital grant release)</i>	383	305
<i>Impairment</i>	200	-
<i>Net service cost pension adjustment</i>	826	895
<i>Net interest cost pension adjustment</i>	171	154
<i>Donation to Arm's Length Foundation</i>	-	150
Deduct:		
<i>Non-Government capital grants</i>	-	-
<i>Cash Budget for Priorities - Revenue funding allocated to loan repayments</i>	252	252
Underlying operating surplus	373	214

Cash management

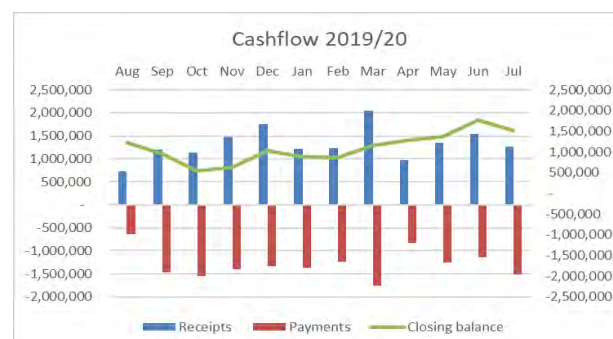


We cannot retain cash in advance of need. We do not have bank loans or overdrafts nor any plans to use such facilities. Cash is held at as low a level as possible, however, we need to allow for identified future payments, principally the Scottish Borders Campus Lifecycle Costs, and up to 20 days of operating costs.

The first chart shows cash balances (excluding lifecycle) were between 14 – 65 days of operating costs, with the variation being larger than normal due to the need to draw down full grant at end March and end July.

The College maintained positive operating cash balances over the year, and at 31 July 2020 showed a net inflow of £294k (last year net inflow of £216k). The opposite chart shows the pattern of receipts and payments and the corresponding bank position each month (excluding Lifecycle Costs).

The net balance was between £0.9m and £1.7m with a low of £0.548m in October 2019.



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 below.

	2019/20 £000	2018/19 £000
Revenue		
Student support	-	-
2015/16 pay award	-	-
Voluntary severance	-	-
Estates costs	-	-
Other agreed priority– lifecycle costs	-	-
Total Impact on Operating Position	-	-
Capital		
Loan repayments	252	252
Estates costs	-	-
Provisions per 1 April 2014	-	-
Total Capital	252	252
Total Cash Budget for Priorities Spend	252	252

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. However performance in the last four years has been poor due to increasing volumes of transactions and inefficient processes. A finance transformation programme was planned for 2019/20 with a focus on automation, improvement in controls and streamlining of the purchase to pay process. Due to the delay in upgrading the finance system, and the impact of Covid-19 this programme has been deferred to 2020/21.

The total number of invoices processed during the year was 4,097 (2019 4,332) with a value of £4,681k (2019 £4,502k). During the year one late payment charge was paid by the College in respect of invoices paid beyond that date.

<i>Measure of Better Payment</i>		2019/20	2018/19
<i>Paid by value</i>	In 10 days	£240k(5%)	£420k (9%)
	In 30 days	£2,267k(48%)	£2,085k (46%)
<i>Average days of credit taken</i>		40	40
<i>Paid by volume</i>	In 10 days	133 (3%)	117 (3%)
	In 30 days	1,631 (40%)	1,835 (41%)

Debtors

The aged debt has a seasonal profile. Student and Trade debt normally increases in September/October (after enrolment). Student debt should decline as payment plans take effect. Commercial debt levels should remain constant, if billing is up to date.

The total debt at Aug 2020 was £54k which is substantially improved to last year (£96k). 30% of the debt is current, which is a decrease on last year (50%).



Future plans

As noted previously, the College has developed a new Strategic Ambition, and is in the process of putting in place supporting strategies and plans including a new five year financial plan.

In support of the Borders Regional Outcome Agreement 2020/21 with SFC, the College has been allocated teaching funding totalling £9.07m (last year £8.89m). The College budget is based on this level of funding

Given the unprecedented level of uncertainty in the financial outlook we have modelled three scenarios:

- Optimistic
- Pessimistic
- Most pessimistic.

After consideration by the Finance and General Purposes Committee and the Board, it was agreed to adopt the pessimistic scenario which results in a planned surplus of £67k, and an adjusted operating position of £59k surplus.

The Financial Forecast Return showed the following results in the SoCIE.

AY	Forecast outturn	Required savings
2019-20	£218k deficit	£106k
2020-21	£67k surplus	£772k
2021-22	£120k surplus	£177k
2022-23	£78k surplus	£360k
4 yr total savings		£1415k

This table clearly outlines the impact of the anticipated deficit in 19/20 and the increased requirement for savings. (£1,415k over three years compared to last years projections of £947k over five years.) The mitigating actions include a service redesign programme. Taking bold action in this coming year will allow us to continue to achieve a surplus year on year on the SOCIE.

The £772k savings target will be delivered through three main aspects: service redesign, efficiencies, and income generation (including from projects). The risk of not achieving the planned savings is considered low to medium. and management are confident that they can achieve a budgeted surplus of £67k.

In line with advice on budget setting for the College sector, the College is planning for the level of SFC teaching grant for activity levels to remain static until 2022/23 with a loss of ESF funding. While recognising the SFC provision of medium-term support for the impact of national pay bargaining, the Board recognises that significant efficiencies will be required in the future. Medium term financial planning incorporates scenario planning and identifies the mitigating actions required to deliver a sustainable financial position over the term of the FFR.

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 curriculum offer further, digitalisation of delivery will continue to be a key focus, as will maximising the benefits of the STEM and Care hubs.

The College is continuing to progress disposal of the Melrose Road site. We have plans for a new modular building at Newtown St Boswells. A new Asset Management Strategy is in development

and will cover estates, vehicles, equipment, technology and data. A key issue for consideration will be the impact on increasingly digital approaches to delivery. We are at the early stages of a Digital Transformation Strategy which will focus on infrastructure, MIS and VLE.

Our new Sustainability Strategy is in development, focusing on carbon reduction, curriculum development, recycling and bio-diversity.

Post Balance Sheet Events

There are no post balance sheet events to report.

Disclosure of Information to Auditors

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: Principal.....

3 December 2020

Accountability Report

1. Corporate Governance Report

Introduction

The purpose of the Corporate Governance Report is to explain the composition and organisation of 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) and is exempt from corporation tax on charitable activities. The College 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. The College 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. The College 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. However, 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. In light of this unique arrangement, the College is required to continue to provide a Statement of Board's responsibilities within their Corporate Governance report.

Statement of Board responsibilities

The Board is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each year. 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 the Further and Higher Education (Scotland) Act 1992, the SORP for Further and Higher Education, FRS 102 and other relevant accounting standards. A new SORP was issued in October 2018 and must be adopted for accounting periods beginning on or after 1 January 2019 and thereafter.

The financial statements are prepared in accordance with the Accounts Direction issued by the SFC, which brings together the provisions of the Financial Memorandum and other formal disclosures that the SFC require the Board to make in the financial statements and related notes.

In preparing the financial statements the Board is required to:

- ✚ select suitable accounting policies, then 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 conditions that SFC may prescribe
- ✚ ensure that there are appropriate financial and management controls in place sufficient 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 powers 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 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 27 May 2020, 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.

In addition, within the terms and conditions of the Financial Memorandum agreed between SFC and the Board of the College, the Board through its designated office holder (the Principal), is required 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 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. Members of the Nominations Committee 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. Three new members were appointed during the year.

Board 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 2019/20. 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. Tony Jakimciw, Chair of the Board, demitted office on 3 March 2020. 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. All meetings after 23 March were held virtually. All members were able to take part in meetings either via video-conferencing or tele-conferencing.

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.

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Name	Appointment	Resignation	Status of Appointment	Board attendance	C&Q	F&GP	Audit	Nom	Rem
T Jakimciw	Re-appointed 4 March 2018	3 March 2020	Independent Member – Chair	3 out of 3	C	M		C	M
A Cox	30 January 2017		Principal	5 out of 5	M	M			
E Acaster	14 August 2014 Re-appointed 14 August 2018		Independent Member– Interim Chair from 4 March 2020	4 out of 5	M	C		M	M
D Black	16 February 2019		Academic Staff Member	3 out of 5	M				
N Broderick	1 February 2019		Independent Member	3 out of 5	M to 20/2 C from 28/5				
D Elder	Re-appointed 21 September 2018	18 June 2020	Student Member	4 out of 5	M	M			
J Gaddie	1 March 2015 Re-appointed 1 March 2019	18 June 2020	Independent Member	3 out of 5			M		C
V Grant	1 March 2015 Reappointed 1 March 2019		Independent Member	4 out of 5	M			M	
D Johnson	1 June 2018		Independent Member	4 out of 5	M				
A Letham	19 June 2019	18 June 2020	President, Student Association	4 out of 5			M		
J McBeath	1 February 2019		Independent Member	5 out of 5		M			
B McGrath	Re-appointed 1 August 2018		Independent Member	4 out of 5			C to 26/9 M from 21/11	M	
J MacKenzie	22 June 2017		Support Staff Member	5 out of 5			M		
L Parkes	1 March 2015 Reappointed 1 March 2019		Independent Member	4 out of 5		M			M
D Peace	1 March 2015 Reappointed 1 March 2019		Independent Member – Interim Vice Chair from 4 March 2020	5 out of 5		M		M	
P Scrimger	1 February 2019		Independent Member	4 out of 5			M to 26/9 C from 21/11		
S Shinton	5 Aug 2016		Independent Member	2 out of 5	M				

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

Name	Designation
H Anderson	Vice Principal – Curriculum and Student Services
H Robertson	Vice Principal – Finance and Corporate Services

The two Vice Principals 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.

Audit Committee

- Chair - B McGrath (Interim Chair to 26 September 2019), P Scrimger (from 21 November 2019)
- Met four times
- Agreeing the internal and audit work programme, 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.

Curriculum and Quality Committee

- Chair - T Jakimciw (Interim Chair to 20 February 2020), N Borderick (from 28 May 2020)
- 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
- 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 - T Jakimciw (Chair to 5 September 2019), E Acaster (Interim Chair from 11 May 2020)
- Met four times
- 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 - T Jakimciw (Chair to 5 September 2019), E Acaster (Interim Chair from 11 May 2020)
- No meetings
- 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 J Gaddie
- Met once
- 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 2020 are set out in note 6 to the Financial Statements and in the Remuneration and Staff Report.

Governance Statement

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 the guidance as 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 of the accounts understand how the principles have been applied.

This statement comprises:

- ❖ Scope of responsibility
- ❖ System of internal control
 - Risk management arrangements
 - Internal audit arrangements
 - Self assessment of impact of Covid-19 on governance 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 bringing independent judgement to bear on issues pertaining to the College's strategic direction, reputation, financial wellbeing, the wellbeing of staff and students and establishing high 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 therefore only provide reasonable and not absolute assurance of system effectiveness.

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

- ❖ a strategic plan supported by service strategies, annual priorities, enabled by income, expenditure, 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 within the Board's risk appetite
- ❖ College wide quality planning arrangements including self-assessment of compliance with quality indicators set by Education Scotland
- ❖ the adoption of formal project management and controls where appropriate
- ❖ a professional Internal Audit team whose annual programme is approved by the Audit Committee and whose head provides an annual report on internal audit activity and 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 2020 and up to the date of approval of the annual report and financial statements.

Risk Management Arrangements

The College has a Risk Management Policy. The Strategic Risk Register was initially developed through a Board level workshop to determine potential risks and the Board's appetite level for each strategic goal. 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. Individual risks are shown at original, current and target rating.

The Board and committees receive the register at each meeting. 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.

A separate risk and impact assessment in relation to BREXIT, has been discussed by the Board. It has been shared with SFC and recognised as good practice.

The table on page 8 contains a summary analysis of our risk profile, across strategic goals. There are currently two high risks relating to the financial impact and delivery impact of Covid-19 (last year no high risks). The table on page 24/5 shows all risks with a score of eight or above. Data protection and cyber security risks reflect the importance of fully implementing mitigating plans. Cyber Essentials Plus accreditation was achieved in August 2019 and re-awarded in August 2020. In overall terms, the College has been able to mitigate risks downwards.

As evidenced by the risk ratings, the College continues to identify national pay bargaining, uncertainty over BREXIT, and the sustainability of funding levels, as the greatest threats to achieving its strategic goals. Covid-19 risks have been a considerable focus of attention, and this will continue into 2020/21. The Incident Management Team structure (part of Emergency Plan) has been invoked to manage our response. The IMT has worked well to put in place control measures, work arounds, and communicate the position to staff and students.

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
- ❖ Full suite of financial policies and procedures including Anti-Bribery and Anti-Fraud
- ❖ Robust safeguarding arrangements
- ❖ IT Security Policies
- ❖ Data Protection Policy, 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 for development time to consider risk appetite and tolerances and thus ensure that the register remains reflective of current strategic direction. This has not yet happened. Workshops are being planned to also include recommendations for improving the risk management process. This refresh process is considered best practice, particularly given the development of a new Strategic Ambition in 2019/20.

The Board are satisfied that wider 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 2020 and up to the date of approval of the annual report and financial statements.

The 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:

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

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:

- ❖ review of financial and other controls in operation
- ❖ review of established policies and procedures
- ❖ assessment of whether internal controls are reliable
- ❖ review of accounting information
- ❖ compliance testing
- ❖ review of procedures to promote value for money.

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 2019/20 the table below summarises the findings of the auditors.

	Conclusion	High	Medium	Low
Credits	N/A			
Education Maintenance Allowance	N/A			
Student Support Funds	N/A			
Commercial Income	Strong	-	-	1
Corporate Governance	Strong	-	-	-
Income Collection and Credit Control	Strong	-	1	3
Information Governance	Strong	-	1	3
Follow Up	Substantial	1	1	2

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 2019 and March 2020 and we have not undertaken any further internal audit assignments at the time of this report."

Self assessed response to the potential adverse impact of Covid-19

Covid-19 has already had a significant impact on every aspect of society in Scotland. It has affected individuals and communities, public services and the economy.

The response of public-sector bodies has been strong, and the pandemic has highlighted some of their key strengths, such as agility and partnership working. But Covid-19 has also exacerbated many pre-existing risks and challenges facing public bodies in areas such as financial sustainability and service demand pressures. A difficult road lies ahead as public bodies move from response to recovery and renewal.

Audit and risk committees have a crucial role to play in providing effective scrutiny and challenge. They help public bodies focus on important aspects of the business and maintain effective oversight of spending, performance and governance arrangements. As public bodies manage their business during this global pandemic, the role of audit and risk committees becomes even more important.

In August 2020, Audit Scotland issued a guide for audit and risk committees.

Borders College performed a self assessment against the questions set out in this guidance with a high level summary in the table below.

Internal controls and assurance	Manual internal controls switched to electronic. No change to audit plan or timescales, no specific internal audit work on Covid-19. Some minor IT outages, not material. Staff opinions surveyed and largely very positive. No formal capture process for learning and opportunities.
Financial management and reporting	Timely financial and performance information. Forecast overspend £218k, outturn is lower due to receipt of job retention scheme funds. Valuation of asset held for sale has reduced to reflect market. Prioritised payment of small and local businesses. No impact on savings target. Some impact on transformation programme – delay in installation of digital spokes. Finance team coped well, with the upgrade of finance system at same time.
Governance	Board and committees met virtually, participation has been high. Used workshop sessions to good effect. Additional meetings have been called as required eg budget and restructure. Lack of access to buildings has had an impact on services for individuals and communities but workarounds implemented where possible. Poor broadband connectivity in parts of the Borders can cause problems with use of MSTeams and Zoom. Some students have not been able to complete practical assessments and this is prioritised for the start of academic year 2020/21.

IMPACT ASSESSMENT

Based on the self assessment, Borders College has performed very well. A comprehensive and structured approach has been taken to managing the impact of and response to Covid-19. Some transformation work was delayed but is now being progressed. This coupled with a review of performance in 2019/20 presents a positive outcome for the year. The only aspect for further development relates to capturing learning and opportunities. We will take this forward through the Wider Leadership Team. The College did not make any changes to the internal audit plan in relation to Covid-19, and based on this self assessment this is not indicated as being required.

Board self-evaluation

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 2019/20 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.

The results of this questionnaire have been analysed and will be reported to the Board in October 2020. Any development actions identified from the results will be used to prepare a Board development plan which will also include any ongoing matters from the previous development plan.

Data security

All staff are required to undertake IT Security and Data Protection training on induction and refresher within two years. The College has implemented a programme of work to ensure compliance with the General Data Protection Regulations which came into force in May 2018. An audit of Information Governance took place in 2019/20, focussing on data protection and freedom of information. The report identified four recommendations, one of which was medium risk. The medium risk related to the requirement to complete work on Article 30 registers (record of processing activity). We have prioritised this work and now have this in place for all areas of the College. This forms a key part of our improvement plans going forward.

A personal data event was reported to the Information Commissioner's Office during 2019/20. Highly sensitive personal data had been changed as a result of an email scam, and this resulted in £7k financial loss to the College. A full investigation report was compiled and submitted to the Information Commissioners Office, within 72 hours, as required. The ICO acknowledged our reports and its findings, with no further action taken. The SFC were notified of the fraud and did not require any further action. The police were notified.

There were no other significant data events in 2019/20 (last year nil).

We had an incomplete action from the prior year Internal Audit on IT systems which highlighted a high risk in relation to "data leakage" where it was and recommended that the College puts stronger controls in place and looks at locking down all forms of removable, and cloud-based storage that is not required to be accessed. We have reiterated to staff that encrypted devices should be used whenever person specific data is concerned. The roll out of Office 365 presents opportunities for additional controls to be put in place during 2020/21. USB ports were disabled in October 2020.

Going concern

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

The Regional Board has agreed a new Strategic Ambition and has an agreed Regional Outcome Agreement with the Scottish Funding Council which provides for certainty of credit income in 2020/21.

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 2019/20 planning process and appropriate actions are built into the budget.
- The anticipated financial implications of Covid-19 have been built into budgets.
- Savings targets for 2020/21 are significantly higher than normal however are considered to be low or medium risk.
- The forecast cash flow for the College indicates cash days of between 20 and 30 each month, with a more elevated position at end March 2021 and end July 2021 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.

Review of effectiveness

The Principal has responsibility for reviewing the effectiveness of the system of internal control. Her 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 made by the College's external auditors in their management letters and other reports.

The Principal has been advised on the implications of her 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 of the system.

Based on the Strategic Plan, the College develops annual priorities and undertakes a comprehensive review of risks. They identify systems and procedures, and specific actions that should mitigate the potential impact on the College. These internal controls are implemented and the subsequent year's appraisal will review the effectiveness of risk mitigation actions. 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, with additional support from operational managers. The Executive Team regularly considers changes to 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. The mitigating actions have been effective in reducing risk exposure on many of our risks. Financial sustainability, exacerbated by Covid-19, National Bargaining and BREXIT, and the impact of Covid-19 on student outcomes, are our greatest concerns, in line with the rest of the College sector.

The SLT and the Audit Committee receive regular reports from the internal auditors, which include identified risks and 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 September 2020 meeting, the Audit Committee carried out the annual assessment for the year ended 31 July 2020 by considering documentation from senior management and internal audit, and taking account of events since 31 July 2020.

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:

- Two new high risks were identified in year relating to the potential impact of Covid-19 on the financial position and on delivery of services, teaching and learning. These risks have robustly assessed and mitigation actions taken. This places the College in a strong position regarding financial targets and outcomes for learners, as evidenced in this report. Staff have acknowledged a largely positive response to the “Great Place to Work” survey.
- A personal data event, which also resulted in a fraud, was reported to both the Information Commissioner’s Office and the Scottish Funding Council as required. The report of the breach was acknowledged as sufficient and no further action was required.
- The College are continuing to address the recommendation from last year’s internal audit IT report with regard to minimising data breaches. This is being addressed as part of the Office 365 roll out.

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 plan 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.

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 2020.

Conclusion

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 2020 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

Salary entitlements¹

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

Name	Year ended 31 July 2020			Year ended 31 July 2019		
	Salary £000	Pension Benefit £000	Total £000	Salary £000	Pension Benefit £000	Total £000
T Jakimciw Chair of the Regional Board – Actual (to 03 March 20) (full year value)	10-15 (20-25)	- -	10-15 (20-25)	20-25	-	20-25
E Acaster Chair of the Regional Board – Actual (interim from 04 March 20) (full year value)	5-10 (20-25)	- -	5-10 (20-25)	-	-	-
A Cox Principal – Actual	105-110	35-40	145-150	105-110	35-40	140-145
H Anderson Vice Principal – Curriculum and Student Services – Actual	70-75	20-25	95-100	70-75	10-15	80-85
H Robertson Vice Principal – Finance and Corporate Services – Actual (from 22 October 18) (full year value)	75-80	40-45	120-125	55-60 (75-80)	15-20 (20-25)	75-80 (100-105)

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.

¹ Note:

- The salaries in the table above represent the amount earned in the financial year and include salary, bonuses, overtime and other allowances (as applicable)
- 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.
- The details in this table are subject to audit

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 manager's 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 2020		31 July 2019 to 31 July 2020		At 31 July 2020	At 31 July 2019	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	
T Jakimciw Chair of the Regional Board (to 03 March 20)	-	-	-	-	-	-	-
E Acaster Interim Chair of the Regional Board (from 04 March 20)	-	-	-	-	-	-	-
A Cox Principal	5-10	-	0-2.5	-	90	62	28
H Anderson Vice Principal – Curriculum and Student Services	30-35	95-100	0-2.5	3.5-4.0	769	710	39
H Robertson Vice Principal – Finance and Corporate Services (from 22 October 18)	35-40	-	0-2.5	-	508	466	42

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.

The value of the accrued pension benefits has been calculated on the basis of 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 that the person has accrued as a consequence of their total pensionable service and not just their current appointment.

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

- the figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement
- the accrued benefits figures reflect the pension contributions that both the employer and the scheme member have made over a period of time.

Real increase in CETV

This reflects the increase in CETV funded by the employer. It does not include the increase in accrued pension 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 65.

There were no payments to senior post holders in relation to compensation of early retirement or loss of office in 2018/19 or 2019/20.

There were no payments to past directors in 2018/19 or 2019/20.

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 2019 and indicated that the College had a 6.9% pay gap between men and women. This was calculated using the mean. Nationally this is 15% therefore the College is much better than average. This pay gap has decreased significantly since the last reported figure of 13%.

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.

	2019/20	2018/19
Highest paid official	£109,855	£108,841
	3.6 times the median	3.3 times the median
Median of workforce	£30,300	£32,310
Lowest paid	£16,926	£16,830

Staff Report

Number of senior managers by band

Remuneration of senior post holders, including the Principal (excluding employers' NI and pension contributions):	2020	2019
£70,001 to £80,000	2	3
£90,001 to £100,000	-	-
£100,001 to £110,000	1	1
	<u>3</u>	<u>4</u>

Salaries and related costs

	Year to 31 July 2020			Year to 31 July 2019
	Directly employed staff	Seconded and agency staff	Total	Total
Wages and salaries	7,077,088	174,860	7,251,948	£6,935,539
Social security costs	668,609	-	668,609	£607,043
Other pension costs	2,221,777	-	2,221,777	£2,022,379
Total	£9,967,474	174,860	10,142,334	£9,564,961
Average number of FTE	212	4.8	216.8	203

The College employed 107 males and 233 females at 31 July 20. At the time of approval of the Remuneration and Staff Report, senior management comprised three females.

Sickness absence

The total number of days lost per full time equivalent (FTE) to sickness absence during 2019/20 was 12.25 days, a decrease from 19.03 days last year. It is possible that this decrease is due to under reporting as staff have been based from home since 21 March 2020.

Equalities, diversity and inclusion

The Performance Report on page 21 and 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)
- College 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.

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 2019/20, 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” and also 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 the Staff Development Day programmes. There are four dedicated staff development days during the year in August, November, February and June.

Additionally the College has a senior leadership development programme and rolled it out to middle managers and 13 staff who are on a Talent Development Programme. The Programme continued into 2019/20. These activities are intended to develop current managers and provide opportunities and development activities for individuals who see themselves as future leaders.

Staff involvement

The College has a Workforce Strategy that states that we will maintain a committee structure that 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, 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. For 2019/20 this has included an extensive programme of engagement activities to consult with staff and key stakeholders on the development of our new Strategic Ambition for 2020-2025.

The Principal and the Head of HR and Development have introduced regular meetings with appointed representatives to improve communication and resolve any issues quickly and effectively.

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 the Covid-19 pandemic 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 2019/20 the College reported one incident under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (last year four). A first year joinery student attended hospital for a minor injury to a finger, and was sent home. There was no follow up action by the Health and Safety Executive.

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 under College documents, reports, or via this [hyperlink](#).

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.

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 no expenditure on consultancy (2019 nil).

Exit packages

Seven (2019 – four) employees left under voluntary exit terms during the year. They received a total payment of £86,317 (2019 - £83,236). The table below shows the packages by cost band.

Cost band	Year to 31 July 2020			2019
	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	-	6	6	-
£10,001 - £25,000	-	-	-	3
£25,001 - £50,000	-	1	1	1
Total number of packages	-	7	7	4
Total cost (£)	-	£86,317	£86,317	£83,236

The Accountability Report was approved by order of the members of the Borders College Regional Board on 3 December 2020 and signed on its behalf by:

E Acaster
Interim Chair

A Cox
Principal

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

Report 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 2020 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 2020 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 of 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 4 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We report in a separate Annual Audit Report, available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that we identified and our conclusions 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 deemed inappropriate.

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 economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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. This description forms part of our auditor's report.

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Report 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. 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.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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.

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
- there has been a failure to achieve a prescribed financial objective.

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.

[Signature]

David Eardley, (for and on behalf of Azets Audit Services)

Exchange Place 3

Semple Street

Edinburgh

EH3 8BL

[Full date]

David Eardley eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 (for firms)/section 21 of the Public Finance and Accountability (Scotland) Act 2000 (inhouse and any firm where the auditor is not eligible under the Companies Act).

Statement of Comprehensive Income

	Note	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Income			
SFC grants	1	10,005	9,940
Tuition fees and education contracts	2	1,384	1,299
Other grant income	3	1,317	618
Other operating income	4	1,302	1,533
Investment income	5	3	3
Total income		14,011	13,393
Expenditure			
Staff costs	6	9,967	9,462
Fundamental restructuring costs		86	84
Other operating expenses	7	2,933	3,187
Donation to charitable trust	10	-	150
Impairment	13	200	-
Depreciation	11	1,485	1,255
Interest and other finance costs	8	295	292
Total expenditure		14,966	14,430
Deficit before other gains and losses, and tax		(955)	(1,038)
Taxation	9	-	-
Deficit for the year		(955)	(1,038)
Actuarial loss in respect of pension schemes	27	(1,983)	(1,322)
Total comprehensive expenditure for the year		(2,938)	(2,360)
Represented by:			
Endowment comprehensive income for the year		-	-
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive expenditure for the year		(2,938)	(2,360)
Total comprehensive expenditure for the year		(2,938)	(2,360)

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 2020 £000	Year ended 31 July 2019 £000
Non-current assets			
Fixed assets	11	29,050	30,062
		29,050	30,062
Current assets			
Trade and other receivables	12	799	815
Investments (assets held for resale)	13	385	585
Cash and cash equivalents	14	3,579	2,957
		4,763	4,357
Less: Creditors: amounts falling due within one year	15	(3,242)	(2,991)
Net current assets		1,521	1,366
Total assets less current liabilities		30,571	31,428
Creditors: amounts falling due after more than one year	16	(21,511)	(21,941)
Provisions			
Pension provisions	20	(10,688)	(7,708)
Other provisions	19	(1,247)	(1,066)
Total net assets		(2,875)	713
Restricted reserves			
Income & expenditure reserve – endowment reserve	21	22	22
Income & expenditure reserve – restricted reserve	22	-	-
Unrestricted reserves			
Income & expenditure reserve - unrestricted	23	(6,326)	(3,538)
Revaluation reserve (restated)		3,429	4,229
Total reserves		(2,875)	713

The financial statements on pages 56 to 77 were approved by the Regional Board on 3 December 2020 and signed on its behalf on that date by:

E Acaster
Interim Chair

A Cox
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
Balance at 1 August 2018	22	15	(1,193)	780	(376)
Deficit from the income & expenditure statement	-	-	(1,038)	-	(1,038)
Other comprehensive income	-	-	(1,322)	-	(1,322)
Transfers between revaluation and income & expenditure reserve	-	-	-	3,449	3,449
Release of restricted funds in year	-	(15)	15	-	-
Total comprehensive income for the year	-	(15)	(2,345)	3,449	1,089
Balance at 1 August 2019	22	-	(3,538)	4,229	713
Deficit from the income & expenditure statement	-	-	(955)	-	-
Other comprehensive income	-	-	(1,983)	-	-
Transfers between revaluation and income & expenditure reserve	-	-	150	(150)	-
Revaluation of Fixed Assets	-	-	-	(650)	-
Total comprehensive income for the year	-	-	(2,788)	(800)	-
Balance at 31 July 2020	22	0	(6,326)	3,429	-

Statement of Cash Flows

	Note	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Cash flow from operating activities			
Deficit for the year		(955)	(1,038)
Adjustment for non-cash items			
Depreciation	11	1,485	1,255
Impairment	13	200	-
(Increase)/decrease in trade and other receivables	12	16	(329)
Decrease in creditors	15	(1,293)	(962)
Increase in other provisions	19	180	364
Increase in pension provisions	20	997	1,049
Adjustment for investing or financing activities			
Investment income	5	(3)	(3)
Interest payable	8	295	292
Net cash inflow from operating activities		922	628
Cash flows from investing activities			
Investment income		3	3
Non-current investment disposal		-	10
Receipt of deferred capital grants		1,094	803
Payments made to acquire fixed assets		(1,102)	(738)
		(5)	78
Cash flows from financing activities			
Interest paid		(295)	(292)
		(295)	(292)
Increase in cash and cash equivalents in the year		622	414
Cash and cash equivalents at beginning of the year	14	2,957	2,544
Cash and cash equivalents at end of the year	14	3,579	2,957

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 (FRM) 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:

Estimate	Basis of Estimation
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.

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 June 2019. 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 2020. 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. Additionally, individual assets whose cost falls below the threshold but pose a risk of fraud or theft and are of a similar type, are grouped together and capitalised. 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 2020 £000	Year ended 31 July 2019 £000
1. SFC grants			
SFC recurrent grant (including fee waiver)		8,749	8,652
Estates (maintenance) grants		-	63
Other SFC grants		317	248
HE & FE childcare funds	28b	89	135
Release of deferred capital grants	18	850	842
		10,005	9,940
2. Tuition fees & education contracts			
Higher education fees – home & EU		324	359
Further education fees – UK		369	337
Skills Development Scotland contracts		385	246
Education contracts		306	357
		1,384	1,299
3. Other grant income			
Release of deferred capital grants – other government	18	252	107
European union funds		3	25
Other grants (revenue & capital)		847	486
UK based charities (revenue & capital)		-	-
JRS Grant		215	-
		1,317	618
4. Other operating income			
Exam & registration fees		1	3
Income from academic departments		41	70
Sundry income		153	194
Catering & residences		-	23
Hire of accommodation & equipment		1,107	1,243
		1,302	1,533
<ul style="list-style-type: none"> Because catering operations are managed by an external agency, catering income is netted off other operating expenditure to match catering expenditure. Hire of accommodation and equipment includes the recovery of costs from Heriot Watt University per the agreed Service Level Agreement. 			
5. Investment income			
Investment income on endowments	21	-	-
Other investment income		3	3
Net return on pension scheme	27	-	-
		3	3
<ul style="list-style-type: none"> 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 2020 £000	Year ended 31 July 2019 £000
6. Staff costs			
Wages and salaries		7,077	6,833
Social security costs		669	607
Other pension costs (including FRS 102 adjustment)		2,221	2,022
		9,967	9,462
Fundamental restructuring costs		86	84
		10,053	9,546
Teaching departments		4,562	4,116
Teaching and other support services		796	638
Administration and central services		4,135	4,130
Premises		474	578
		9,967	9,462
Fundamental restructuring costs		86	84
		10,053	9,546
Senior post holders emoluments:			
Salaries		262	270
Pension contributions		50	44
Total emoluments		312	314
		£	£
The above senior post holder emoluments include amounts payable to the Principal of:			
Salary		109,855	108,116
Pension contributions		19,744	19,333
		Number	Number
Average number of full-time equivalent staff, including senior post holders, during the year was:			
Teaching departments		85	80
Teaching and other support services		25	22
Administration and central services		82	80
Premises		20	20
		212	202
Remuneration of senior post holders, including the Principal (excluding employers' NI and pension contributions):		Number	Number
£70,001 to £80,000		2	3
£90,001 to £100,000		-	-
£100,001 to £110,000		1	1
		3	4

- 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 2020 £000	Year ended 31 July 2020 Number	Year ended 31 July 2019 £000	Year ended 31 July 2019 Number
Staff costs (continued)				
Staff costs are analysed as:				
Staff on permanent contracts	8,917	175	8,118	177
Staff on temporary contracts	1,015	37	1,344	25
	9,967	212	9,462	202

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 2020 £000	Year ended 31 July 2019 £000
Teaching departments	664	91	1,485	295	2,535	2,313
Teaching and other support services	20	-	-	-	20	27
Administration & central services	1,071	-	-	-	1,071	1,279
Catering & residences	54	-	-	-	54	61
Premises	1,033	-	-	-	1,033	1,056
Donation to charitable trust	-	-	-	-	-	150
TOTAL	2,842	91	1,485	295	4,713	4,886

	£	£
Other operating expenses include:		
External auditors remuneration – external audit of these financial statements	16	16
External auditors remuneration – non audit services	3	3
Internal auditors remuneration – internal audit services	9	8
Operating lease rentals – land, buildings & equipment	114	155

8. Interest and other finance costs

	Note	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
On loans, repayable in more than five years		124	138
Net charge on pension scheme	27	171	154
		295	292

9. Taxation

Neither the College nor its subsidiary company has a current or deferred liability to corporation tax in respect of the year (2019 £Nil).

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
10. Deficit for the year		
The deficit for the year is comprised as follows:		
College deficit	(955)	(888)
Donation to Borders Further Education Trust	-	(150)
	(955)	(1,038)

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
Cost or valuation					
As at 31 July 2019		458	28,920	3,662	33,040
Additions		-	309	814	1,123
Revaluation		-	(667)	-	(667)
Reclassifications		(446)	358	88	-
As at 31 July 2020		12	28,920	4,564	33,496
Depreciation					
As at 31 July 2019		-	157	2,821	2,978
Charge for year		-	1,102	383	1,485
Revaluation		-	(17)	-	(17)
Reclassifications		-	-	-	-
As at 31 July 2020		-	1,242	3,204	4,446
Net book value					
As at 31 July 2019		458	28,763	841	30,062
As at 31 July 2020		12	27,678	1,360	29,050
Net book value					
Inherited		-	638	-	638
Financed by govt capital grant	18	-	18,886	957	19,843
Other		12	8,154	403	8,569
As at 31 July 2020		12	27,678	1,360	29,050

- Land and buildings were revalued at June 2019 by J&E Shepherd 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 2017. Land and buildings with a net book value of £28,357,536 have been funded from exchequer funds. These assets may not be disposed of without prior approval of the SFC.
- Additional works on land and buildings was capitalised in 2019/20. J&E Shepherd Chartered Surveyors were engaged to provide an update on their June 2019 valuation as a result of these additions. This resulted in a downwards revaluation of £649k which has been recognised against the revaluation reserve.

- Plant and equipment includes assets under hire purchase and finance leases with a net book value of £Nil (2019 £Nil).

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
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The depreciation charge for the period is analysed as follows:

Depreciation based on cost	527	1,175
Depreciation based on valuation dated June 2019	958	80
	1,485	1,255

Owned assets	1,341	1,328
Assets held under hire purchase and finance leases	144	-
	1,485	1,328

12. Trade & other receivables

Amounts falling due within one year:

Trade receivables	27	25
Prepayments and accrued income	759	772
Amounts due from subsidiary undertakings	-	-

	786	797
Amounts falling due after one year	13	18
	799	815

13. Investments (assets held for resale)

Assets held for resale as at 1 August 2019	585	585
Impairment	(200)	-
Assets held for resale as at 31 July 2020	385	585

14. Cash and cash equivalents

College funds		3,536	2,876
Bursary funds		21	59
Other student support funds		-	-
Endowment funds	21	22	22
		3,579	2,957

15. Creditors: amounts falling due within one year

Trade payables		55	92
Other creditors and accruals		1,354	1,490
HE discretionary funds	28	19	9
Bursary funds	28	299	59
Other creditors (Netherdale)	17	341	326
Deferred capital grants (Government)	18	1,174	1,015
		3,242	2,991

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
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16. Creditors: amounts falling due after more than one year

Other creditors and accruals	735	659
Other creditors (Netherdale)	17 2,107	2,448
Deferred capital grants (Government)	18 18,669	18,834
	21,511	21,941

17. Other creditors (Netherdale)

Amounts falling due within one year	341	326
Amounts due after more than one year	2,107	2,448
	2,448	2,774

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	2020 Other govt £000	Total £000	2019 Total £000
As at 1 August 2019				
Land and buildings	17,016	2,250	19,266	19,722
Equipment	339	246	585	275
	17,355	2,496	19,851	19,997
Grants received in year				
Land and buildings	138	299	437	337
Equipment	131	526	657	466
	269	825	1,094	803
Released to Statement of Comprehensive Income				
Land and buildings	720	97	817	793
Equipment	130	155	285	156
	850	252	1,102	949
As at 31 July				
Land and buildings	16,434	2,452	18,886	19,266
Equipment	340	617	957	585
	16,774	3,069	19,843	19,851

19. Other provisions

	2020 Lifecycle costs - Netherdale £000	2020 Job Evaluation £000	2020 Leasehold dilapidation £000	2020 Restructuring costs	2020 Total £000	2019 Total £000
As at 1 August	841	220	5	-	1,066	751
Released to Statement of Comprehensive Income	(40)	-	-	-	(40)	(26)
Provision	121	14	-	86	221	341
As at 31 July	922	234	5	86	1,247	1,066

A provision for restructuring costs of £86k has been included for the year ending 31 July 2020

20. Pension provision

	Note	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Scottish Borders Council Pension Fund	27		
Scheme assets		24,659	23,940
Scheme liabilities		35,347	31,648
Deficit in the scheme – pension liability		(10,688)	(7,708)

	Note	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
21. Endowment Reserves			
Restricted net assets relating to endowments are as follows:			
George Heron Wilson Bequest		21	21
Robert Noble Trust		1	1
		<u>22</u>	<u>22</u>
Represented by:			
Cash and cash equivalents		22	22

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		4,362	4,602
Pension reserve	27	(10,688)	(7,708)
		<u>(6,326)</u>	<u>(3,106)</u>

24. Capital and other commitments

No provision has been made for the following capital commitments:

Commitments contracted for		346	376
Expenditure authorised but not yet contracted		-	329
		<u>346</u>	<u>705</u>

25. Lease obligations

Annual rental commitments under operating leases are as follows:

Land, buildings and equipment

Leases that expire in less than one year		41	101
Leases that expire between one and five years		39	12
Leases that expire later than five years		34	41
		<u>114</u>	<u>154</u>

Future minimum operating lease payments due:

Land, buildings and equipment

That expire in less than one year		93	67
That expire between one and five years		236	255
That expire later than five years		34	84
		<u>363</u>	<u>406</u>

26. Contingent liabilities

The College had no contingent liabilities at 31 July 2020 (2019 £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).

	2020 £000	2019 £000
The total pension charge is analysed as follows:		
STSS - contributions paid	691	510
LGPS - contributions paid	652	564
LGPS – FRS 102 charge	<u>826</u>	<u>895</u>
	1,478	1,459
Unfunded pensioner payments	<u>52</u>	<u>53</u>
Charge to the Statement of Comprehensive Income (staff costs)	<u>2,221</u>	<u>2,022</u>

Scottish Teachers Superannuation Scheme

Borders College participates in the Scottish Teachers Superannuation Scheme (STSS). The scheme is an unfunded statutory public service pension scheme with benefits that are 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.

Borders College has no liability for other employers' obligations to the multi-employers scheme.

As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or the withdrawal from the scheme.

The scheme is an unfunded multi-employer defined benefit scheme.

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.

The employer contribution rate for the period from 1 April 2019 was 17.2% increasing from 1 September to 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

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)/ Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. The cost cap will be reconsidered once the final decision on a remedy and how this affects the Scottish Teachers' Pension Scheme is known and its impact fully assessed in relation to any additional costs to the scheme.

Borders College's level of participation in the scheme is 0.11% based on the proportion of employer contributions paid in 2018-19.

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 2017. The valuation set the contribution rates for the period 1 April 2018 to 31 March 2021. The minimum employer contribution rate was set at 18% and the calculated cost of future accruals set to 20.6%, effective from 1 August 2018. 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 2020 %p.a.	31 July 2019 %p.a.
Salary increases	3.10	3.40
Pension increases	2.10	2.40
Discount rate	1.40	2.10

Mortality

The post retirement mortality tables adopted are the S2PA tables with a multiplier of 110% for males and 100% for females. Improvements are in line with the CMI 2018 Model, with an allowance for smoothing of recent experience and long-term rates of 1.25% p.a. for males and females.

	Males	Females
Current pensioners	22.4 years	24.0 years
Future Pensioners	23.8 years	25.5 years

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

Historic Mortality

Life expectancies for the prior period end are based on S2PA tables with a multiplier of 110% for males and 100% for females. The allowance for future life expectancies are shown below:

Period ended	Prospective Pensioners	Pensioners
31 July 2019	CMI 2018 Model with an allowance for smoothing of recent mortality experience and long term rate of improvement of 1.25% pa	CMI 2018 Model with an allowance for smoothing of recent mortality experience and long term rates of improvement of 1.25% pa

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 2020	31 July 2019
Equities	54%	63%
Bonds	25%	23%
Property	20%	13%
Cash	1%	1%

The College's fair value of plan assets is approximately 3.0% (2019 3.2%).

The current service cost includes an allowance for average administration expenses of 0.2% of payroll. The present value of funded liabilities comprises approximately: £21,656,000 (employee members), £4,716,000 (deferred pensioners) and £8,092,000 (pensioners) as at 31 July 2020.

	31 July 2020 £000	31 July 2019 £000
Charged to staff costs		
Current service cost	(1,530)	(1,180)
Administration expenses	-	-
Past service cost, including curtailments	-	(332)
Total charged to staff costs	(1,530)	(1,512)
Charge for net return on pension scheme		
Interest on assets	507	586
Interest on cost	(678)	(740)
Net interest charged	(171)	(154)
Charge to other comprehensive income		
Return on assets less interest	(211)	1,102
Other actuarial gains/ (losses)	-	-
Change in financial assumptions	(3,035)	(3,455)
Change in demographic assumptions	1,367	1,127
Experience loss	(104)	(96)
Actuarial Gain/(Loss)	(1,983)	(1,322)
Total charge to the Statement of Comprehensive Income	(3,684)	(2,988)

Analysis of the movement in deficit during the year

Deficit in scheme at the start of the year	(7,709)	(5,338)
Service costs	(1,530)	(1,512)
Employer contributions	704	617
Net interest costs	(171)	(154)
Actuarial (loss)/gain	(1,983)	(1,322)
Deficit at end of period	(10,688)	(7,709)

28a. FE bursaries and other student support funds

	2020 FE bursary £000	2020 EMAs £000	2020 Other £000	2020 Total £000	2019 Total £000
Balance b/fwd	57	-	9	66	8
Allocation received in year	2,006	137	27	2,170	1,901
Expenditure	(1,783)	(137)	(8)	(1,928)	(1,896)
Repaid to funding council as clawback	(57)	-	(9)	(66)	53
College contribution to funds	-	-	-	-	-
Intra-region allocations	-	-	-	-	-
Virements	-	-	-	-	-
Balance c/fwd	223	-	19	242	66

Represented by:

Repayable to SFC as clawback	223	-	12	235	66
Retained by college for students	-	-	7	7	-

- 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 2020 £000	Year ended 31 July 2019 £000
Balance b/fwd	4	7
Allocation received in year	165	139
Expenditure	(89)	(135)
Funds repaid to funding council as clawback	(4)	(7)
Virements	-	-
Balance c/fwd	76	4

Represented by:

Repayable to funding council as clawback	76	4
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.

During the year under review, the College received £47,000 (2019 £47,000) from the Robertson Trust. T Jakimciw is a member of the Scholarship Committee of the Robertson Trust. 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
V Grant	Riddell Estate	Partner
T Jakimciw	Colleges Scotland	Director & Trustee
T Jakimciw	SOSEP	Board Member
B McGrath	SBC	Chief Officer Economic Development (to 31 May 2020)
	SOSE	Director of Operations (from 1 June 2020)

Organisation	Income		Balance included in trade receivables	
	2020	2019	2020	2019
Borders FE Trust	£46,938	£900	-	-
Scottish Borders Council	£165,042	£122,993	£910	-
South of Scotland Economic Partnership	-	£76	-	-
Live Borders	£3,491	£7,035	£4,190	£494

Organisation	Expenditure		Balance due included in creditors	
	2020	2019	2020	2019
Scottish Borders Council	£252,737	£262,038	-	-
Riddell Estate	£91	£5,021	-	-
Live Borders	£24,990	£45,038	-	-
Colleges Scotland	£26,520	£26,000	-	-

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.

30. Events after the reporting period

There are no events to report.

31. Non-cash Budget for Depreciation

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Deficit before other gains and losses (FE/HE SORP basis)	(955)	(1,038)
Add: Non-cash allocation for depreciation (net of deferred capital grant)	383	305
Operating deficit on Central Government accounting basis	<u>(572)</u>	<u>(733)</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 £955k for the year ended July 2020 (2019 £1,038). After adjusting for the non-cash allocated provided under government rules, the College shows an 'adjusted' deficit of £572k (2019 adjusted deficit of £733k) on a Central Government accounting basis.

32. Prior year adjustments

There are no prior year adjustments in these financial statements.

Appendix 1 – Scottish Funding Council accounts direction

Accounts direction for Scotland's colleges 2019-20

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 2019-20 (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 2020.
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
17 July 2020

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
CEEP	College Energy Efficiency Project (CEEP)
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
SOSEP	South of Scotland Economic Partnership
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