
Report and Financial Statements

For the year ended

31 July 2021

Charity No. SC021180

Correspondence address
Scottish Borders Campus
Nether Road
Netherdale
GALASHIELS
TD1 3HE

Professional Advisors

The College's professional advisors during the period to 31 July 2021 were as shown below.

External Auditors

Azets Audit Services
Exchange Place
3 Semple Street
Edinburgh
EH3 8BL

Internal Auditors

Wylie & Bisset
168 Bath Street
Glasgow
G2 4TP

Bankers

Royal Bank of Scotland
35 Bank Street
Galashiels
TD1 3AY

Solicitors

Thornton Law LLP
Citypoint, 3rd Floor
65 Haymarket Terrace
Edinburgh
EH12 5HD

RBS Mentor
<https://www.rbsmentor.co.uk/>

Contents

STRATEGIC REPORT	4
1. OVERVIEW	4
2. PERFORMANCE ANALYSIS	11
ACCOUNTABILITY REPORT	26
1. CORPORATE GOVERNANCE REPORT	26
2. REMUNERATION AND STAFF REPORT	40
STATEMENT OF COMPREHENSIVE INCOME	51
BALANCE SHEET	52
STATEMENT OF CHANGES IN RESERVES	53
STATEMENT OF CASH FLOWS	54
STATEMENT OF ACCOUNTING POLICIES	55
NOTES TO THE ACCOUNTS	60
APPENDIX 1 – SCOTTISH FUNDING COUNCIL ACCOUNTS DIRECTION	75
APPENDIX 2 – GLOSSARY OF TERMS	76

Strategic Report

The Strategic Report comprises an overview and a detailed performance analysis. It takes an integrated approach to the assessment of our achievements in 2020/21 and aims to:

- help stakeholders to understand and assess how well Borders College has continued to implement its Strategic Ambition, supporting Strategies, and Financial Plan
- celebrate successes of 2020/21 and highlight priorities for 2021/22
- 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 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.

In order to achieve this, the College has accelerated its digital transformation this year and successfully implemented a new Management Information System and learning platform as well as moving most of our server hosted content onto the cloud. This has enabled a better end user experience and access to live data that better informs our decision making and support for students.

During Covid, as a result of the previous digital investments made in our Digital Hub & Spokes and purchase of SMART Assessor, we were able to continue to deliver good quality remote learning during the academic year. This has resulted in student success rates increasing and full utilisation of all the funding avenues available to us.

The College launched a Future Skills Strategy and an ambitious Sustainability Strategy which reflects the ambition set out in our 5 year Strategic Ambition launched in August 2020. As part of the implementation of our strategy, we continue to work with a range of key partners.

In partnership with The University of Edinburgh and other South East City Region Deal (ESECRD) partners, we continue to develop and deliver a range of Data Science/Digital programmes. In addition to our work with the ESECRD, we have created a South of Scotland Digital Skills Hub in partnership with Dumfries & Galloway College. Its purpose is to develop seamless learning pathways from school to post graduate in digital skills. A wide range of stakeholders are involved including employers, Innovation Centres, universities and schools. As part of the learning pathways, Borders College are now delivering Software Development and Cyber Security with capital investment in a Cyber Security Lab.

We are working with The University of Edinburgh and Edinburgh College to build on our now well established Borders Care Career Academy. The development of Care Technician qualifications as well as piloting dual registration for the care sector are some early projects. The embedding of technology in learning from senior phase is our priority moving forward.

Our BSTEM Sustainable Construction Hub, located in Hawick, continues to develop and is now delivering a range of Sustainable Construction training programmes to industry. Recent investment from the Advanced Manufacturing Challenge Fund has allowed us to install an industry scale 3D printer and cobots to support local SME manufacturing businesses to adopt new technologies.

As a result of Covid we didn't progress our Hospitality & Tourism Academy but this is a priority for 2021/22 as the industry starts to recover.

We continue to make good progress against our strategic objectives.

The quality of our learning and training can be evidenced by the increase in student success rates from 76.6% to 80.4% and increase in apprenticeships achieving 308 starts against a target of 231. Despite the disruption of Covid we still managed to deliver £181k of development support for businesses via the Flexible Workforce Development Fund.

We know that our practice reflects the needs of our staff, students and stakeholders. We were successful in being awarded accreditation as a Great Place to Work and a Great Place to Work for Women in 2021 with 75% of staff stating that they are consistently satisfied at work. Our student satisfaction throughout Covid remained positive at 90%, and our classroom and in work programmes continue to be over subscribed.

We are taking a leading role nationally through our digital transformation and skills development work, our sustainability strategy and our continued partnership approach to curriculum development. A good example being the Scottish Racing Academy.

Despite Covid we have achieved a balanced budget, and, with additional income, we have posted a surplus of £0.219m (before pensions adjustments).

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.








Strategic Ambition

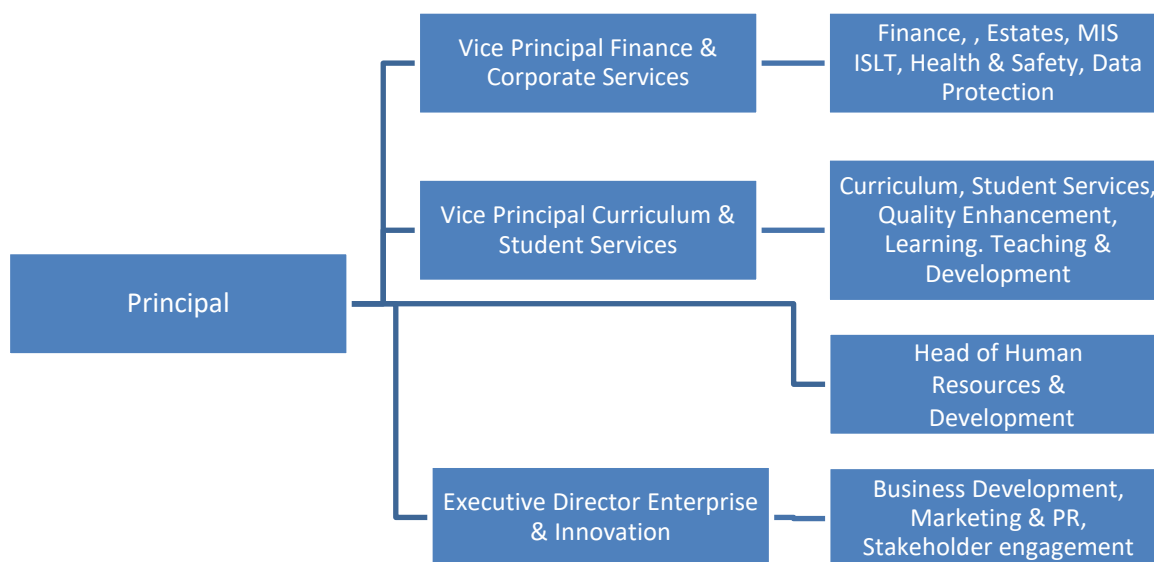
In June 2020, the Board agreed the College Strategic Ambition which covers the period up to 2025. The table below shows our progress during 2020/21 against our annual priorities.

<p>Develop a workforce that meets the needs of our future delivery</p> <p><i>Good Progress</i></p>	<ul style="list-style-type: none"> Improved staff satisfaction results and engagement during Covid and improved relations with our Trade Unions. Achieved Great Places to Work accreditation. Staff demonstrated agility by moving from a physical to virtual college in five days with student engagement remaining at 91% through a range of personalised learning and support approaches in place. Hybrid working successfully introduced. Staff quickly adopted digital skills.
<p>Develop a curriculum offer which reflects national and regional priorities</p> <p><i>Good Progress</i></p>	<ul style="list-style-type: none"> Launched Future Skills Strategy which embeds meta skills, enterprise and sustainability in all programmes. Over 80 online programmes developed in partnership with Dumfries & Galloway College through our DigiSkills Scotland platform in response to Covid. Accelerated use of digital learning and student laptops. SMART Assessor implemented for all apprenticeship programmes. New programmes in Software Development, Cyber Security, Technology Enabled Care and Tourism, Hospitality and Enterprise.
<p>Partnerships</p> <p><i>Good Progress</i></p>	<ul style="list-style-type: none"> Programme management approach adopted. £152k project income in 2019/20, £156k for 2020/21. Established SoS Digital Skills Hub. Continued ESECRD skills development projects. Engaged with 102 new employers in 2020/21.
<p>Digital Transformation</p> <p><i>Excellent Progress</i></p>	<ul style="list-style-type: none"> Phase 1 of digital transformation project completed and working on phase 2 priorities. Accelerated digital learning due to Covid and building on the strengths of this as we move to hybrid working. Implemented SMART Assessor, an ePortfolio for all apprentices.
<p>Improved quality</p> <p><i>Good Progress</i></p>	<ul style="list-style-type: none"> Student success rates improved from 76.6% to 80.4%. Student satisfaction rates above national target at 90%. Employer satisfaction is 100% based on 2020/21 survey. Full implementation of a quality cycle was hindered by Covid but will be launched in 2021/22.
<p>Sustainability</p> <p><i>Good Progress</i></p>	<ul style="list-style-type: none"> Launched ambitious Sustainability Strategy. Developed Sustainability short programmes in Electric Vehicle Charging, Ground Source Heat Pump installation, Thermal Measurement and Conservation. Implemented a travel hierarchy to reduce CO2 caused by travel. Led two Sustainability conferences with stakeholders, employers and local government.

High priorities moving forward are:

-  Staff engagement
-  Profile and positioning
-  Implementing our skills strategy
-  Equality and quality improvement
-  Continued digital transformation.

Organisational Structure



Employee engagement

During the period, we used a toolkit provided by Great Places to Work to measure employee engagement. Overall 75% of our staff stated that the College is a Great Place to Work, which in turn resulted in the College being certified as a Great Place to Work and being awarded Great Places to Work for Women recognition.

Key Risks

During 2020/21 the College successfully reduced the level of risk across all goals within the Strategic Ambition, with most risks within tolerable levels and three risks being closed. We continue to identify the need to improve outcomes, effective working with partners, Covid19, and the sustainability of funding in the context of national bargaining, as the greatest threats to achieving our Strategic Ambition.

Strategic Goal	31 July 2020		31 July 2021		
	No of risks	Sum of risk scores	No of risks	Sum of risk scores	Within target level
High quality learning and training opportunities which are relevant, enabling and flexible.	6	44	4	27	1
Proactively engage with our community / stakeholders to ensure practice reflects their needs.	5	61	5	36	2
Leading role in enabling an inclusive, resilient and sustainable Scotland.	4	45	3	24	1
Total value of all risk scores		120		87	
Reduction in total value of risk scores				33 (27.5%)	

Further detail on the risk register is set out on page 20.

Going Concern

The Regional Board has a Strategic Ambition and an agreed Regional Outcome Agreement with the Scottish Funding Council which sets out our expectation for credit income in 2021/22. 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 2021/22 are less than £200k and considered to be low risk. The forecast cash flow for the College indicates cash days of more than 30 each month. Future funding levels for 2022/23 have not been confirmed although we have been asked to prepare projections for a more pessimistic scenario. The College has a track record of being able to redesign and reshape services to meet demand and live within resources. 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 Ambition contains Key Strategic Indicators designed to measure performance as do our supporting strategies.

The graphic below shows success rates in 2020/21. Figures for 2020/21 were audited during September, and are subject to change up to publication by SFC in January 2022. Except for FEPT this level of performance is an improving trend. FEPT Learner Success has reduced compared to the previous year, however, the College performance is above the sector average by 2.38%. 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.



The College was able to use its full funding allocation from the SFC, as far as the availability of cash allowed. The underlying operating surplus position is £0.307m. This is a strong result for the College, especially in a year where savings of £0.772m were required and delivered.

The College's income for the 12 months to 31 July 2021 was £14.4m (last year £14.0m). Salary costs for the period, at £10.46m were 72.8% of income (65.1% for the previous year). Salary costs grew by

5% in year mainly due to growth in priority areas including, quality, e-learning and programme management.

There is no discernible impact of BREXIT on financial performance.

At 31 July 2021, the College has accumulated cash of £4.018m (last year £3.579m). This position reflects the capital receipt for Melrose Road at £0.345m, which the SFC have advised we can retain and apply to our capital programme in 2021/22.

The College has significant reliance on the SFC as its principal funding source, largely from recurrent grants. In the 12 months to 31 July 2021 the SFC provided 74.5% of the College's total income (last year 71.4%). The College was able to use its full resource allocation from the SFC, as far as the availability of cash allowed.

Performance Overview

Overall, even with the significant impact of Covid, the College continues to perform well against its targets and performance indicators. The College exceeded its revised activity target by 130 credits, which represents 0.79% of the 25,680 credit target. Student success was again strong, with success rates above the sector average.

Strong progress was made on our strategic priorities.

Excluding pension fund changes, a surplus of £0.219m was generated, which is an improvement on the opening budget of £0.067m and the mid-year projection of £0.050m. The surplus arose from a combination of factors including a 33% improvement in apprenticeship funding, and the receipt of additional non-recurring grant to enable the College to reduce the amount of deferrals into 2021/22. We anticipate the loss of grant income in future years.

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
- skills development and performance
- student involvement and satisfaction
- social responsibility
- CO2 reduction
- risk exposure
- financial.

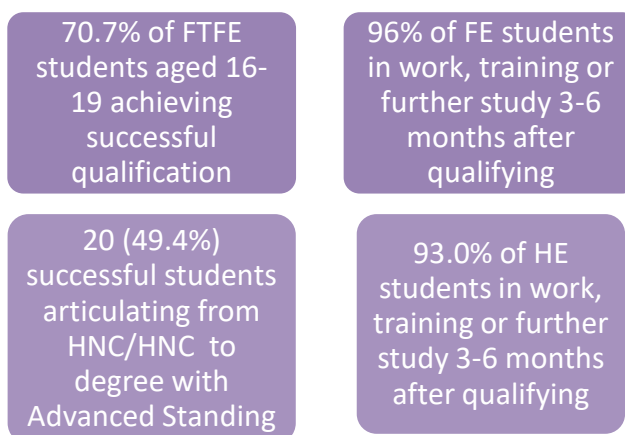
Implementation of the Strategic Ambition

The College's Strategic Ambition sets our strategic purpose and the strategic objectives which guide our work, underpinned by our values and behaviours.

<p>Strategic purpose</p> <ul style="list-style-type: none"> ✚ We will provide innovative life-changing learning opportunities that prepare our students for global citizenship. ✚ Borders College will continue to be the learning and training provider of choice for employers, students and our staff. 	<p>Strategic objectives</p> <p>Our strategic objectives to guide our plans towards 2025:</p> <ul style="list-style-type: none"> ➔ We will create high quality learning and training opportunities which are relevant, enabling and flexible ➔ We will proactively engage with our community and stakeholders to ensure our practice reflects their needs ➔ We will take a leading role in enabling an inclusive, resilient and sustainable Scotland
<p>Values and Behaviours</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 ✓ Be respectful ✓ Value the contribution of everyone ✓ Strive for excellence ✓ Be a positive role model
<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).



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

For 2020/21 we were initially awarded 231 starts with growth in all areas from last year and the addition of Digital Marketing. During the year we requested and had approved 79 more places which brought our total to 310 of which we filled 100%. For the year 2020/21 we were the highest performing college in terms of MA start.

For 2021/22 we were awarded 222 MA starts and ensured that we had achieved strats in all occupational areas to enable us to provide a more flexible response to customer need. We have already seen a large uptake in MA places this year and have started 103 against a target of 71 for this point in the year. We are continuing to market our MA programme and have expanded our provision across the South of Scotland and the central belt.

We apply for additional places as required and have secured contracts with Scottish Borders Council and City of Edinburgh Council to ensure that we meet our targets.

Foundation Apprenticeships are offered across seven subject areas with 21 students progressing into their second year in 2021/22. 107 students have applied for Foundation Apprenticeships across 10 subject areas for 2021/22 with approximately 20% entering onto fast track awards which enable them to complete the full award within one academic year.

The Management Information Systems (MIS) Department is responsible for ensuring we provide statistical information to our funders to ensure we draw down the correct credit funding. 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.

Strategic Ambition: we will create high quality learning and training opportunities which are relevant, enabling and flexible

The Future Skills Strategy sets out ambitions for our portfolio of teaching and learning which meets the wide range of vocational needs and learner abilities.

Skills delivery

The College is the lead partner for the Regional STEM Strategy Group and very good progress has been made on the action plan. Curriculum changes ensure STEM related subjects are available to students, apprentices and employers. A new course for Engineering Systems at SCQF Level 6 was introduced in August 2021 and the National Progress Award in Data Science is embedded into vocational subject areas including Motor Vehicle, Hairdressing and Care. This enables students to develop IT and meta-skills and improve communications skills. We launched the BSTEM Sustainable Construction Hub in Hawick which provides opportunities for local companies and apprentices to use the latest technology within the building trade.

New awards within the DEBI for 2021/22 include Digital Marketing and Housing. These respond to clear market research and further work is underway to determine the market response to other subjects.

The school curriculum has been reshaped to enable greater focus on landbased subjects including forestry, conservation and bee-keeping.

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

Following the launch 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 realistic ward and home settings within the NHS and care providers.

Skills development

During the pandemic, both teaching and support staff have accelerated their use of technology to communicate with and provide online learning to students. A number of external resources for example the Blended Learning Consortium enable access to a range of online content including videos and “in-house” online packages that have been developed to support e-Learning. The College introduced Office 365, and with the necessity of hybrid working, the use of TEAMS and One Note has increased substantially as a delivery tool.

We are a member of the Regional Learner Journey Steering Group and actively contribute to the Curriculum Pathways and Admissions and Referrals workstream groups. 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 and have increased the Foundation Apprenticeship offer to include SCQF Level 4 and 5 subjects (Automotive, Hospitality and Construction).

Our Foundation Apprenticeships at SCQF Level 6 have also grown and now include Social Services: Healthcare: Social Services: Children and Young People, Software Development, Civil Engineering, Creative and Digital Media, Accountancy and Business Skills.

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

Student achievement

Learner success rates are comparable to last year for FT FE and HE programmes and continue the upward trend of the last five years.

	Mode	Early withdrawal	Further withdrawal	Completed partial success	Completed successful
Further Education	Full time	6.8%	17.7%	5.4%	70.0%
Higher Education	Full time	4.1%	12.0%	7.9%	75.9%
Further Education	Part time	1.9%	7.3%	5.8%	84.0%
Higher Education	Part time	0.0%	4.5%	4.0%	88.7%
TOTAL ALL		3.3%	10.3%	6.7%	78.8%

Supporting the student journey

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

- ❖ Student Experience Committee
- ❖ lesson and unit evaluations by students
- ❖ student representation on college committees
- ❖ feedback through enrolment, induction and learning
- ❖ Buzz The Boss text message service to the Principal
- ❖ national annual student satisfaction and engagement survey
- ❖ Ask Angela, an open forum for students to speak to the Principal
- ❖ class representative system supported by the Students Association
- ❖ attendance at user group meetings – for example catering and facilities
- ❖ focus groups for class groups run by Curriculum and Learning Managers
- ❖ monthly feedback Fridays by students supported by the Student Association
- ❖ Talk Pizza, an opportunity for students to discuss their experiences with senior managers.

Borders College Students Association (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 with enrolment and induction events which create a welcoming and inclusive atmosphere from the start of term.

Some examples of successful BCSA 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. Support was provided to students through foodbank referrals, distribution of food hampers, daily video calls and enhancing the online student community.

The percentage of students overall who are satisfied with their college experience remains high at 94% (Student Experience and Engagement Survey March 2021). Our targets are 90%, a level which is achieved overall and for the majority of the indicators.

A team of wellbeing advisors and student counsellors provide pastoral support to respond to the increasingly complex personal lives and poor mental health that many students experience. Additional course focused pastoral support is offered through Achievement Coaches, and student services support team who, along with the Student Association, work closely with a range of external agencies to retain students.

The Student Funding team provide advice and guidance to maximise income, including entitlement to state benefits while attending College and at the end of the academic session. The activity has grown significantly to include the assessment and payment of additional funds to support students who have been financially affected by Covid during lockdown and over the summer period.

Strategic Objective 2: we will proactively engage with our community and stakeholders to ensure our practice reflects their need

Customer engagement

We have continued to develop our employer engagement through identifying and engaging with over 100 new employers in 2020/21 delivering 40 apprenticeships plus short courses and employability skills. We delivered a series of successful online leisure courses in the Autumn of 2020 and have also delivered a range of commercial short courses.

We successfully delivered our FWDF allocation for 2019/20 (£140k) and received an allocation of over £28k for the FWDF year 2020/21 in January 2021. This funding is fully committed and delivery commenced in April 2021. For the first time the FWDF was opened to Small & Medium Enterprises (SMEs) and this has proved very popular with funding allocated to a wide range of businesses. We have offered training in EV charging, house building, renewables and thermal imaging in addition to many of the usual courses.

Student successes

Fantastic 5 celebrate at National ALBAS



The ALBAS - Lantra Scotland's much-anticipated Awards for Land-based and Aquaculture Skills, took place virtually on social media, with three winner and two runner-up places bagged on the night.

Winner – Maureen – Horticulture

Winner – Shauna – Agriculture

Runner-up – Amy – Agriculture

Runner-up – Morag – Equine

The finalists were chosen by an independent judging panel of influential figures from across the land-based and aquaculture sector, chaired by Keith Paterson of Forestry and Land Scotland.

Top of the world for former BASE student Reece



Becoming the World Champion in your chosen sport is what dreams are made of and that's just what former Borders College student Reece has gone and done.

Reece was crowned as the elite men's champion on the final day of the UCI Mountain Bike World Championships, held in Leogang, Austria.

Tweed Valley Everest Challenge

A group of seven riders set out to ascend the height equivalent to Everest on mountain bikes at The Golfie in the Tweed Valley in 24 hours.

The event was organised and ran by a group of Borders College students, as part of their HND course. The students raised over £2,200 for Tweed Valley Mountain Rescue.



Additional Support ensures Julie continues to study effectively



Julie studied on the HNC Computing programme at the College and has benefitted greatly from additional support to help her through her studies.

Julie was assessed as having possible dyslexic type difficulties. She received one to one support assistance in areas such as communications, where her work was proofread prior to hand in. Extra support from her tutors was also provided in areas such as computer programming, allowing her to move forward in areas where she may have struggled.

Julie commented: *“The support I have been given by the College is absolutely fantastic and I wouldn’t be in the position I am now if this hadn’t been in place. I lacked confidence at the start of my course but I’ve been able to build this back up with the help of everyone.”*

Used to support both teaching and learning, technology is essential in the modern-day learning environment and Borders College is delighted to be supporting students in whatever way they can.

Laura is one such student who has been helped through her studies by taking advantage of the Laptop Loan scheme, expanded significantly at the beginning of the first lockdown. The device has given Laura access to all the learning tools needed for her course work, enabling her to study more effectively from home during these challenging times.

Thankful for the additional support, she said:
“Having a College laptop helped me to do all the work needed to complete my course. I was able to communicate with lectures via video call and send in video evidence.”

Laptop loan ensures effective learning for Laura and her family



President employs former students at the 'homestead'



Three former Borders College Hospitality students have been given the chance to develop their employability skills after securing roles within a popular homestead café in the Scottish Borders.

Angus, Mia and Hannah have all started part-time employment within the Homestead Café and Farm Shop at The Hirsell, Coldstream, working in various roles, including food preparation and serving customers.

The Homestead was recently taken over by former Borders College student and former Student President Ann Letham, whom the workforce have much admiration for.

Describing the employees as fantastic, motivated and proactive, and a joy to work with, Ann added:

"As a Borders College graduate, I know the high standard of training received in the Catering and Hospitality department. I am very lucky to work with other Borders College graduates as they are capable of working flexibly due to their well-rounded knowledge of the roles in the industry.

"They are able to perform any duties, whether it is kitchen or front of house, to a high standard with no additional training required on my part. Because I have complete trust in their abilities, we can have great fun while we work together as part of the wider team."

Strategic Objective 3: We will take a leading role in enabling an inclusive, resilient and sustainable Scotland

Expanding the use of technology

The Advancing Innovative Manufacturing (AIMs) project provides employers with access to cutting-edge manufacturing technologies to support the development of new projects, prototyping ideas and upskilling employees. Employers can visit the Technology Hub in Hawick to use state of the art 3d printers, horizontal scanners and collaborative robots (cobots) to drive productivity.

The e-Learning team has expanded in 2020/21 and provide support for developing online content and assessment, training at CPD events, and support to both staff and students on the Virtual Learning Environment (VLE) and Office 365. The impact of Covid on digital learning and assessment has created an opportunity for further growth. The College has procured a new VLE Canvas. In 2021/22 the team will be supporting all curriculum staff in migrating their course content to the new VLE providing a more engaging and interactive experience for both staff and students.

Scotland's Colleges Digital Ambition was approved in October 2020 and is supported with a suite of documentation to assist in local implementation. We commissioned a Digital Transformation Programme in June 2020 covering five work streams.

Infrastructure	Enhanced connectivity within our campuses and server/data migration to DataVita Datacenter - completion by 8 October.
MIS	ProSolutions went live on August 16 2021, replacing Unit-E and other dependant systems to provide a modern one stop student information system, streamlining processes and providing accurate data and performance metrics
VLE	Canvas will replace Moodle with migration to complete in 2022/23.
Website	New website launched on August 16 2021.
Payment Gateway	Launched on 10 September 2021.

This year has also seen major enhancements to our security and network in order to mitigate the ever changing cyber threats. We have enhanced protection around email, web filtering, VPN service and network services and work continues on end user awareness.

Our estate

The Facilities department provides services to both the College and Heriot Watt University.

2020/21 has been dominated by the Covid pandemic with campuses closed or partially closed at various points throughout the pandemic. All areas have been risk assessed with mitigation measures in place to minimise transmission including social distancing, hand sanitising, protective equipment provisions, floor markings and wayfinding. We have also been operating a click and collect service and cashless payments at various service areas.

Portacabins at Newtown St Boswells were replaced and were operational at the start of 2021/22.

The remainder of the Melrose Road campus was sold, we vacated Edinburgh campus and Jedburgh campus. We are working towards provision from the Jedburgh Intergenerational Campus. The capital receipt has been retained for three priority projects on Galashiels campus.

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 ranging 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 considers 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, harassment and victimisation, and promoting good relations for all our staff, students, visitors and partners.

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

1	We will reduce gender imbalance in subject areas where there is a gender split of more than 75% (Construction, Creative Industries, Health & Social Care, Sport, STEM).
2	We will improve diversity disclosure rates to better support and reflect the diversity of our workforce.
3	Retention and success rates for protected characteristic groups will be close to the average of the student population.
4	Staff and students will feel more confident to report hate incidents and harassment.

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.

We recognise 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.

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 choose 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. The College launched a new and ambitious sustainability strategy 2020-2025 to further reduce our combined impact on the environment. Seven working groups have been tasked with embedding sustainability across the College to further reduce Co2, drive behavioural change and increase our positive impact.

For academic year 2021/22, sustainability will be embedded in all skills delivery programmes. Through continued development of the BSTEM hub at Hawick we will offer increased accessibility for employers in relation to sustainable construction.

Co2 emissions have continued to fall, reducing by 56% from 806 tco2 in the baseline year 2014/15 to 354 tco2 in 2020/21, largely due to campuses being closed or reduced occupancy due to Covid. Heat from the SHARC system surpassed heat from gas for the first time in 2020/21.

Identification and Mitigation of Strategic Risk

During 2020/21 the College continued to mitigate risk associated with the achievement of our Strategic Ambition. The table below describes the risks with a rating of more than eight on the strategic risk register as at July 2021 and compared to last year. There were two high risks relating to Covid and we closed the risk relating to financial impact, leaving the recognition that contingency measures would continue, to maintain student activity and avoid deferrals.

Strategic Goal	Risks	Score	Last year
Provide high quality learning and training opportunities which are relevant, enabling and flexible	IF our outcomes don't show a positive trend THEN it may impact on our Education Scotland grade and potentially our SFC funding.	9	6
	IF students are not enrolled in the most appropriate programme, THEN they may be less likely to succeed.	9	12
Proactively engage with our community and stakeholders to ensure our practice reflects their need	IF there is not successful engagement with partners, THEN the College will not receive enough funding to be able to identify and meet their needs.	9	8
	IF the Coronavirus continues to spread and increase in impact, THEN the College may need to invoke contingency measures to protect staff, maintain critical services and support student achievement.	9	15
	IF there is not successful engagement with partners, THEN the College will not receive enough funding to be able to identify and meet their needs.	9	9
We will take a leading role in enabling an inclusive, resilient and sustainable Scotland	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.	12	16

Covid has had a significant impact and has required the College to invoke Emergency Planning arrangements at various times between March 2020 to the time of writing this report (November 2021). 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 response has been risk and benefits driven, with a determination to maintain critical services, enable remote teaching and learning, enable hybrid working, and support students to succeed. For 2021/22 we will be maintaining hybrid working and blended learning.

The College continues to identify national pay bargaining as a significant threat to achieving its strategic goals.

Financial Performance

Financial plan

Success in delivering the financial plan can be measured in the following ways.

Financial Sustainability	<ul style="list-style-type: none"> • Outcome Agreement negotiation to ensure the needs of the region are recognised; so that the College receives a resource allocation to meet demand and deliver on national and local priorities. • Resourcing, as far as possible, long-term projections for maintenance and development of our asset infrastructure as part of budgeting.
Resource Deployment and Flexibility	<ul style="list-style-type: none"> • Fully use allocation from SFC. • Maximise funding from sources other than the SFC, to rise to 29%. • Ensure that expenditure on staff is reduced to 65% of turnover. • Ensure that the budget cycle focuses on strategic priorities.
Liquidity	<ul style="list-style-type: none"> • Retain adequate cash reserves, at not less than 30 days trading activity. • Reduce creditor payment days to 40.

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).

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 2020/21 the College received funding of £140k from BFET for the roll out of loan laptop lockers at Newtown St Boswells and to support the Digital Transformation Programme, specifically the new MIS.

The College had a 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 was dissolved in 2021.

Budget

In July 2020, the Board approved the 2020/21 budget. The budget resulted in an Income and Expenditure (I&E) surplus of £67k. Planning for a near breakeven position allows us to effectively use our cash as well as our resources. However to achieve this we needed to make efficiencies within staff budgets. Management plans achieved the £772k savings required for 2020/21.

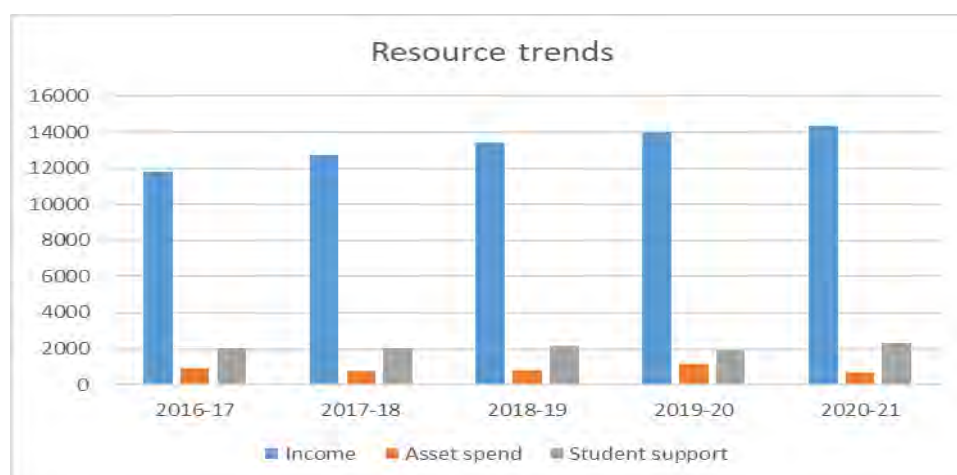
The budget was revisited during the year:

- ❖ the FFR submission confirmed a projected surplus of £67k, with no material changes compared to the approved budget
- ❖ the mid-year return identified a forecast surplus of £50k, taking into account the impact of Covid, changes in income projections, and forecast full achievement of savings targets.

The internal auditors undertook a value for money review into the achievement of our savings targets and confirmed a strong level of assurance over College processes and savings outcomes.

Financial results

The table below highlights the resources available to the College over time, with steady growth in revenue resources, a relatively small increase in asset additions and static student funding.



Excluding pension fund changes, a surplus of £0.219m was generated, which is better than the mid-year projection of £0.050m and the opening budget position of £0.067m. The surplus arose from a combination of factors including a 33% improvement in apprenticeship funding, and the receipt of additional non-recurring grant to enable the College to reduce the amount of deferrals into 2021/22. We anticipate the loss of grant income in future years.

The College was able to use its full funding allocation from the SFC, as far as the availability of cash allowed. The underlying operating surplus position is £0.307m. This is a strong result for the College, especially in a year where savings of £0.772m were required and delivered.

The College's income for the 12 months to 31 July 2021 was £14.4m (last year £14.0m). Salary costs for the period, at £10.46m were 72.8% of income (71.1% for the previous year). Salary costs grew by 5% in year mainly due to planned growth in priority areas (ISLT, e-Learning, Quality and Programme Management).

There is no discernible impact of BREXIT on the financial performance.

At 31 July 2021, the College has accumulated cash balances of £4.018m (last year £3.579m). This position reflects the capital receipt for Melrose Road at £0.345m, which the SFC have advised we can retain and apply to our capital programme in 2021/22.

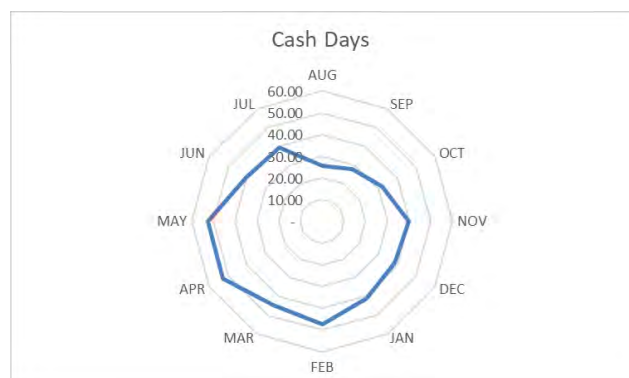
The College has significant reliance on the SFC as its principal funding source, largely from recurrent grants. In the 12 months to 31 July 2021 the SFC provided 74.6% of the College's total income (last year 71.4%).

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 below.

	2020/21 £000	2019/20 £000
<i>Deficit before other gains and losses</i>	(697)	(955)
Add back:		
<i>Depreciation (net of deferred capital grant release)</i>	102	383
<i>Impairment</i>	-	200
<i>Net service cost pension adjustment</i>	997	826
<i>Net interest cost pension adjustment</i>	157	171
<i>Donation to Arm's Length Foundation</i>	-	-
Deduct:		
<i>Cash Budget for Priorities - Revenue funding allocated to loan repayments</i>	252	252
Underlying operating surplus	307	373

Cash management



The College maintained positive operating cash balances over the year, and at 31 July 2021 showed a net inflow of £431k (last year net inflow of £294k). The chart on the right shows the pattern of receipts and payments and the corresponding bank position each month (excluding Lifecycle Costs).

This year's growth reflects the Melrose Road receipt. The net balance was between £1.1m and £2.3m.

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 overleaf.

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 30 days of operating costs.

The chart on the left shows cash balances (excluding lifecycle) were between 25 – 52 days of operating costs, a much smoother pattern than last year, reflecting improved cash management in year.



	2020/21 £000	2019/20 £000
Loan repayments	252	252
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, the impact of Covid and turnover of senior staff this programme has been deferred to 2021/22, and has now commenced.

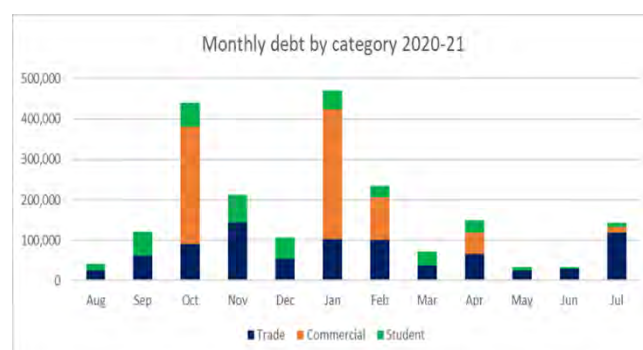
The total number of invoices processed during the year was 3,306 (2020 4,097) with a value of £3,853k (2020 £4,681k).

Measure of Better Payment		2020/21	2019/20
<i>Paid by value</i>	In 10 days	£292k (8%)	£240k (5%)
	In 30 days	£1,695k (44%)	£2,267k (48%)
<i>Average days of credit taken</i>		43	40
<i>Paid by volume</i>	In 10 days	132 (4%)	133 (3%)
	In 30 days	1,121 (34%)	1,631 (40%)

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 profile shows significant spikes associated with billing for the HWU SLA. Management of student debt is significantly improved.



Future plans

As noted previously, the College has a new Strategic Ambition, supporting strategies and plans.

In support of the Regional Outcome Agreement 2020/21 with SFC, the College has been allocated core teaching funding of £9.07m, funding for deferred students of £0.176m and ESF of £0.136m (last year £9.07m and £0.133m ESF). The College budget is based on this level of funding.

The College was initially asked to provide a one year Financial Forecast Return (FFR), and given the continued unprecedented uncertainty in the financial outlook we 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 £0.110m (last year £0.067m), and an adjusted operating position of £0.004m deficit.

Guidance for a longer term FFR was received in August 2021. This guidance presents funding scenarios in relation to SFC funding and cost of living increases. The College has projected that savings of £845k in 2022-2023 would be required to return a surplus position. Historically the College has been good at estimating and delivering on saving targets through a combination of income generation, staffing changes and expenditure efficiencies. Delivering on this pessimistic scenario will require a realignment of our strategic and budget priorities. The FFR was submitted in October 2021.

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

The College Asset Management Strategy covers estates, vehicles, equipment, technology and data. A key issue for consideration is the impact of increasingly digital approaches to delivery. We are well developed in our Digital Transformation Programme, phase one of which focused on infrastructure, MIS and VLE. Phase two is currently being developed and will include Artificial Intelligence and increasing use of technology in teaching delivery.

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

We have retained the capital receipt of £0.345m into 2021/22 and this provides significant additional funds to take forward the Asset Management Strategy and the Sustainability Strategy.

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.....

2 December 2021

Accountability Report

1. Corporate Governance Report

Introduction

The purpose of the Corporate Governance Report is to explain 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), 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. It 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. It 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. 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.

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 01 June 2021, 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.

Statement of Board responsibilities

The Board is responsible for the administration and management of the College's affairs, including an effective system of internal control, and is required to present audited financial statements annually. 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 applicable legislation, FRS 102 and relevant accounting standards.

The financial statements and related notes are prepared in accordance with the SFC Accounts Direction, which incorporates requirements from the Financial Memorandum and other formal disclosures that the SFC require the Board to make.

In preparing the financial statements the Board is required to:

- ✚ select suitable accounting policies, and 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 SFC conditions
- ✚ ensure that there are appropriate financial and management controls 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 terms and conditions of the Financial Memorandum between SFC and the Board of the College, require the Board through its designated office holder (the Principal) 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, extensive use of social media, 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, and a person external to the College will also be on the interview panel. Members of the interview panel 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 2020/21. 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. 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 2020 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.

Borders College
Report and Financial Statements for Year Ended 31 July 2021

Name	Appointment	Resignation	Status of Appointment	Board attendance	C&Q	F&GP	Audit	Nom	Rem
E Acaster	14 August 2014 Re-appointed 14 August 2018		Independent Member– Interim Chair from 4 March 2020	5 out of 5	M	C		C	M
A Cox	30 January 2017		Principal	5 out of 5	M	M			
D Peace	Reappointed 1 March 2019		Independent Member – Interim Vice Chair from 4 March 2020	5 out of 5		M		M	
D Black	16 February 2019		Academic Staff Member	4 out of 5	M				
N Broderick	1 February 2019		Independent Member	5 out of 5	C				
P Cathrow	18 January 2021		Independent Member	3 out of 3	M				M
C Gillie	18 January 2021		Independent Member	3 out of 3			M		
V Grant	Reappointed 1 March 2019	22 April 2021	Independent Member	2 out of 3	M			M	
D Johnson	1 June 2018		Independent Member	5 out of 5	M		M		
A Letham	19 June 2020	18 June 2021	President, Student Association	5 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			M	M	
J MacKenzie	22 June 2017	21 June 2021	Support Staff Member	5 out of 5			M		
L Mirley	18 January 2021		Independent Member	3 out of 3		M			M
L Parkes	Reappointed 1 March 2019		Independent Member	5 out of 5		M			C
S Prentice	Reappointed 18 June 2021		Student Member President, Student Association	3 out of 4	M	M			
P Scrimger	1 February 2019		Independent Member	4 out of 5			C		

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 - P Scrimger
- 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 - N Borderick
- 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 four 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 - E Acaster
- Met once
- 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 - E Acaster
- Met once
- 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 - L Parkes
- 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 2021 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 guidance 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 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 providing independent judgement on issues relating to the College's strategic direction, reputation, financial wellbeing, the wellbeing of staff and students and 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 only provide reasonable and not absolute assurance of effectiveness.

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

- ❖ A strategic plan supported by service strategies, annual priorities, enabled by revenue, 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
- ❖ 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 programme is approved by the Audit Committee and whose head provides an annual report with 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 2021 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 full 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.

The table on page 8 contains a summary of our risk profile, across strategic goals. There is currently one high risk relating to the financial impact of national bargaining (last year two high risks relating to Covid-19). The table on page 19/20 shows all risks with a score of eight or above.

As evidenced by the risk ratings, the College continues to identify national pay bargaining, and the consequences on the sustainability of funding levels, as the greatest threat to achieving its strategic goals. In overall terms, the College has mitigated risks downwards.

Covid-19 has been a considerable focus of attention, from March 2020 and ongoing. The Incident Management Team structure (part of Emergency Plan) was invoked in March 2020 to manage our response. The IMT met as required to put in place control measures, work arounds, and communicate guidance to staff and students. The impact on student attainment was reduced to a minimum. The mechanisms which we have in place relating to Covid have enabled us to manage safety and delivery aspects very well and the mechanisms are fit for purpose moving forward.

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, and participation in the NFI initiative
- ❖ 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 to consider risk appetite and tolerances and thus ensure that the register remains reflective of current strategic direction. This commenced in January 2021 and concluded in September 2021. These workshops also made recommendations for improving the risk management process. This refresh process is considered best practice, particularly given the launch of a new Strategic Ambition in Autumn 2020.

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 2021 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
- ✚ a 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:

- ❖ A review and appraisal of financial and other controls operated by the College
- ❖ A review of the established policies and procedures adopted by the College
- ❖ An assessment of whether or not the internal controls are reliable as a basis for producing the financial accounts
- ❖ A review of accounting and other information provided to management for decision making
- ❖ Compliance and substantive audit testing where appropriate
- ❖ A review of the College's procedures in place to promote and secure 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 2020/21 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			
Management Information Systems	Strong	0	0	0
Purchasing and Procurement	Strong	0	0	2
VFM Community/Leisure	Substantial	0	2	0
Value for Money	Strong	0	0	1
Follow up Review	Substantial	0	0	6
			2	9

Audit Committee have noted during the year the need to complete follow up actions timeously, and for robust consideration of amending timescales. The follow up system will be improved during 2021/22.

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 2020 and July 2021 and we have not undertaken any further internal audit assignments at the time of this report."

Outstanding audit recommendations

Audit year	Grade	Recommendation	Status
2018	Low	The College continue to review and update the finance procedures manual	Full procedure review to conclude March 22
2019	4	Full review of asset register	Asset verification outstanding – to complete by Jul 22
2019	3	Some of current journal procedures are outdated	Full procedure review to conclude March 22
2019	3	Year end preparedness for audit	Action now complete
2019	2	No indication of material impairment	No evidence of requirement
2020	3	Asset registers should be updated to record revaluation reserve balance against each asset	Such information is included in working papers
2020	Low	Test the IT Disaster Recovery Plan once staff members have returned to the College	To complete by November 2021 following move to Datavita
2020	Low	The College set commercial targets for all faculties and that this is monitored and reported on throughout the year	Workshop held focussing on margins. Savings targets devolved.
2020	Low	Review the FOI Procedure and Model Publication Scheme	Complete
2021	Low	Update Financial Regulations to include Single Source Justification	Will be in next annual update Nov 2021

Significant energy has been deployed on the review of fixed assets which is an area that has been the focus of external audit review. Changes in procedures are being implemented. A plan is in place to complete the review of procedures and the manual by March 2022. These will be subject to a specific internal audit review.

Due to the level of turnover in the senior finance structure it has not been possible to complete the review of financial procedures and the finance manual. Any audit issues relating to procedures have been low impact.

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

Covid-19 has 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 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. In 2020 and again in 2021, the College performed a self assessment against the questions set out in this guidance with a high level summary shown 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. Staff opinions surveyed and largely very positive. No concerns re internal controls.
Financial management and reporting	Timely financial and performance information. Additional funding received from SFC in relation to practical delivery and deferrals. Prioritised payment of small and local businesses. No impact on savings target. Some impact on transformation programme – continued delay in installation of digital spokes and delivery of programme largely through online meetings and control systems. No concerns about financial management controls, management or reporting.
Governance	Board and committees met virtually, participation has been high. Used workshop sessions to good effect. Additional meetings have been called as required. 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 MS Teams.

IMPACT ASSESSMENT

Based on the self-assessment, Borders College has responded 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 (one digital spoke) however the Digital Transformation Programme was not affected. This coupled with a review of performance in 2020/21 presents a positive outcome for the year. The College did not make any changes to the internal audit plan due to Covid-19, and based on this self-assessment this is not indicated as being required.

Board Development and Enhancement Plan

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 2020/21 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.

A response rate of 73% was achieved. The results of this questionnaire were analysed and reported to the Board in October 2021. Any items that had responses at 4 or below in the survey are included in the action plan.

This, along with the recommendations from the External Effectiveness Review (EER) and individual Board Member annual reviews carried out by the Chair, forms the basis of the Board Development and Enhancement Plan. The external assessor returned an evaluation of "Strong Assurance" based on his review work.

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 the basis of our improvement plans going forward.

There were no reportable data events during 2020/21 (last year nil).

Going concern

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

The Regional Board has an agreed Strategic Ambition, and a Regional Outcome Agreement with the Scottish Funding Council which provides for reasonable certainty of credit income in 2021/22.

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 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 2021/22 have returned to less than £200k and 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 2022 and end July 2022 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 from the College's external auditors in their management letters and 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 Ambition, the College develops annual priorities and undertakes a comprehensive review of risks. They identify systems and procedures, and specific actions that should mitigate the adverse 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. Senior management regularly considers 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. Mitigating actions have been effective in reducing risk exposure on many of our risks.

The SLT and the Audit Committee receive regular reports from the internal auditors, which include 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 2021 meeting, the Audit Committee carried out the annual assessment for 2020/21 by considering documentation from senior management and internal audit, and taking account of events since 31 July 2021.

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:

- continued concern in relation to the financial impact of national bargaining on future financial position.

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 2021.

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 2021 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 2021			Year ended 31 July 2020		
	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)
E Acaster Chair of the Regional Board – Actual (interim from 04 March 20) (full year value)	20-25	-	20-25	5-10 (20-25)	- -	5-10 (20-25)
A Cox Principal	110-115	35-40	145-150	105-110	35-40	145-150
H Anderson Vice Principal – Curriculum and Student Services	70-75	20-25	95-100	70-75	20-25	95-100
H Robertson Vice Principal – Finance and Corporate Services	80-85	40-45	120-125	75-80	40-45	120-125

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 2021		31 July 2020 to 31 July 2021		At 31 July 2021	At 31 July 2020	Real increase in CETV
	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	
E Acaster Interim Chair of the Regional Board (from 04 March 20)	-	-	-	-	-	-	-
A Cox Principal	10-15	-	0-2.5	-	119	90	29
H Anderson Vice Principal – Curriculum and Student Services	30-35	100-105	0-2.5	2.5-5.0	824	773	43
H Robertson Vice Principal – Finance and Corporate Services	40-45	-	0-2.5	-	551	508	43

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 has been calculated based on 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 from their total pensionable service and not just their current appointment.

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

- the figures for pension and lump sum are illustrative in light of the assumptions set out above and do not reflect the actual benefits that an individual may receive on retirement
- the accrued benefits figures reflect the pension contributions that both the employer and the scheme member have made.

Real increase in CETV

This reflects the increase in CETV funded by the employer. It does not include the increase 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 62.

There were no payments to senior post holders in relation to compensation of early retirement or loss of office in 2019/20 or 2020/21.

There were no payments to past directors in 2019/20 or 2020/21.

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 2021 and indicated that the College had a 9.2% pay gap between men and women. This was calculated using the mean. Nationally this is 15.5% therefore the College is much better than average. This pay gap has increased since the last reported figure of 6.9% which is due to more men being appointed to higher graded posts and a number of higher graded female postholders leaving employment.

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	2020/21
Highest paid official	£109,855 3.6 times the median	£111,944 3.7 times the median
Median of workforce	£30,300	£30,494
Lowest paid	£16,926	£17,290

Staff Report

Number of senior managers by band

Remuneration of senior post holders, including the Principal (excluding employers' NI and pension contributions):	2021	2020
£70,001 to £80,000	1	2
£80,001 to £90,000	1	-
£100,001 to £110,000	-	1
£110,001 to £120,000	1	-
	3	3

Salaries and related costs

	Year to 31 July 2021			Year to 31 July 2020
	Directly employed staff	Seconded and agency staff	Total	Total
Wages and salaries	7,401,585	213,882	7,615,467	7,251,948
Social security costs	672,159	-	672,159	668,609
Other pension costs	2,385,602	-	2,385,602	2,221,777
Total	10,459,346	213,882	10,673,228	£10,142,334
Average number of FTE	205	4.5	209.5	216.8

The College employed 102 males and 228 females during 2020/21. At the time of approval of the Remuneration and Staff Report, senior management comprised three females.

Voluntary staff turnover for 2020/21 was 7.1%.

Sickness absence

The total number of days lost per full time equivalent (FTE) to sickness absence during 2020/21 was 4.77 days, a decrease from 12.25 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 18 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)
- 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.

If a staff member becomes disabled during employment the College will support that individual to continue in employment wherever possible. Through welfare meetings and engaging where necessary with Access to Work, provision can be made to enable staff to continue to work. Our processes for training, career development and promotion are equality impact assessed and provide an even playing field for disabled staff to thrive and develop themselves within the College.

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 2020/21, 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” report and 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 Programmes.

Staff involvement

The College has a Workforce Strategy that states we will maintain a committee structure which 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, and 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.

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 Covid 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 2020/2021 the College reported three incidents under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (last year there was one). All three were unrelated; each involved a single student having to attend hospital for treatment, then being sent home. There was no follow up action by the Health and Safety Executive for any incident.

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.

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.

A guidance note is on the College web site for the operation of this requirement.

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 £36,034 expenditure on consultancy (2019-20 nil).

Exit packages

No employees (2020 – seven) left under voluntary exit terms during the year. They received a total payment of £nil (2020 - £86,317). The table below shows the packages by cost band.

Cost band	Year to 31 July 2021			2020
	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
£10,001 - £25,000	-	-	-	-
£25,001 - £50,000	-	-	-	1
Total number of packages	-	-	-	7
Total cost (£)	-	-	-	£86,317

The Accountability Report was approved by order of the members of the Borders College Regional Board on 2 December 2021 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

Reporting 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 2021 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, Balance Sheet, Statement of Changes in Reserves, 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 2021 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 for 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 5 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from 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 judgements 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- obtaining an understanding of the applicable legal and regulatory framework and how the college is complying with that framework;
- identifying which laws and regulations are significant in the context of the college;
- assessing the susceptibility of the financial statements to material misstatement, including how fraud might occur; and
- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which our procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the college's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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.

Reporting 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. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, 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.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. 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.

Statutory other information

The Board of Management is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report.

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

Our opinion on the financial statements does not cover the statutory other information and we do not express any form of assurance conclusion thereon except on the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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.

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.

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

Exchange Place 3

Semple Street

Edinburgh

EH8 3BL

Date:

David Eardley is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Statement of Comprehensive Income

	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Income			
SFC grants	1	10,616	10,005
Tuition fees and education contracts	2	1,330	1,384
Other grant income	3	1,030	1,317
Other operating income	4	1,415	1,302
Investment income	5	-	3
Total income		14,391	14,011
Expenditure			
Staff costs	6	10,460	9,967
Fundamental restructuring costs		99	86
Other operating expenses	7	3,037	2,933
Donation to charitable trust	10	-	-
Impairment	13	-	200
Depreciation	11	1,226	1,485
Interest and other finance costs	8	266	295
Total expenditure		15,088	14,966
Deficit before other gains and losses, and tax		(697)	(955)
Taxation	9	-	-
Deficit for the year		(697)	(955)
Actuarial loss in respect of pension schemes	27	(400)	(1,983)
Total comprehensive expenditure for the year		(1,097)	(2,938)
Represented by:			
Endowment comprehensive income for the year		-	-
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive expenditure for the year		(1,097)	(2,938)
Total comprehensive expenditure for the year		(1,097)	(2,938)

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 2021 £000	Restated Year ended 31 July 2020 £000
Non-current assets			
Fixed assets (restated)	11	28,229	28,785
		28,229	28,785
Current assets			
Trade and other receivables	12	1,517	799
Investments (assets held for resale)	13	-	385
Cash and cash equivalents	14	4,018	3,579
		5,535	4,763
Less: Creditors: amounts falling due within one year (restated)	15	(3,606)	(3,140)
Net current assets		1,929	1,623
Total assets less current liabilities		30,158	30,408
Creditors: amounts falling due after more than one year	16	(20,747)	(21,511)
Provisions			
Pension provisions	20	(12,242)	(10,688)
Other provisions	19	(1,310)	(1,253)
Total net assets		(4,141)	(3,044)
Restricted reserves			
Income & expenditure reserve – endowment reserve	21	22	22
Income & expenditure reserve – restricted reserve	22	-	-
Unrestricted reserves			
Income & expenditure reserve – unrestricted (restated)	23	(7,416)	(6,495)
Revaluation reserve		3,253	3,429
Total reserves		(4,141)	(3,044)

The financial statements on pages 51 to 74 were approved by the Regional Board on 2 December 2021 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 2019	22	-	(3,538)	4,229	713
Deficit from the income & expenditure statement	-	-	(955)	-	(955)
Other comprehensive income	-	-	(1,983)	-	(1,983)
Transfers between revaluation and income & expenditure reserve	-	-	150	(150)	-
Revaluation of fixed assets	-	-	-	(650)	(650)
Total comprehensive income for the year	-	-	(2,788)	(800)	(3,588)
Prior year adjustment – note 32	-	-	(169)	-	(169)
Balance at 1 August 2020	22	-	(6,495)	3,429	(3,044)
Deficit from the income & expenditure statement	-	-	(697)	-	(697)
Other comprehensive income	-	-	(400)	-	(400)
Transfers between revaluation and income & expenditure reserve	-	-	176	(176)	-
Revaluation of Fixed Assets	-	-	-	-	-
Total comprehensive income for the year	-	-	(921)	(176)	(1,097)
Balance at 31 July 2021	22	-	(7,416)	3,253	(4,141)

Statement of Cash Flows

	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Cash flow from operating activities			
Deficit for the year		(697)	(955)
Adjustment for non-cash items			
Depreciation	11	1,226	1,485
Impairment	13	-	200
(Increase)/decrease in trade and other receivables	12	(718)	16
Decrease in creditors	15	(884)	(1,293)
Increase in other provisions	19	63	180
Increase in pension provisions	20	1,555	997
Adjustment for investing or financing activities			
Investment income	5	-	(3)
Interest payable	8	266	295
Net cash inflow from operating activities		811	922
Cash flows from investing activities			
Investment income		-	3
Non-current investment disposal		-	-
Receipt of deferred capital grants		596	1,094
Payments made to acquire fixed assets		(702)	(1,102)
		(106)	(5)
Cash flows from financing activities			
Interest paid		(266)	(295)
		(266)	(295)
Increase in cash and cash equivalents in the year		439	622
Cash and cash equivalents at beginning of the year	14	3,579	2,957
Cash and cash equivalents at end of the year	14	4,018	3,579

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 (FReM) 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.
Sinking Fund	The sinking fund was established on co-location of Borders College and Heriot Watt University, on the Netherdale campus at Galashiels in 2009. It is a long term Lifecycle cost provision designed to provide for the lifecycle maintenance of the campus. The Fund Covers the Galashiels and Hawick campuses, primarily focusing on the softer elements of maintenance such as decoration within the first 10 years, the funds focus in the coming period is on more significant items such as heating and plant. Both parties contribute an annual sum to the sinking fund and maintenance costs are paid from the provision. The projected funding to be provided for was calculated at the time by Gardiner and Theobald after completing an in-depth life cycle review and has been subject to regular reviews within Campus management and externally. Hardies Property and Construction Consultants completed a full review at year 10 to ensure the appropriateness and adequacy of the cost projections and the contribution levels.

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 2021. 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. During the year we have implemented a change in accounting policy which means we will no longer capitalise grouped items and any other spend of less than £3,000. 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.

12. Change in Accounting Policy

As noted in Equipment policy, during the year we have implemented a change in accounting policy which means we will no longer capitalise grouped items and any other spend of less than £3,000. This change excludes those assets bought collectively as part of a discrete project (also as noted in the Equipment policy).

This change stops the grouping of assets that are not subsequently deployed in a group (eg laptops). This is a more reliable and more relevant position – currently we buy laptops in a group and then separate as individual items – this means they are only a group in so far as they are purchased in a group – they are not deployed in a group.

The impact of the change is recorded in note 32.

Notes to the Accounts

	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
1. SFC grants			
SFC recurrent grant (including fee waiver)		9,072	8,749
Estates (maintenance) grants		28	-
Financial Sustainability Funding		279	-
Flexible Workforce Development Fund		172	133
Other SFC grants		238	184
HE & FE childcare funds	28b	32	89
Release of deferred capital grants	18	795	850
		10,616	10,005
2. Tuition fees & education contracts			
Higher education fees – home & EU		338	324
Further education fees – UK		289	369
Skills Development Scotland contracts		549	385
Education contracts		154	306
		1,330	1,384
3. Other grant income			
Release of deferred capital grants – other government	18	329	252
European union funds		4	3
Other grants (revenue & capital)		485	847
UK based charities (revenue & capital)		23	-
JRS Grant		189	215
		1,030	1,317
<ul style="list-style-type: none"> An average of 32 employees were furloughed during the year (last year average 51) 			
4. Other operating income			
Exam & registration fees		3	1
Income from academic departments		9	41
Sundry income		136	153
Catering & residences		23	-
Hire of accommodation & equipment		1,244	1,107
		1,415	1,302
<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
Net return on pension scheme	27	-	-
		-	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 2021 £000	Year ended 31 July 2020 £000
6. Staff costs			
Wages and salaries		7,402	7,077
Social security costs		672	669
Other pension costs (including FRS 102 adjustment)		2,386	2,221
		10,460	9,967
Fundamental restructuring costs		99	86
		10,559	10,053
Teaching departments		4,516	4,562
Teaching and other support services		737	796
Administration and central services		4,584	4,135
Premises		623	474
		10,460	9,967
Fundamental restructuring costs		99	86
		10,559	10,053
Senior post holders emoluments:			
Salaries		267	262
Pension contributions		52	50
Total emoluments		319	312
£			
The above senior post holder emoluments include amounts payable to the Principal of:			
Salary		111,761	109,855
Pension contributions		20,117	19,744
		Number	Number
Average number of full-time equivalent staff, including senior post holders, during the year was:			
Teaching departments		82	85
Teaching and other support services		21	25
Administration and central services		84	82
Premises		18	20
		205	212
		Number	Number
Remuneration of senior post holders, including the Principal (excluding employers' NI and pension contributions):			
£70,001 to £80,000		1	2
£80,001 to £90,000		1	-
£90,001 to £100,000		-	-
£100,001 to £110,000		-	1
£110,001 to £120,000		1	-
		3	3

- 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 2021 £000	Year ended 31 July 2021 Number	Year ended 31 July 2020 £000	Year ended 31 July 2020 Number
Staff costs (continued)				
Staff costs are analysed as:				
Staff on permanent contracts	9,607	170	8,917	175
Staff on temporary contracts	853	35	1,050	37
	10,460	205	9,967	212

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 2021 £000	Year ended 31 July 2020 £000
Teaching departments	586	32	1,226	266	2,110	2,535
Teaching and other support services	7	-	-	-	7	20
Administration & central services	1,402	-	-	-	1,402	1,071
Catering & residences	-	-	-	-	-	54
Premises	1,010	-	-	-	1,010	1,033
Donation to charitable trust	-	-	-	-	-	-
TOTAL	3,005	32	1,226	266	4,529	4,713

	£000	£000
Other operating expenses include:		
External auditors remuneration – external audit of these financial statements	17	16
External auditors remuneration – non audit services	1	3
Internal auditors remuneration – internal audit services	8	9
Operating lease rentals – land, buildings & equipment	123	114

8. Interest and other finance costs

	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
On loans, repayable in more than five years		109	124
Net charge on pension scheme	27	157	171
		266	295

9. Taxation

Neither the College nor its subsidiary company has a current or deferred liability to corporation tax in respect of the year (2020 £Nil).

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
10. Deficit for the year		
The deficit for the year is comprised as follows:		
College deficit	(697)	(955)
Donation to Borders Further Education Trust	-	-
	(697)	(955)

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 2020		12	28,920	4,564	33,496
Prior year adjustment	32	-	-	(876)	(876)
Additions		328	266	96	690
Disposals		-	-	(76)	(76)
Revaluation		-	-	-	-
Reclassifications		(12)	12	-	-
As at 31 July 2021		328	29,198	3,708	33,234
Depreciation					
As at 31 July 2020		-	1,242	3,204	4,446
Prior year adjustment	32	-	-	(611)	(611)
Charge for year		-	897	329	1,226
Disposals		-	-	(56)	(56)
Revaluation		-	-	-	-
As at 31 July 2021		-	2,139	2,866	5,005
Net book value					
As at 31 July 2020	32	12	27,678	1,095	28,785
As at 31 July 2021		328	27,059	842	28,229
Net book value					
Inherited		-	638	-	638
Financed by govt capital grant	18	-	18,242	972	19,214
Other		328	8,179	(130)	8,377
As at 31 July 2021		328	27,059	842	28,229

- 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 (2020 £Nil).

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
The depreciation charge for the period is analysed as follows:		
Depreciation based on cost	401	527
Depreciation based on valuation dated June 2019	825	958
	1,226	1,485
Owned assets	1,154	1,341
Assets held under hire purchase and finance leases	72	144
	1,226	1,485

12. Trade & other receivables

Amounts falling due within one year:

Trade receivables	139	27
Prepayments and accrued income	1,357	759
Amounts due from subsidiary undertakings	-	-
	1,496	786
Amounts falling due after one year	21	13
	1,517	799

13. Investments (assets held for resale)

Assets held for resale as at 1 August 2020	385	585
Impairment	-	(200)
Profit/(loss) on sale	(20)	-
Sale of assets	(365)	-
Assets held for resale as at 31 July 2021	-	385

- The properties – Thorniedean House and Academy Building, Melrose Road, Galashiels, were sold on 03 November 2020 and 15 April 2021 respectively.

14. Cash and cash equivalents

College funds		3,981	3,536
Bursary funds		15	21
Other student support funds		-	-
Endowment funds	21	22	22
		4,018	3,579

15. Creditors: amounts falling due within one year

Trade payables		170	55
Other creditors and accruals		1,781	1,354
HE discretionary funds	28	16	19
Bursary funds	28	110	299
Other creditors (Netherdale)	17	358	341
Deferred capital grants (Government)	18	1,171	1,174
		3,606	3,242

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
16. Creditors: amounts falling due after more than one year		
Other creditors and accruals	955	735
Other creditors (Netherdale)	17 1,749	2,107
Deferred capital grants (Government)	18 18,043	18,669
	20,747	21,511

17. Other creditors (Netherdale)

Amounts falling due within one year	358	341
Amounts due after more than one year	1,749	2,107
	2,107	2,448

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	2021 Other govt	Total	2020 Total
	£000	£000	£000	£000
As at 1 August 2020				
Land and buildings	16,434	2,452	18,886	19,266
Equipment*	269	587	856	585
	16,703	3,039	19,742	19,851
Grants received in year				
Land and buildings	179	-	179	437
Equipment	287	130	417	657
	466	130	596	1,094
Released to Statement of Comprehensive Income				
Land and buildings	720	104	824	817
Equipment	75	225	300	285
	795	329	1,124	1,102
As at 31 July				
Land and buildings	15,893	2,349	18,242	18,886
Equipment	481	491	972	957
	16,374	2,840	19,214	19,843

- * includes prior year adjustment – see note 32

19. Other provisions

	2021 Lifecycle costs - Netherdale £000	2021 Job Evaluation £000	2021 Leasehold dilapidation £000	2021 Restructuring costs	2021 Total £000	2020 Total £000
As at 1 August	922	234	5	86	1,247	1,066
Released to Statement of Comprehensive Income	(48)	-	(5)	(86)	(139)	(40)
Provision	121	-	-	81	202	221
As at 31 July	995	234	-	81	1,310	1,247

20. Pension provision

	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Scottish Borders Council Pension Fund	27		
Scheme assets		28,660	24,659
Scheme liabilities		(40,902)	(35,347)
Deficit in the scheme – pension liability		(12,242)	(10,688)

	Note	Year ended 31 July 2021 £000	Year ended 31 July 2020 £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 *		4,826	4,193
Pension reserve	27	(12,242)	(10,688)
		<u>(7,416)</u>	<u>(6,495)</u>

- * 31 July 2020 includes a prior year adjustment – see note 32

24. Capital and other commitments

No provision has been made for the following capital commitments:

Commitments contracted for		60	346
Expenditure authorised but not yet contracted		-	-
		<u>60</u>	<u>346</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		40	41
Leases that expire between one and five years		52	39
Leases that expire later than five years		-	34
		<u>92</u>	<u>114</u>

Future minimum operating lease payments due:

Land, buildings and equipment

That expire in less than one year		78	93
That expire between one and five years		192	236
That expire later than five years		-	34
		<u>270</u>	<u>363</u>

26. Contingent liabilities

The College had no contingent liabilities at 31 July 2021 (2020 £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).

	2021 £000	2020 £000
The total pension charge is analysed as follows:		
STSS - contributions paid	649	691
LGPS - contributions paid	685	652
LGPS – FRS 102 charge	<u>997</u>	<u>826</u>
	1,682	1,478
Unfunded pensioner payments	<u>55</u>	<u>52</u>
Charge to the Statement of Comprehensive Income (staff costs)	<u>2,386</u>	<u>2,221</u>

Scottish Teachers Superannuation Scheme

Borders College participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits 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.

- (a) Borders College has no liability for other employers' obligations to the multi-employer scheme.
- (b) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.
- (c)
- (i) The scheme is an unfunded multi-employer defined benefit scheme.
- (ii) 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.
- (iii) The employer contribution rate for the period from 1 April 2020 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.
- (iv) 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. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.
- (v) Border College's level of participation in the scheme is 0.11% based on the proportion of employer contributions paid in 2019-20.

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 2021 %p.a.	31 July 2020 %p.a.
Salary increases	3.55%	3.10
Pension increases	2.85%	2.10
Discount rate	1.60%	1.40

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	20.9 years	23.5 years
Future Pensioners	21.8 years	25.4 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 2021	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 2021	31 July 2020
Equities	51%	54%
Bonds	27%	25%
Property	20%	20%
Cash	2%	1%

The College's fair value of plan assets is approximately 3.0% (2020 3.0%).

The current service cost includes an allowance for average administration expenses of 0.2% of payroll. The present value of funded liabilities comprises approximately: £24,548,000 (employee members), £6,704,000 (deferred pensioners) and £8,891,000 (pensioners) as at 31 July 2021.

	31 July 2021 £000	31 July 2020 £000
Charged to staff costs		
Current service cost	(1,747)	(1,530)
Administration expenses	-	-
Past service cost, including curtailments	-	-
Total charged to staff costs	(1,747)	(1,530)
Charge for net return on pension scheme		
Interest on assets	346	507
Interest on cost	(503)	(678)
Net interest charged	(157)	(171)
Charge to other comprehensive income		
Return on assets less interest	3,834	(212)
Other actuarial gains/ (losses)	-	-
Change in financial assumptions	(3,812)	(3,035)
Change in demographic assumptions	356	1,367
Experience loss	(778)	(104)
Actuarial Gain/(Loss)	(400)	(1,983)
Total charge to the Statement of Comprehensive Income	(2,304)	(3,684)

Analysis of the movement in deficit during the year

Deficit in scheme at the start of the year	(10,688)	(7,709)
Service costs	(1,747)	(1,530)
Employer contributions	750	704
Net interest costs	(157)	(171)
Actuarial (loss)/gain	(400)	(1,983)
Deficit at end of period	(12,242)	(10,688)

28a. FE bursaries and other student support funds

	2021 FE bursary £000	2021 EMAs £000	2021 Other £000	2021 Total £000	2020 Total £000
Balance b/fwd	223	-	19	242	66
Allocation received in year	2,304	106	24	2,434	2,170
Expenditure	(2,194)	(106)	(43)	(2,343)	(1,928)
Repaid to funding council as clawback	(223)	-	-	(223)	(66)
College contribution to funds	-	-	-	-	-
Intra-region allocations	-	-	-	-	-
Virements	-	-	-	-	-
Balance c/fwd	110	0	0	110	242

Represented by:

Repayable to SFC as clawback	110	-	0	110	235
Retained by college for students	-	-	0	0	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 2021 £000	Year ended 31 July 2020 £000
Balance b/fwd	76	4
Allocation received in year	32	165
Expenditure	(32)	(89)
Funds repaid to funding council as clawback	(76)	(4)
Virements	-	-
Balance c/fwd	0	76

Represented by:

Repayable to funding council as clawback	0	76
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.

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
B McGrath	SOSE	Director of Operations

Organisation	Income		Balance included in trade receivables	
	2021	2020	2021	2020
Borders FE Trust	£70,868	£46,938	-	-
South of Scotland Economic Partnership	-	-	-	-
Scottish Borders Council	£122,776	£165,042	£(136)	£910
Live Borders	£2,195	£3,491	-	£4,190

Organisation	Expenditure		Balance due included in creditors	
	2021	2020	2021	2020
Scottish Borders Council	£149,677	£252,737	£75,379	-
Live Borders	£9,889	£24,990	-	-

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 2021 £000	Year ended 31 July 2020 £000
Deficit before other gains and losses (FE/HE SORP basis)	(697)	(955)
Add: Non-cash allocation for depreciation (net of deferred capital grant)	102	383
Operating deficit on Central Government accounting basis	<u>(595)</u>	<u>(572)</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 £697k for the year ended July 2021 (2020 £955k). After adjusting for the non-cash allocated provided under government rules, the College shows an 'adjusted' deficit of £595k (2020 adjusted deficit of £572k) on a Central Government accounting basis.

32. Prior year adjustments

A prior year adjustment is required in the year ending 31 July 2020 to Plant & Equipment. This is due to a change in the capitalisation policy affecting laptops and any other grouped items that are individually less than £3,000 – these items have been ungrouped and removed from Fixed Asset Register.

This resulted in changes to the general reserves brought forward into 2020/21, as well as the carrying value of computers.

The prior year adjustment to Plant & Equipment (note 11) is:

	£000
As at 31 July 2020	4,564
Prior year adjustment	<u>(876)</u>
As at 31 July 20 (restated)	<u>3,688</u>
	£000
Depreciation as at 31 July 2020	3,204
Prior year adjustment	<u>611</u>
As at 31 July 20 (restated)	<u>3,815</u>
	£000
Net book value at 31 July 2020	1,360
Prior year adjustment	<u>(265)</u>
Net book value at 31 July 2020 (restated)	<u>1,095</u>

The prior year adjustment to Creditors related to the Deferred Capital Grant release associated with the items above is:

	£000
As at 31 July 2020	(3,242)
Prior year adjustment	<u>102</u>
As at 31 July 20 (restated)	<u>(3,140)</u>

The prior year adjustment to restricted reserves (note 23) is:

	£000
Unrestricted Income & Expenditure reserve at 31 July 20 (prior to restatement)	(6,326)
Prior year adjustment	<u>(169)</u>
Unrestricted Income & Expenditure reserve at 31 July 20 (restated)	<u>(6,495)</u>

Within the prior year adjustments above the impact has been to remove assets at cost of £876k, cumulative depreciation associated with the assets of £611k, and the net book value of £265k. The adjustment to reserves was offset by accelerating the release of £102k held in deferred capital grant.

Appendix 1 – Scottish Funding Council accounts direction

Accounts direction for Scotland's colleges 2020-21

- 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 2020-21 (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 2021.
- 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
3 June 2021

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
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