

ANNUAL REPORT AND FINANCIAL STATEMENT 2022/23

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SECTION 1 – INTRODUCTION

Overview

This section of the financial statements is designed to give an overview of high-level College performance and developments during 2022/23. This information should be considered alongside other sections of these statements in understanding how the financial management and performance supports the College in achieving its high-level outcomes.

Introductory Statement from the Principal

Following the previous three years, which saw the College, its students and other stakeholders significantly impacted by the COVID-19 pandemic, the year 2022-23 saw us return to a relatively normal model, in terms of our delivery of learning and teaching. That said, significant adverse impacts on individuals were still noticeable with many requiring additional support to enable them to effectively engage with learning at the College. Our staff teams rose to this challenge, putting in place a range of mechanisms to ensure student wellbeing and progress, as another cohort of students successfully completed their courses.

A strong, vibrant, sustainable College is a key element in the economic development of the Scottish Borders and the wider South of Scotland. It is therefore important to the local economy that we, in partnership with employers and other key stakeholders, deliver a responsive training offer which is aligned to regional and national priorities. The College is engaged regionally, in the Scottish Borders at the Community Planning Partnership and in the South of Scotland at both the Regional Economic Partnership and the Convention of the South of Scotland

Our BSTEM Sustainable Construction Hub, located in Hawick, continues to develop and is now delivering a range of Sustainable Construction training programmes to industry. 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. Through the use of the Innovation Voucher scheme, we have successfully supported a number of businesses to develop new products and services to assist productivity and growth.

In response to the June 2021 publication of the Scottish Funding Council's (SFC) report "*Coherence and Sustainability: A Review of Tertiary Education and Research*", we are a lead institution in the South of Scotland pathfinder initiative, partnering with both Dumfries and Galloway College and Scotland's Rural College (SRUC) on separate projects. With Dumfries and Galloway College, our South of Scotland Digital Skills Hub will provide seamless learning pathways from school to post graduate qualifications in digital skills. A wide range of stakeholders are involved including employers, Innovation Centres, universities and schools. In further support of the digital economy and, building on our successful cyber security programme, we are now also delivering programmes in e-sports.

In June 2023, with SRUC, we launched our joint Rural Skills Pathways prospectus, defining clear learning pathways for programmes including animal care, equine and veterinary nursing, horticulture and landscaping, conservation, forestry and gamekeeping, and agriculture.

In partnership with The University of Edinburgh and other Edinburgh and South East Scotland City Region Deal partners, we continue to develop and deliver a range of Data Science/Digital programmes.

The College is also engaged with partners in the south of Scotland and north of England to deliver the outcomes of the Borderlands Inclusive Growth Deal, specifically in ensuring the region has the necessary skills to ensure sustained economic development for the communities we serve.

Our effectiveness in delivering for our Region is reflected in our success rates. Following a dip in 2021-22, our student success levels have improved again in 2022-23. We also again ranked in the top quartile in terms of success for our apprenticeship delivery.

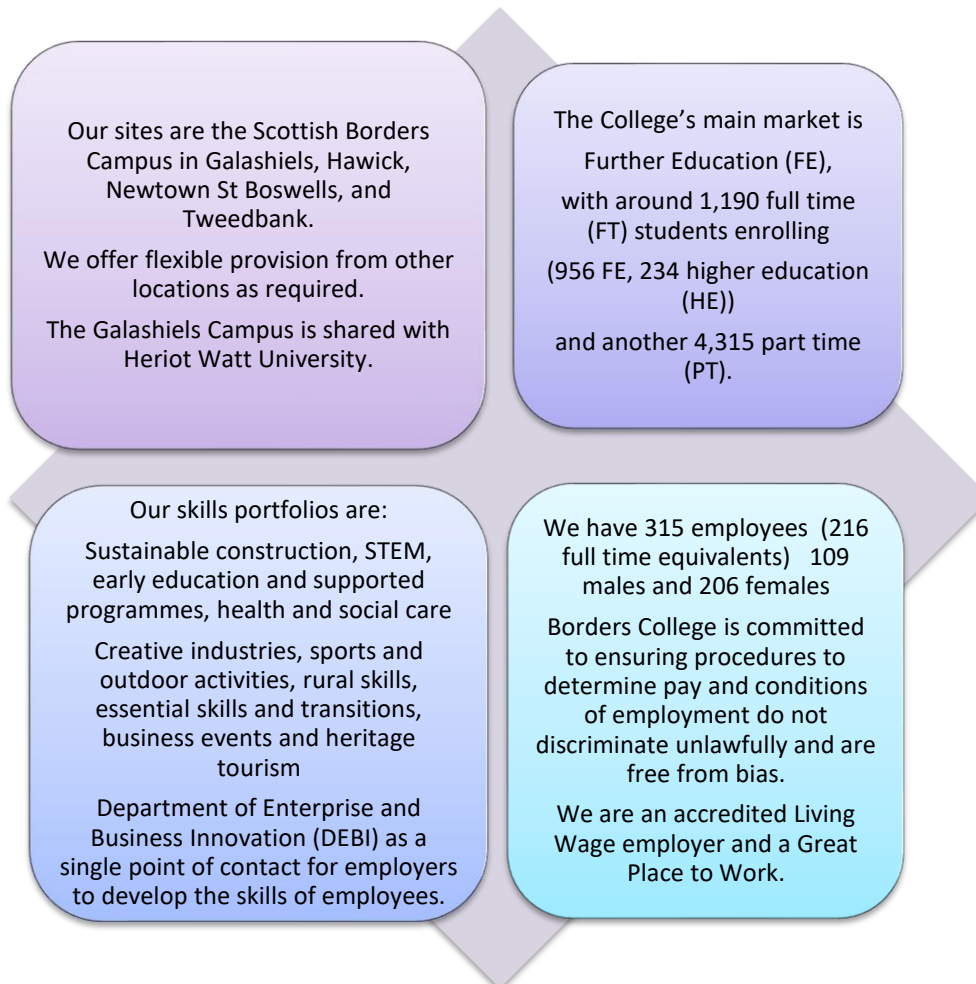
In ensuring and enhancing quality, we know how important it is to reflect and respond to the needs and opinions of our staff, students and stakeholders. We were successful in retaining accreditation as a Great Place to Work in 2023 and our student satisfaction remained very positive at 94%. Our annual engagement visit from Education Scotland was also overwhelmingly positive, and we have already addressed the identified areas for development.

In financial terms, despite the challenging external environment, the College performed significantly better than budgeted, posting a small £50k adjusted operating deficit. This result was achieved as a result of the College's efficient and effective resource planning, supported by a robust monitoring cycle. Looking forwards and considering our current expectations of public funding levels, we anticipate such a result will become more difficult to achieve. That said, we have set a balanced budget for the academic year 2023-24.

Pete Smith, Principal and CEO

Purpose and Activities of the College

The College is the Regional College for Scottish Borders with 74.5% of its funding from the Scottish Funding Council.



College Strategic Ambition

In June 2020, the Board agreed the College Strategic Ambition which covers up to 2025. The Colleges Strategic Ambition is “to continue to be the learning and training provider of choice for employers, students and staff”. The Ambition sets three strategic objectives which guide our work, and our values and behaviours. The Ambition is underpinned with a suite of supporting strategies.

Strategic Objectives

In achieving our ambition, our strategic objectives are:

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.**

Values

Our values underpin who we are and how we behave. Our strategy will be delivered through our values-based culture and contribute to our distinctive approach.

For our students, staff and community, we will be:

Inspiring
Innovative
Collaborative
Inclusive
Empowering



Behaviours

In demonstrating our values, we will:



Annual Priorities

To ensure the College meets its strategic ambitions and objectives an Annual Priority Action Plan is agreed and regular monitoring of actions are reported to the Board. The actions link directly to the agreed strategies. The progress during 2022/23 on the priorities are detailed below:

Workforce Planning

- Developed and delivered a programme of leadership development to managers
- Implemented “My Lifestyle Benefits” programme to support staff, including Green car lease scheme and tech scheme

- Recruitment and retention processes reviewed, in partnership with Scottish Union of Supported Employment to improve opportunities and experiences for disabled individuals.

Business Growth and Employment Engagement Strategy

- Increase numbers of students undertaking international placements with 10 students visiting Canada via the Turing Placement scheme
- Developed and delivered new community and commercial provision
- Implemented additional employer forums
- Further developed Modern Apprentice programme
- Increased commercial offer with curriculum via pathfinder projects in landbased and digital and via funding from Community Renewal Funding.

Future Skills Strategy

- Increased investment in student body to improve student representation with the establishment of 3 paid Vice President roles and establishment of permanent Student Association Support Officer
- Introduced additional support and interventions to reduce student withdrawals
- Continued to embed and increase the use of technology in teaching via use of Virtual Reality and launch of Immersive Classroom.

Asset Management Strategy

- Bids submitted for funding to create scope and develop business case for landbased campus
- Work commenced to establish estate requirements and working with Heriot Watt to understand their future requirements on campus.

Sustainability Strategy

- Global Citizenship embedded within the curriculum and College culture
- Developed further renewables portfolio with additional courses delivered around renewables and plan developed for retrofit qualifications.

Digital Transformation

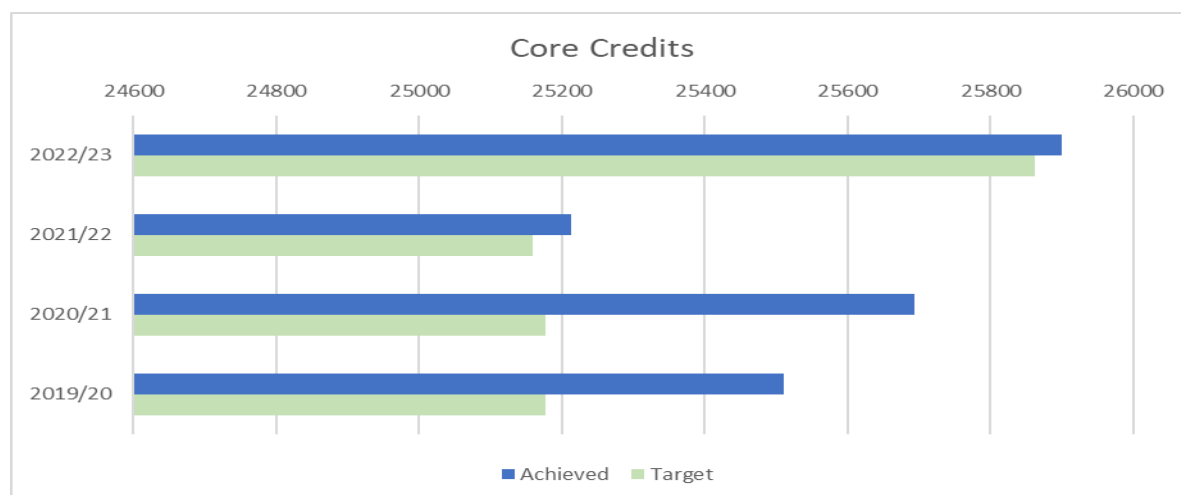
- Student Support and Learning Support data fully integrated into Pro-Monitor, improving data sharing and security.
- Reporting developed from Pro-solutions to improve monitoring of attendance and engagement
- Shared services with Newbattle Abbey College (NAC) fully implemented with NAC purchasing services for student records management including applications and enrolment.

Equalities

- Equalities reporting data improved to ensure data available to inform planning and decision making
- Leadership Development programme delivered to increase awareness and embed further equalities into the culture of the College.

Student Success

Student success is at the heart of the College and is has continued to achieve its core credit outcomes and is generally above the sector average. The table below shows the core credits for the last four years against the outcome agreements targets. During 2022/23 the students attending the College achieved a total 26,747 credits. The College remained above the sector average achievement. More detail on student success can be seen on page 11



The percentage of students overall who are satisfied with their college experience remains high at 94% (Student Experience and Engagement Survey March 2023). Our targets are 90%, a level which is achieved overall and for the majority of the indicators.

Teaching Performance

The College had three engagement reviews by Education Scotland – Safeguarding, Learning & Teaching and Modern Apprentices. All reviews rated as very good with only two areas of development identified. Both areas identified for development have been actioned.

Last academic session the College was engaged with 38 external verification visits from awarding bodies. 35 out of 38 curriculum and vocational qualifications reviewed had no recommendations. 3 out of 38 had minor recommendations and with subsequent support from the quality team all recommendations were fully met within the recommended timescale.

Financial Performance

The College generated a deficit before other gains and losses in the year of £683k (2021/22 - deficit of £1,711k), with total comprehensive net expenditure showing a surplus of £3,917k (2021/22 – net expenditure surplus of £13,474k). This final position is after actuarial adjustments in respect of pension funds which is a gain of £3,245k for 2022/23 (2021/22 – gain of £12,505k).

After transfer of £234k from the revaluation reserve, the cumulative surplus on the Income and Expenditure reserve increased by £2,801k, from £3,434k surplus to £6,235k surplus. Detailed information of the total movement in reserves can be seen on page 46.

The College is reporting total net assets of £13,250k in its balance sheet (2021/22 - £9,333k), which is due to the actuarial gain in respect of Pension Schemes.

Key Risks

The Board has established a Strategic Risk Register, which considers matters which may impact on the College's ability to deliver on its strategic objectives. Risks and mitigating factors are kept under review by the Executive and Leadership Teams monthly and reported to the Board and Committees.

Further detail on the risk register is set out on page 26.

Going Concern

The Balance Sheet at 31 July 2023 shows Net Current Assets of £1.657m (2021/22 £1.894m) and Total Net Assets of £13.250m (2021/22 £9.333m). The SFC has indicated to the College expected funding challenges for future years and has set a flat cash allocation with a 10% reduction in credits for the period 2023/24. The Board has approved a financial plan up to 2023/24 on that basis. The financial plan sees the College operate to a break-even position over that period for 2023/24 and a requirement to identify savings to allow a break even for future years.

The comments on page 29 to these financial statements outline the Board's assessment of going concern. Accordingly, the Board considers that it is appropriate to consider that the College is a "going concern" and these financial statements have been prepared on that basis.

Future Priorities

The College has agreed its key priorities and activities for 2023/24. These priorities link directly to the strategic aims, the outcome agreement and provide further mitigation to the strategic risks. Summarised below are some of the key priorities:

- Re-align curriculum to take account of SFC targets, while also supporting regional and national priorities
- Enhance existing links and develop new and effective links and partnerships to enable increased student placements and reduce reliance on core funding
- Increase opportunities for the student voice to impact and influence College strategy and operational decisions
- Improve clarity of learner pathways and number of opportunities
- Advance plans to optimise College estates
- Enhance functionality and improve resilience of communications network
- Through the implementation of pro-monitor and the re-alignment of Student Support Services, increase success rates for our most vulnerable students
- Deliver further CO2e reductions toward goal of Net Zero
- Enable Stakeholders to make a positive contribution to environmental sustainability
- Deliver a staff training and development programme to support our value-based culture and ensure our people are supported in developing their skills
- Further embed Equalities as part of our inclusive culture.

SECTION 2 – PERFORMANCE ANALYSIS



Introduction

This section of the report provides a detailed analysis of the College's performance against financial and non-financial indicators and gives a commentary on the key financial outcomes for the year, with figures extracted from the Balance Sheet as well as the Statement of Comprehensive Income and Expenditure for the year.

It defines the relationships between the College's national and regional drivers, its Strategic Plan, performance measurement framework and risk register. It also discusses the College's wider performance in relation to environmental and social matters.

Academic Performance

Borders College Strategic Ambition 2020-2025 sets out how we will respond to our regional and national socio-economic priorities. As a progressive organisation, the College is part of a number of innovation and economic development projects, working alongside key partners, universities and an extensive network of employers.

Borders College works collaboratively with the Scottish Funding Council (SFC) and Education Scotland (ES) to plan and manage adjustments and support improvement. This collaboration supports our strategy in ensuring that our student outcomes are in the top quartile of colleges nationally.

Mode	Level	20/21	21/22	22/23	21/22 Sector Average	Variance from 21/22	Variance from sector average
Learner Success							
Full Time	FE	69.7	63.0	68.2	59.05	5.2	9.1
Full Time	HE	75.6	65.5	65.6	62.52	0.1	3.1
Part Time	FE	84.7	72.2	76.4	78.83	4.2	-2.4
Part Time	HE	89.1	85.4	88.5	78.83	3.1	9.7
Leaner Partial Success							
Full Time	FE	5.4	8.4	7.3	11.69	-1.1	-4.4
Full Time	HE	8.0	12.4	13.1	13.86	0.7	-0.7
Part Time	FE	5.3	18.8	13.7	13.00	-5.1	0.7
Part Time	HE	5.1	6.6	1.4	11.68	-5.2	-10.3
Total Withdrawals							
Full Time	FE	24.9	28.6	24.5	29.2	4.1	-4.7
Full Time	HE	16.4	22.1	21.2	23.6	0.9	-2.4
Part Time	FE	10.0	9.1	9.9	11.0	-0.8	-1.1
PT	HE	5.8	7.9	10.2	9.5	-2.3	0.7

(the 2022/23 numbers are still to be finalised due to ASOS and audit review).

The College continued to perform well in Foundation Apprenticeships providing apprenticeships across seven subjects areas to 113 students during 2022/23, with approximately 10% entering onto fast track awards which enable them to complete the full award within one academic year.

Key Curriculum Development during 2022-23

The College has seen an improvement in success rates and a general reduction in withdrawals. The Board approved key priorities as part of the 2022/23 regional outcome agreement. Work on the priorities has progressed during the year and has contributed to the continued student success and levels of student satisfaction. Below highlights some of the progress:

Fair Access & Transitions

- Developed and launched a joint prospectus for learning and innovation with clear learning pathways for new and existing employees in the land-based industries.
- Reintroduced HNC Electrical Engineering with an articulation for advanced standing to a local university
- Introduced a 'Find your Vibe' course to enable individuals who left school without a positive destination to make an informed decision in their future
- Increased the number of Senior Phase pupils undertaking a Foundation Apprenticeship by 53%
- Introduced a new Tracking and Monitoring system to review student attendance and progress and to enable staff to develop strategies to support our students to be successful. This resulted in a reduction of early withdrawals for FT FE by 1% and FT HE by 1.5%
- Maximised SFC support funds to help students combat the rising costs of fuel, utilities, food and other living costs. A total of £690k has been disbursed to date, supporting some 456 individuals
- Global Citizenship embedded into curricular delivery and staff and students are nominated by their peers or colleagues and recognised for their achievements.
- Ten students engaged in an exchange programme with Centennial College Toronto, and experienced a two-week placement as part of the 'Turing Project'.

High Quality Learning Teaching & Support

- Investment in Borders College Student Association (BCSA) has resulted in an increase of over 50% in students
- Improved Curriculum Plan and aligned to regional need
- Introduced equalities 'dash board' to enable staff to utilise equalities data to provide targeted support to students who have been identified as at risk of non-achieving. As a result, early withdrawals for female students (including Trans women) has dropped significantly from 19% to 11.37%. Early withdrawal rate of female students living within SIMD10 has dropped from 16.46% in 2021/22, to 11.11% in 2022/23, and for those living in the 20% most deprived areas, early withdrawal has dropped from 6.48% in 2021/22, to 5.83% in 2022/23. Early withdrawal for care experienced students has dropped from 7.75% in 2021/22, to 4.6% in 2022/23
- Introduced a 'survive and thrive' campaign at the start of the academic session
- Introduced 'resilience training' for all full-time students at the start of the academic session as part of our Global Citizenship campaign

- Piloted the new College calendar within the Land-based department. This promoted students and staff the time to reflect and focus on targeted support.

Partnership, Participation and Student Experience

- Investment in the student's association enabled the appointment of a Student Support Officer to BCSA and two new paid vice presidents
- Increased our number of class representatives to 50
- The student's association developed two student surveys to reengage with students on matters that are relevant to their success at Borders College. The Student's Association significantly increased participation in student surveys, making us the 5th in Scotland in encouraging students to complete the 'NUS BIG Survey 2022' out of colleges and universities as we received 113% of our expected response rate.

Learning with impact

- In partnership with Scotland's Rural Agriculture College (SRUC) and South of Scotland Enterprise (SOSE) developed and launched a joint prospectus. This has resulted in an improved alignment of provision against societal and employer needs and greater pathways for rural skills in the South of Scotland. The joint prospectus can be found [here](#)
- Worked in partnership with Napier University in the development of a 2 + 2 degree programme in Business Management
- Introduced new automotive courses to enhance employment opportunities for our students
- Continued to be the 4th largest provider of Modern Apprenticeships in Scotland
- Invested in a 360-degree immersive classroom to provide our students with an enhanced learning experience across all areas of the curriculum
- Introduced new computing and e-sport courses to reflect the digital needs of the region
- Enhanced delivery in sustainability and retro-fit delivery to meet the needs of our students and partners.

Equalities, diversity and inclusion

The College has embedded equality, diversity and inclusion into the heart of what it does. The bi-annual Equality Mainstreaming Update Report was endorsed by the Regional Board on 9 March 2023. The College also has an Equality Outcomes Action Plan which details keys agreed action which will further enhance equality, diversity and inclusion for students and staff.

The implementation of the Action Plan has progressed with some of the key actions listed below. The full report is available [here](#)

- Launch of Menopause Café, receiving positive feedback and having a positive impact on mental health and well being of those who attended
- Enterprise events raised profile of female entrepreneurs
- Wellbeing session delivered to students during induction period
- Awareness training delivered to 178 attendees across range of areas including Dyslexia, Tourette's, Menopause, Trans and Gender-based violence
- Respect campaign for staff and students released video in Nov 2022
- Welcome sessions and online student induction provided opportunities for staff to share key messages on the Colleges approach to equality, inclusion and Global Citizenship.

The hard work of the College was recognised at the Apt Awards with Amy Brydon being awarded “Diversity Champion” as an individual who has led the way in their organisation on EDI initiatives.

Net Zero and Sustainability

Borders College is committed to working towards a more sustainable world, and over the last eleven years has implemented big projects and little actions, which together have resulted in a significant reduction in our carbon emissions. Borders College continues on this sustainability journey, with net-zero by 2045 as the ultimate destination. The strategic objectives are:

- Influence positive, sustainable behaviours across the wider community
- Develop awareness of, and implement, good sustainable practice in all of our learning programmes
- Promote sustainable innovation and the adoption of technological breakthroughs with our employers and students
- Adopt best ethical, sustainable and social practice in our operations and supply chain.

The implementation of the strategy has continued across both the estate and the curriculum. Key activities completed during the period are summarised below. The full report which was presented to the Regional Board on 1 December 2022 is available [here](#).

- Completion of feasibility studies and development of funding application to remove gas as the primary/secondary heating source
- New waste management contract awarded which will ensure the College will be zero to landfill from 2023
- Car fleet now 100% electric
- Sustainability embedded in procurement exercises
- Climate Change and “Sustainability and me” modules included in student induction
- Short course developed and delivered for Sustainable Awareness, EV charging installation, Carbon warrior, Renewable awareness and many others
- Development of assessment template to base lining of curriculum against the 17 Sustainability Development Goals
- Development of a sustainability calendar which highlights and encourages changes to behaviours in different areas each month throughout the year.

To date the College has seen a 46% reduction in its annual carbon emissions from the 2015 base line.

The College remains at the forefront of sustainability across the College sector and was recognised both within the UK and internationally by winning the Green Gowns – 2030 Climate Action. The category recognised institutions with clear plans on how they will reach net zero emissions and looked for innovative ideas and approaches being taken in its implementation.

Financial Performance

The financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting and Higher Education 2019 Edition, the Financial Reporting Standards FRS102 and the 2022-23 Government Financial Reporting Model

(FReM) issued by HM Treasury and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

The full financial statements are detailed in section 5 of this document. The following table gives a summary of key financial and operating information.

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.

	2022/23 £000	2021/22 £000
<i>Deficit before other gains and losses</i>	(683)	(1,711)
Add back:		
<i>Depreciation (net of deferred capital grant release)</i>	220	201
<i>Impairment – note 1</i>	-	-
<i>Net service cost pension adjustment – note 2</i>	598	1,685
<i>Net interest cost pension adjustment – note 3</i>	67	209
<i>Donation to Arm's Length Foundation – note 4</i>	-	200
Deduct:		
<i>Cash Budget for Priorities - Revenue funding allocated to loan repayments</i>	252	252
Underlying operating (deficit)/surplus	(50)	332

Notes for adjusting items:

1. Depreciation does not have a cash impact on the College and capital expenditure will largely be funded by government grants, therefore the charge is taken out. See note 11 for depreciation and note 18 for deferred capital grants.
2. The adjustment to the pensions charge represents the total charged to staff costs less cash contributions paid. See note 27.
3. The net interest cost is the interest accumulated on the pension asset/liability and this is offset against the current year's interest earned on pension assets. See note 27.
4. The donation to Arms Length Foundation during 2021/22 was a donation of the generated surplus to the Borders Further Education Trust. No donation has been made during 2022/23.
5. Cash budget for priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted. See table of cash budget for priorities spend. This relates to the purchase of the Scottish Borders Campus in 2009 from Heriot Watt University.

Treasury Management

The College is classified as a public body and is required to conduct all its banking with the Government Banking Service currently operated by the Royal Bank of Scotland. The College is required to minimise the cash balances it holds with excess deposited within the Government Banking Service. The cash position is reported to the Scottish Funding Council and Finance & Resources Committee of the College on a regular basis. The average

monthly cash balance held by the College during 2022/23 was £3,988k (£4,128k 2021/22). The largest element of the cash balance held is for the Life Cycle Maintenance Fund.

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.

	31 July 2023 £000	31 July 2022 £000
Loan Repayments	252	252
Total Capital	252	252
Total Cash Budget for Priorities spend	252	252

Creditor Payment Policy

The College complies with the CBI prompt payment code and has a policy of paying its supplies within 30 days of invoice unless the invoice is contested. The average payment period during 2022/23 was 23 days (32 days 2021/22). At the time of writing, no interest has been paid under the late payment of Commercial Debts (interest) Act. All disputes are handled as quickly as possible.

Signed

Pete Smith
Principal and CEO

SECTION 3 – ACCOUNTABILITY REPORT



Corporate Governance Report

Introduction

The Corporate Governance Report explains the College's governance structures and how they support the achievement of the College's strategic goals. The report incorporates:

- Directors' Report
- Statement of Board Responsibilities
- Governance Statement
 - Statement of Compliance
 - Governance Structure
 - Corporate Strategy
 - Boards Statement of internal control
 - Going Concern.

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 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. In line with good governance practice, the Board has appointed one of its members as "Senior Independent Member" to whom any member of the Board can refer to seek advice or to raise any matters of concern.

The Board Secretary maintains a register of financial and personal interests of members, in so far as these relate to the activities of the College. The register is available on the Regional Board website via the [enclosed link](#)

The table below lists the Board members for 2022/23.

Name	Date of Appointment	Date of Resignation	Status of Appointment	Committees Served
R McCowan	01/02/22		Chair	
A Cox	30/01/17	04/09/22	Principal	Finance & Resources Curriculum, Quality & Student Experience
P Smith	05/09/22		Principal	Finance & Resources Curriculum, Quality & Student Experience
D Peace	Reappointed 01/03/19	23/02/23	Independent Member – Vice Chair. Senior Independent Member	Audit
D Black	16/02/19	15/02/23	Academic Staff Member	Curriculum, Quality & Student Experience
A Buckenham	15/02/23		Academic Staff Member	Curriculum, Quality & Student Experience
P Cathrow	18/01/21		Independent Member	Curriculum, Quality & Student Experience
C Gillie	18/01/21		Independent Member	Audit
D Johnson	01/06/18	17/11/22	Independent Member	Curriculum, Quality & Student Experience
S Prentice	Reappointed 18/06/21	17/06/23	President, Student Association	Curriculum, Quality & Student Experience
J McBeath	01/02/19		Independent Member, Vice Chair. (24/2/23)	Curriculum, Quality & Student Experience
A McKerracher	01/07/21		Support Staff Member	Audit
L Mirley	18/01/21		Independent Member	Finance & Resources
L Parkes	Reappointed 01/03/19	28/02/23	Independent Member	Finance & Resources
D Roberts	01/07/22		Independent Member	Curriculum, Quality & Student Experience
V Key	01/07/22		Independent Member, Senior Independent Member (24/2/23)	Audit
U Mbaezue	01/07/22		Independent Member	Finance & Resources
B Quinn	01/07/22		Independent Member	Finance & Resources
P McGreal	01/07/22	20/06/23	Independent Member	Audit Curriculum, Quality & Student Experience
P Macdonald	01/04/23		Independent Member	Audit
S Hamilton- Green	01/04/23		Independent Member	Finance & Resources

The Executive Leadership Team is responsible for the day to day management of the College activities and operations. The table below details the Executive Team members at 31 July 2023.

Designation	Name
Principal	Pete Smith
Vice Principal Student Experience	Anne-Marie Sturrock
Vice Principal Finance & Corporate Services	Kirsty Robb
Executive Director – Enterprise & Business Innovation	Jane Grant

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 authority and processes to committees. These committees are accountable to the Board. The committees and a summary of their terms of reference are shown on page 22.

The Principal is responsible for reporting to the Board any material weaknesses or breakdowns in internal control. 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 20 April 2023, which confirmed that controls have been, and are, working well. There were no significant matters arising in the College which would require to be raised specifically in the governance statement.

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.

Governance Statement

Introduction

Borders College is committed to exhibiting good practice in all aspects of corporate governance. This governance statement is written to assist the reader of the financial statements understand how the principles have been applied.

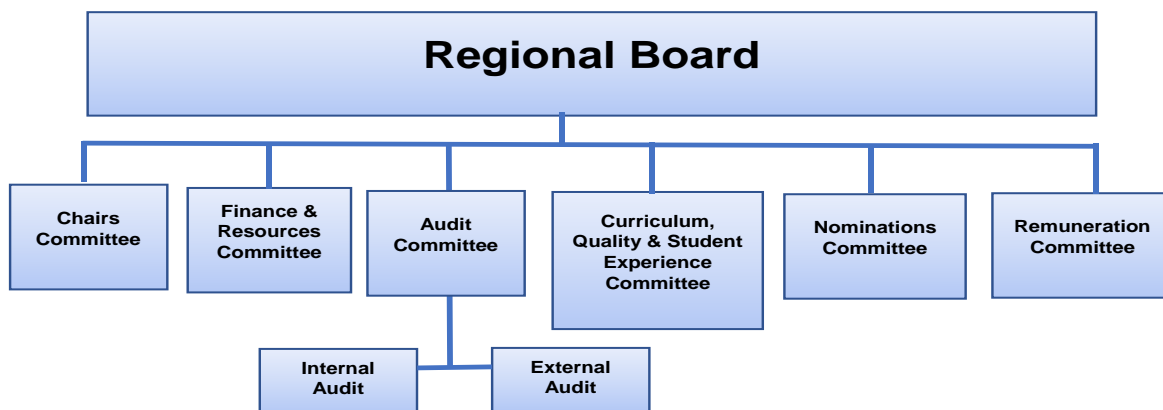
This governance statement supplements the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in the College in the year to 31 July 2023 and reports the Boards assessment of the effectiveness of these arrangements.

Statement of Compliance

The Board complies with all the principles of the 2016 Code of Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2023.

Governance Structure

The Board operates a formal structure of Board and Committee meetings with clear terms of reference for each Committee. The structure is shown in the diagram below.



The Board and all Committees are supported by clear agendas, minutes and supporting papers, reports and information. These all support good planning, decision making and governance.

Agendas and reporting cycles have been developed and agreed to ensure the Board and Committees can review and monitor the College's effectiveness, progress and performance against key priorities.

Committee	Responsibilities
Audit Committee Chair C Gillie	<ul style="list-style-type: none"> • Agreeing the internal audit work programme, considering their and SFC reports as they affect the College • Monitoring of audit recommendations • High level review of the arrangements for internal control, including risk management, FOI, GDPR and procurement, obtaining the relevant degree of assurance • Meeting with the internal and external auditors • Approval of Financial Regulations
Finance & Resources Committee Chair L Mirley	<ul style="list-style-type: none"> • Monitor the financial management, including treasury management strategy and financial plans • Recommends the annual budget to the Board and receives Business Review reports comparing actual and budget, and other financial indicators • Asset Management and HR strategy development, monitoring and review • Approval of spend between £100,000 and £249,999
Curriculum, Quality & Student Experience Committee Chair D Johnson/P Cathrow	<ul style="list-style-type: none"> • Oversee the quality and standard of the curriculum provision • Monitor the direction and performance of the Future Skill Strategy and the Business Growth & Employer Engagement Strategy. • Approve the Outcome Agreement and Evaluation & Enhancement Plan.
Remuneration Committee Chair L Parkes/V Key	<ul style="list-style-type: none"> • Determine the remuneration and performance framework for the most senior staff, including the Principal • Review redundancy terms and conditions as required
Chairs Committee Chair R McCowan	<ul style="list-style-type: none"> • Advise on selection/appointment of Principal & Board Secretary • Consider proposed severance packages • Manage grievance procedure for staff where grievance against the Principal
Nominations Committee Chair R McCowan	<ul style="list-style-type: none"> • Determine and oversee process for recruitment of members

Board Effectiveness

The Board actively evaluates its own effectiveness via an appraisal system which 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.

In accordance with the 2016 Code of Good Governance for Scottish Colleges, Board evaluation arrangements are supplemented every 3-5 years by a comprehensive externally facilitated evaluation of Board effectiveness with a resulting development plan. An external evaluation was undertaken in 2021 and approved by the Board at its meeting in March 2021. The report is available on the Regional Board website [here](#).

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.

A self-evaluation survey is also completed by each Board Member. The results of the self-evaluation survey were incorporated into the Board Development and Enhancement Plan 2022-23 which was approved by the Board on 17 October 2022.

The table below details the attendance of Members at the Board and Committee meetings

Name	Board	Audit	Finance & Resources	Curriculum & Quality
R McCowan	5/5			
P Smith	5/5		4/4	3/4
D Peace	4/4	3/3		
D Black	1/3			1/2
A Buckenham	2/2			2/2
P Cathrow	4/5			4/4
C Gillie	5/5	4/4		
D Johnson	1/3			1/2
S Prentice	0/5	0/4	0/4	
J McBeath	4/5			3/4
A McKerracher	5/5	4/4		
L Mirley	4/5		4/4	
L Parkes	4/4		3/3	
D Roberts	5/5			2/4
V Key	5/5	4/4		
U Mbaezue	5/5		4/4	
B Quinn	4/5		4/4	
P McGreal	2/4	1/2		1/2
P MacDonald	1/1	0/1		
S Hamilton-Green	1/1		1/1	

The Nominations Committee met once during 2022/23.

The Remuneration Committee did not meet during 2022/23.

The Chairs Committee met twice during 2022/23.

Appointments to the Board

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.

During the period seven members of the Board have resigned and seven new members have joined. The details of these can be found in the table on page 19.

Corporate Strategy

The Board has responsibility for the on-going strategic direction of the College, for the approval of major developments and for the receipt of regular reports from the College Executive on the day to day operations of its business and progress on the strategic aims.

In respect of its strategic and development responsibilities, each year the Board holds joint development events with the College Executive and Senior Leadership team. During 2022-23 two events were held focusing on the role of the College in delivering economic recovery, risks to the College and scenario planning for the future. The events included input from South of Scotland Enterprise and a facilitated session with Economic Recovery Group.

Board Statement of Internal Control

The Board takes its responsibilities for internal control and its effectiveness very seriously. These systems are designed to manage rather than eliminate the risk of failure of achieving the business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 it is personally responsible, in accordance with responsibilities in the Financial Memorandum between Borders College and the SFC.

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

- A strategic ambition 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 Audit 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 programme and 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 Board operates a clear scheme of delegation and financial procedures that strengthen and inform internal control arrangements. These are reviewed regularly, with the Financial Regulations being revised and approved during 2022/23. The revision has improved the alignment of the Financial Regulations to the revised Terms of References for the Audit and Finance & Resources Committees and to the financial responsibilities and delegated thresholds with day to day management and leadership responsibilities.

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:

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

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:

- An assessment of whether or not the internal controls are reliable as a basis for producing the financial accounts
- A review of the College's procedures in place to promote and secure value for money
- 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

- A review of accounting and other information provided to management
- Compliance and substantive audit testing where appropriate.

The Audit Committee also receive regular reports from the College's Internal and External Auditors. During 2022/23 the Internal Auditors undertook the following reviews;

Audit Area	Conclusion	Number of recommendations (& action grades)			Recommendations outstanding
		Low	Med	High	
Education Maintenance Allowance	n/a	-	-	-	-
Student Support Funds	n/a	-	-	-	-
Credits	n/a	-	-	-	-
Equality & Diversity	Strong	1	-	-	-
Payroll	Strong	-	-	-	-
Complaints Handling	Strong	2	-	-	-
Estate Management	Strong	1	-	-	-
IT Disaster Recovery	Strong	-	-	-	-
	Total	4	-	-	-

All recommendations and actions identified during the 2022/23 audits have been fully implemented. There were six recommendations from previous years audits which had been incomplete at 31 July 2022. These have been fully implemented during 2022/23.

The report for 2022/23 includes their independent opinion on the adequacy and effectiveness of the College's system of risk management, control and governance processes. Their opinion is systems of internal control have been in place in Borders College for the year ended 31 July 2023 and up to the date of approval of the annual report and financial statements. A link to the full report presented to the Audit Committee on 5 October 2023 can be found [here](#).

Risk Management

The Board, in conjunction with the Executive Team, maintains a Strategic Risk Register. The register identifies the most significant risks to the College. Risks are identified, analysed and evaluated. Existing controls are detailed, and additional actions agreed to reduce the risk score and bring in line with the agreed target score.

The Board and committees receive the full register at each meeting. Individual risks are shown at current and target rating. 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.

All Committee and Board reports are required to consider links to Strategic Risk Register and to consider the implications of decisions. The table below summarises the current Strategic Risk Register.

	Risk theme	Target	Rating
Customer / Student	1a Delivery model - changes to political environment	6	6
	1b Alumni skilled, resilient and agile – impact of COVID	4	4
	1c Alumni skilled, resilient and agile – practice reflects need	6	6
Financial	2a Financial plan and in year targets	6	16
Internal process/ compliance	3a Maximize technology deployment	6	6
	3b Breakdown in internal controls	6	6
	3c Protection from cyber risk	10	12
Organisational capacity	4a Motivated, engaged and capable staff	4	6
	4b Inadequate governance arrangements	2	2
	4c Turnover in Executive team	2	4

The Risk Register is reviewed monthly by the Senior Leadership Team and updates on key actions agreed are provided to the Committees for risks assigned to them. The full register is also provided to the Board twice a year.

The Risk Register is currently being reviewed to allow additional transparency and scrutiny of all risks. Initial work has been undertaken during June with a view to establishing an agreed risk appetite and key mitigation actions, which will be monitored by the assigned Committees and Board.

The Board recognises the increased financial risks facing the Education sector due to pay uncertainty, inflationary pressures and reducing funding. Additional scrutiny and monitoring has been included to reflect the high level of risk.

Data Security

All staff are required to undertake IT Security and Data Protection training on induction and refresher within two years. During the annual staff review staff are instructed to refresh where necessary. During 2022/23 additional training was given to the Wider Leadership Team and a news article was included in the April 2023.

There were no reportable data events during 2022/23 (last year nil).

Audit Fees

The table below details the audit fees paid to internal and external auditors

	2022/23	2021/22
Internal Audit – Wylie & Bisset	10,585	10,220
External Audit -Azets Audit Services	25,210	17,995

Additional fees of £4,395 (plus VAT) were paid to Azets during 2022/23 (£1,300 in 2021/22) for VAT advice.

Review of effectiveness

The Principal has responsibility for reviewing the effectiveness of the system of internal control. His 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 his 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 review is also undertaken by Officers annually of key internal controls, this review provided the assurance required for the completion of the Certificate of Assurance to the Scottish Funding Council on 17 May 2023. A plan is in place to address weaknesses and ensure continuous improvement.

Based on the Strategic Ambition, the College develops annual priorities and undertakes a comprehensive review of risks. They identify specific actions that should mitigate the adverse impact and exploit positive uncertainty. Internal controls are implemented and the subsequent year's appraisal will review the effectiveness of risk mitigation. In addition to the annual review, the Senior Leadership Team 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 November 2023 meeting, the Audit Committee carried out the annual assessment for 2022/23 by considering documentation from senior management and internal audit and taking account of events since 31 July 2023. The Audit Committee provide assurance to the Board via an Annual report to the Board from the Audit Committee

Significant Control Issues/Weaknesses

In completing this governance statement there have been no exceptions or issues raised for inclusion by internal or external auditors in respect of significant issues/weaknesses.

Going Concern

In accordance with the FReM, the College has prepared its financial statements on a going concern basis as we have not been informed by the Scottish Government through the Scottish Funding Council of the intention for dissolution without transfer of services or function to another entity of the Higher and Further Education provision. The going concern assessment is focussed on the short term (next 12 months). The Board has approved a 2023/24 budget which based on the latest assumptions will provide a break-even position.

The activities of the College are nearly 75% funded by the Scottish Government through the Scottish Funding Council to provide Higher and Further Education. The Regional Board and the Executive Team are responsible for ensuring that these funds are used to meet this purpose and the operations within the College to achieve this support ensuring financial sustainability for the College. 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 2023/24.

The Board and the Finance and Resources Committee have had full sight of all financial forecasts. These forecast positions will continue to be regularly reviewed by the College. Mitigating actions are being established should they be necessary to implement to support, and include:

- Ongoing engagement with SFC and other external agencies within the education landscape to support economic recovery and secure funding sources through the College to provide education and training activities to individuals and businesses.
- Review of staffing structures and the non-staff cost base across the forecast period to align with rising costs and real time funding cuts as indicated within SFC funding assumptions.
- Rigorous budgeting, forecasting and ongoing reporting against budget.
- Ongoing drive for year on year operational efficiencies, including opportunities to rationalise the estate.
- Streamlining business processes and systems using technology and digital skills.
- Maximising income from commercialisation.

The longer-term financial position for the College is, as with many areas of the public sector more challenging. The Regional Board acknowledges these challenges and is working with Scottish Funding Council and the Senior Leadership Team to develop longer term plans to meet these challenges.

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 2023 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.

Remuneration and Staff Reports

The remuneration of senior staff, Board members and other public appointees is outlined as follows and has been audited by the College's auditors. Remuneration policy, sickness absence data, equalities, diversity & inclusion, disability, staff involvement, health & safety, and disclosures under The Trade Union (Facility Time Publication Requirements) Regulations 2017 are not subject to audit.

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

The following table provide detail of the remuneration and pension interests of senior management:

Name & Role	Year ended 31 July 2023			Year ended 31 July 2022		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£000's	£000's	£000's	£000's	£000's	£000's
R McCowan – Chair (from 1/2/22) (Full year value)	20-25	-	-	10-15 (20-25)	-	10-15
A Cox - Principal (to 4/9/22) (Full year value)	10-15 (110-115)	0-5	10-15	110-115	40-45	155-160
P Smith – Principal (from 5/9/22) (Full year value)	100-105 (110-115)	135-140	240-245	N/A	N/A	N/A
J Grant – Exec Dir of Enterprise & Business Innovation (from 7/12/21) (Full year value)	70-75	25-30	100-105	45-50 (70-75)	15-20	60-65
H Anderson – Vice Principal Curriculum & Student Services (to 19/4/22) (Full year value)	-	-	-	50-55 (76-80)	-	50-55
A M Sturrock – Vice Principal Student Experience (from 9/5/22) (Full year value)	70-75	-	-	15-20 (70-75)	15-20	30-35
H Robertson – Vice Principal Finance & Corporate Services (to 31/7/22)	-	-	-	80-85	40-45	120-125
K Robb – Vice Principal Finance & Corporate Services (from 27 Sept 22) (Full year value)	60-65 (70-75)	120-125	185-190	N/A	N/A	N/A

1 Note:

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

Remuneration of senior post holders

Details of the remuneration of senior post holders is set out in Note 6 to the accounts, on page 54.

There were no payments to senior post holders in relation to compensation of early retirement or loss of office in 2021/22 or 2022/23.

There were no payments to past senior post holders in 2021/22 or 2022/23.

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.

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 officials on the same basis as all other staff. The accrued pension benefits for senior officers are set out in the table over, together with the pension contributions made by the College.

Name & Role	As at 31 July 23		1 Aug 2022 to 31 July 23		At 31 July 23	At 31 July 22	Real increase in CETV £000's
	Accrued Pension at Pension Age £000's	Accrued lump sum at pension age £000's	Real increase in pension £000's	Real increase in lump sum £000's	CETV £000's	CETV £000's	
A Cox - Principal to (4/9/22)	10-15	-	0-2.5	-	206	153	52
P Smith – Principal (from 5/9/22)	55-60	-	5-7.5	5-7.5	1,192	943	250*
J Grant – Exec Dir of Enterprise & Business Innovation (from 7/12/21)	0-5	-	0-2.5	-	46	17	29
A M Sturrock – Vice Principal Student Experience (from 9/5/22)	20-25	50-55	-	-	399	399	-
K Robb – Vice Principal Finance & Corporate Services (from 27/9/22)	35-40	-	5-7.5	7.5-10	794	549	245*

*Note P Smith and K Robb joined the College with existing LGPS pension service.

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.

Exit Packages

12 employees (2022 – 23) left under voluntary exit terms during the year. They received a total payment of £176,383 (2022 - £56,841). The table below shows the packages by cost band.

Bands	Year to 31 July 2023			2022
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Total number of exit packages by cost band
<£10,000	-	6	6	1
£10,001 - £25,000	-	3	3	1
£25,001 - £50,000	-	3	3	1
Total number of packages	-	12	12	3
Total cost (£)	-	176,383	176,383	56,841

Payment for loss of office

There were no additional payments incurred for loss of office.

Fair Pay

Colleges are required to disclose the relationship between the remuneration of the highest paid official and the median remuneration of their workforce. The 25th and 75th percentiles have also been included in the table below with comparators for previous year. The ratios are between the highest earning directors total remuneration and the ratio. Data has been provided for comparison to the median salary only as there have been no benefits paid.

	2022/23 £	2021/22 £	% Change	2022/23 Ratio	2021/22 Ratio
Highest paid official total remuneration (fte)	115,000	112,944	1.8	-	-
Lowest paid official (fte)	19,838	18,018	10.1	-	-
Staff average (salary & allowances)	22,040	21,247	3.8		
Ratios – salary only [no additional allowances before tax were paid to College staff]					
Median	34,465	31,494	-	3.3	3.6
25th percentile	23,768	23,768	-	4.8	4.7
75th percentile	43,357	43,357	-	2.7	2.6

The College is an accredited Living Wage Employer. The large % change in the lowest paid official reflects the increase in the National Minimum Wage; no other pay awards have been agreed yet for 2022/23

Number of senior managers by band

Remuneration (actual) of senior post holders, including Principal (excluding employers' NI and pension contributions) are summarised in the table below. The posts in the lowest band are due to part year payments.

Band	2023	2022
£10,001 to £20,000	1	1
£20,001 to £30,000		
£30,001 to £40,000		
£40,001 to £50,000		1
£50,001 to £60,000		1
£60,001 to £70,000	1	
£70,001 to £80,000	2	
£80,001 to £90,000		1
£90,001 to £100,000		
£100,001 to £110,000	1	
£110,001 to £120,000		1
Total	5	5

Salaries and related costs

	Year to 31 July 2023			Year to 31 July 2022
	Directly employed staff	Seconded and agency staff	Total	Total
Wages and salaries	7,991,782	429,774	8,421,556	8,215,516
Social security costs	765,238		765,238	751,281
Other pension costs	2,158,489		2,158,489	3,186,917
Total	10,915,509	429,774	11,345,283	12,153,714
Average number of FTE	206.2	8.4	214.6	224.4

The College employed 109 males and 206 females during 2022/23. At the time of approval of the Remuneration and Staff Report, senior management comprised three females.

Voluntary staff turnover for 2022/23 was 12%, last year 15.5%.

Sickness absence

The total number of days lost per full time equivalent (FTE) to sickness absence during 2022/23 was 11.3 days (2021/22 was 17.7 days), a decrease of 6.4 days from last year. This decrease is due to a reduction in long term sickness absence.

Employment Policies

During 2022/23 the College took part in a Public Social Partnership mission to reduce the Disability Employment Gap. Working with partners in Scottish Government and the Scottish Union of Supported Employment. The College carried out a review of recruitment processes and a Digital Recruitment review with an aim to increasing access, employment, support and

retention of disabled staff. The review was agreed as an objective within the Equality Outcomes.

The project was received very positively. The recommendations have been included in an action plan to embed these changes into the College procedures. The recommendations included increasing linkage with other organisations, looking to achieve Disability Leader Accreditation and to set up a disabled led employee group. All of the recommendations from the digital recruitment review have been actioned.

We currently hold Disability Confident accreditation which ensures that robust and fair processes are in place to support continued employment and provide appropriate support, training and reasonable adjustments to maintain the ability for disabled individuals to remain in work. This also ensures that there are opportunities for career development and promotion.

These initiatives are supported by our Equality, Diversity and Inclusion Policies and have been embedded in our Management Development Programme – Inclusive Leaders throughout 2022/23.

We have adopted a nationally agreed Policy on menopause and although not yet recognised formally within the Act as a disability, we provide support, training and managers guidance on menopause.

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 [here](#).

Equalities, diversity and inclusion

The College takes equality, diversity and inclusion very seriously and has fully embedded it within all its decision making. This includes having an Equality & Diversity Policy available to all staff on its intranet which can be accessed [here](#)

Every two years, in line with legislation, the College also publishes a number of reports on its website which detail the progress it is making towards meeting the Public Sector Equality Duty (PSED) and how the College is mainstreaming this duty to ensure that everyone who learns or works at Borders College receives the best possible experience. The most recent reports are available [here](#). Details of key areas of improvement during the period of the report are shown within the performance section on page 13 are treated with dignity and respect and their views help shape and improve our services (eliminating unlawful discrimination, harassment and victimisation).

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. The Health and Safety Policy and Procedures are held on the Colleges website and can be found [here](#) and these are reviewed on a regular basis. The Health and Safety Committee meet quarterly to monitor issues. The Committee includes membership from all staff areas, trade unions, Student representative, a Regional Board Member and representatives from Heriot Watt University for the shared campus in Galashiels.

In 2022/23 the College reported four incidents under the reporting of Injuries, Diseases and Dangerous Occurrences Regulations (last year there were five). All incidents were student related. All attended hospital for treatment and were then discharged and sent home. The full Health and Safety reports can be found within the Regional Board papers [here](#).

There were no follow-up action from the Health & Safety Executive for any incident.

Professional Advisors

The College's professional advisors during the period to 31 July 2023 are 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 1EP

Solicitors

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

Registered Address

Scottish Borders Campus, Nether Road, Galashiels TD1 3HE

The Accountability Report was approved by order of the members of the Borders College Regional Board on 14 December 2023 and signed on its behalf by:

R McCowan

Chair

14 December 2023

P Smith

Principal and CEO

14 December 2023

SECTION 4 – INDEPENDENT AUDITORS



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 2023 under the Further and Higher Education (Scotland) Act 1992 and section 44(1) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flows and notes to the financial statements, including 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 of the state of the college's affairs as at 31 July 2023 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 18 May 2022. The period of total uninterrupted appointment is 7 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.

These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

We report in our separate Annual Audit Report, 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 there is an intention to discontinue the college's operations.

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 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:

- using our understanding of the college sector to identify that the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 are significant in the context of the college;
- inquiring of the College Principal and Vice Principal as to other laws or regulations that may be expected to have a fundamental effect on the operations of the college;
- inquiring of the College Principal Vice Principal concerning the college's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussion among our team on 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 in respect of irregularities explained in the audit of the financial statements section of our report, 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 the audited parts 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 parts of the Remuneration and Staff Report have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Other information

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

Our responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of 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 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 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 the 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 parts 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 108 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
EH3 3BL
Date:

David Eardley is eligible to act as an auditor in terms of section 21 of the Public Finance and Accountability (Scotland) Act 2000.

SECTION 5 – FINANCIAL STATEMENTS



Statement of Comprehensive Income

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 (Restated) £000
Income			
SFC grants	1	11,580	11,544
Tuition fees and education contracts	2	1,273	1,439
Other grant income	3	1,092	1,011
Other operating income	4	1,594	1,535
Investment income	5	15	4
Total income		15,554	15,533
Expenditure			
Staff costs	6	10,915	11,801
Exceptional restructuring costs		165	94
Other operating expenses	7	3,627	3,437
Donation to charitable trust	10	-	200
Impairment	13	-	-
Depreciation	11	1,388	1,411
Interest and other finance costs	8	142	301
Total expenditure		16,237	17,244
Deficit before other gains and losses, and tax		(683)	(1,711)
Taxation	9	-	-
Deficit for the year		(683)	(1,711)
Gain/(loss) on disposal of fixed asset	11	5	-
Actuarial gain/(loss) in respect of pension schemes	27	3,245	12,505
Net gain on revaluation of fixed assets	11	1,350	2,680
Total comprehensive expenditure for the year		3,917	13,474
Represented by:			
Endowment comprehensive income for the year		-	-
Restricted comprehensive income for the year		-	-
Unrestricted comprehensive expenditure for the year		3,917	13,474
Total comprehensive expenditure for the year		3,917	13,474

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 2023 £000	Year ended 31 July 2022 £000
Non-current assets			
Fixed assets	11	30,101	29,627
Net pension fund asset	20	948	-
		31,049	29,627
Current assets			
Trade and other receivables	12	2,728	2,090
Investments (assets held for resale)	13	-	-
Cash and cash equivalents	14	3,881	4,199
		6,609	6,289
Less: Creditors: amounts falling due within one year	15	(4,952)	(4,395)
Net current assets		1,657	1,894
Total assets less current liabilities		32,706	31,521
Creditors: amounts falling due after more than one year	16	(18,319)	(19,410)
Provisions			
Net pension fund liability	20	-	(1,631)
Other provisions	19	(1,137)	(1,147)
Total net assets		13,250	9,333
Restricted reserves			
Income & expenditure reserve – endowment reserve	21	22	22
Income & expenditure reserve – restricted reserve	22	-	-
Unrestricted reserves			
Income & expenditure reserve – unrestricted	23	6,235	3,434
Revaluation reserve		6,993	5,877
Total reserves		13,250	9,333

The financial statements on pages 44 to 66 were approved by the Regional Board on 14 December 2023 and signed on its behalf on that date by:

R McCowan
Chair

P Smith
Principal and CEO

Statement of Changes in Reserves

	Endowment	Income & Expenditure Reserve		Revaluation Reserve	Total
	(note 21)	Restricted (note 22)	Unrestricted (note 23)		
	£000	£000	£000	£000	£000
Balance at 1 August 2021	22	-	(7,416)	3,253	(4,141)
Deficit from the income & expenditure statement	-	-	(1,711)	-	(1,711)
Other comprehensive income	-	-	12,505	-	12,505
Transfers between revaluation and income & expenditure reserve	-	-	56	(56)	-
Revaluation of fixed assets	-	-	-	2,680	2,680
Total comprehensive income for the year	-	-	10,850	2,624	13,474
Balance at 1 August 2022	22	-	3,434	5,877	9,333
Deficit from the income & expenditure statement	-	-	(683)	-	(683)
Other comprehensive income	-	-	3,250	-	3,250
Transfers between revaluation and income & expenditure reserve	-	-	234	(234)	-
Revaluation of fixed assets	-	-	-	1,350	1,350
Total comprehensive income for the year	-	-	2,801	1,116	3,917
Balance at 31 July 2023	22	-	6,235	6,993	13,250

Statement of Cash Flows

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Cash flow from operating activities			
Deficit for the year		(683)	(1,711)
Adjustment for non-cash items			
Depreciation	11	1,389	1,410
Impairment	13	-	-
(Increase)/decrease in trade and other receivables	12	(638)	(573)
Increase/(decrease) in creditors	15	(746)	(1,215)
Increase in other provisions	19	(10)	304
Increase/(decrease) in pension provisions	20	665	1,894
Adjustment for investing or financing activities			
Investment income	5	(15)	(4)
Interest payable	8	142	301
Profit/(loss) on sale of fixed asset		5	-
Net cash inflow from operating activities		109	406
Cash flows from investing activities			
Investment income		15	4
Non-current investment disposal		-	-
Receipt of deferred capital grants		212	200
Payments made to acquire fixed assets		(512)	(128)
		(285)	76
Cash flows from financing activities			
Interest paid		(142)	(301)
		(142)	(301)
Increase/(decrease) in cash and cash equivalents in the year		(318)	181
Cash and cash equivalents at beginning of the year	14	4,199	4,018
Cash and cash equivalents at end of the year	14	3,881	4,199

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.
Life Cycle Maintenance Fund (LCMF)	The LCMF 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 LCMF 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. From 1 August 2023, the LCMF will only provide for the main building at the Scottish Borders Campus, Galashiels.

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 July 2022; with this data updated for July 2023 values. 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 indicate 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 2023. 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.

The estimation technique used in the current year to calculate the release to the Statement of Comprehensive Income was revised to be more reflective of the amount of additional depreciation being charged on the revalued assets.

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 2021-22 we implemented a change in accounting policy which means we 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.

8. Financial Instruments

Financial instruments are recognised in the Balance Sheet when the College becomes party to the contractual provisions of the instrument. All of the College’s financial instruments are classified as ‘basic’ in accordance with Chapter 11 of FRS 102. All of the College’s financial instruments are measured at transaction price.

Financial assets are derecognised when the contractual rights to the cash flows from asset to expire, or when the College has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

Cash and cash equivalents: liquid resources include sums on short term deposits with recognised banks and building societies and government securities.

9. Provisions

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

10. Pension Schemes

Retirement benefits to employees of the College are provided by the STSS and the LGPS. Contributions to the STSS are charged to the Statement of Comprehensive Income so as to spread the cost of pensions over employees' working lives with the College in such a way that the pension cost is a substantially level percentage of current and future pensionable payroll. The contributions are determined by qualified actuaries on the basis of quinquennial valuations using a prospective benefit method.

The assets of the LGPS are measured using closing market values. LGPS liabilities are measured using the projected unit method and discounted at the current rate of return on a high-quality corporate bond of equivalent term and currency to the liability. The increase in the present value of the liabilities of the scheme expected to arise from employee service in the period is charged to the operating surplus. The expected return on the scheme's assets and the increase during the period in the present value of the scheme's liabilities, arising from the passage of time, are included in pension finance costs. The contributions are determined by qualified actuaries on the basis of triennial valuations using the projected unit method for the LGPS.

11. Bursary and Discretionary Funds

The College administers Bursary and Discretionary Funds from the SFC, on behalf of its student, acting as paying agent on behalf of SFC. Unexpended funds are included in creditors.

Notes to the Accounts

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 (Restated) £000
1. SFC grants			
SFC FE recurrent grant (including fee waiver)		9,904	9,678
SFC financial sustainability funding		-	-
HE & FE childcare funds	28b	34	37
SFC Capital grants		245	192
Release of SFC deferred capital grants	18	931	887
Other SFC grants		142	245
Flexible Workforce Development Fund		318	369
ESF (Developing Scotland's Workforce)		6	136
		11,580	11,544
2. Tuition fees & education contracts			
Further education fees – UK		238	344
Higher education fees – home & EU		287	344
SDS contracts		579	541
Education contracts		169	210
		1,273	1,439
3. Other grant income			
Release of deferred capital grants – other government	18	237	323
European Union Funds		2	-
Other grants (revenue & capital)		853	676
UK based charities (revenue & capital)		-	-
JRS Grant		-	12
		1,092	1,011
An average of 0 employees were furloughed during the year (last year average 3)			
4. Other operating income			
Exam & registration fees		-	1
Income from academic departments		34	14
Sundry income		176	316
Catering & residences		-	-
Hire of accommodation & equipment		1,384	1,204
		1,594	1,535
<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		15	4
Net return on pension scheme	27	-	-
		15	4

- 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 2023 £000	Year ended 31 July 2022 £000
6. Staff costs			
Wages and salaries		7,992	7,863
Social security costs		765	751
Other pension costs (including FRS 102 adjustment)		2,158	3,187
		10,915	11,801
Exceptional restructuring costs		165	94
		11,080	11,895
Teaching departments		4,702	5,193
Teaching and other support services		866	813
Administration and central services		4,672	5,162
Premises		675	633
		10,915	11,801
Exceptional restructuring costs		165	94
		11,080	11,895
Senior post holders' emoluments:			
Salaries		330	313
Pension contributions		63	60
Total emoluments		393	373
		£	£
The above senior post holder emoluments include amounts paid to the Principal(s) of:			
Salary		116,086	112,860
Pension contributions		20,856	20,315
		Number 2022/23	Number 2021/22
Average number of full-time equivalent staff, including senior post holders, during the year was:			
Teaching departments		81	89
Teaching and other support services		23	21
Administration and central services		84	89
Premises		18	18
		206	217
Remuneration of senior post holders (actual cost), including the Principal (excluding employers' NI and pension contributions):			
£10,001 to £20,000		1	1
£40,001 to £50,000		-	1
£50,001 to £60,000		1	1
£60,001 to £70,000		2	-
£80,001 to £90,000		1	1
£100,001 to £110,000		-	1
		5	5

- 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 2023 £000	Year ended 31 July 2023 Number	Year ended 31 July 2022 £000	Year ended 31 July 2022 Number
Staff costs (continued)				
Staff costs are analysed as:				
Staff on permanent contracts	10,387	196	10,765	182
Staff on temporary contracts	528	10	1,036	35
	10,915	206	11,801	217

7. Analysis of expenditure by activity

	Other operating expenses £000	FE & HE childcare fund £000	Depreciat ion £000	Interest & other finance costs £000	Year ended 31 July 2023 £000	Year ended 31 July 2022 (Restated) £000
Teaching departments	902	34	1,388	142	2,466	2,558
Teaching and other support services	16				16	18
Administration & central services	1,377				1,377	1,644
Catering & residences	73				73	118
Premises	1,225				1,225	811
Donation to charitable trust	-				-	200
TOTAL	3,593	34	1,388	142	5,157	5,349

	£000	£000
Other operating expenses include:		
External auditors remuneration – external audit of these financial statements	25	17
External auditors remuneration – non audit services	5	1
Internal auditors remuneration – internal audit services	11	10
Operating lease rentals – land, buildings & equipment	75	103

8. Interest and other finance costs

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
On loans, repayable in less than five years		75	92
Net charge on pension scheme	27	67	209
		142	301

9. Taxation

The College does not have a current or deferred liability to corporation tax in respect of the year (2022 £Nil).

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
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10. Deficit for the year

The deficit for the year is comprised as follows:

College deficit		(683)	(1,511)
Donation to Borders Further Education Trust		-	(200)
		(683)	(1,711)

Donation to Charitable Trust

Following the re-classification of Borders College as a public body by 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 2022		24	29,093	4,122	33,239
Additions		124	10	378	512
Disposals		-	-	(8)	(8)
Revaluation		-	364	-	364
Reclassifications		(24)	-	24	-
As at 31 July 2023		124	29,467	4,516	34,107
Depreciation					
As at 31 July 2022		-	366	3,246	3,612
Charge for year		-	1,058	330	1,388
Disposals		-	-	(8)	(8)
Revaluation		-	(986)	-	(986)
As at 31 July 2023		-	438	3,568	4,006
Net book value					
As at 31 July 2022		24	28,727	876	29,627
As at 31 July 2023		124	29,029	948	30,101
Net book value					
Inherited		-	967	-	967
Financed by govt capital grant	18	123	16,505	620	17,248
Other		1	11,557	328	11,886
As at 31 July 2023		124	29,029	948	30,101

- Land and buildings were revalued at July 2022 by Ryden 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 2022. The July 2022 data has been re-calculated using 2023 values which provides an increase in valuation of £364k. Land and buildings with a net book value of £28,805,084 have

been funded from exchequer funds. These assets may not be disposed of without prior approval of the SFC.

- Plant and equipment includes assets under hire purchase and finance leases with a net book value of £Nil (2022 £Nil).

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
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The depreciation charge for the period is analysed as follows:

Depreciation based on cost		402	467
Depreciation based on valuation dated July 2022		986	944
		1,388	1,411

Owned assets		1,316	1,339
Assets held under hire purchase and finance leases		72	72
		1,388	1,411

12. Trade & other receivables

Amounts falling due within one year:

Trade receivables		1,143	487
Prepayments and accrued income		1,530	1,532
Amounts due from subsidiary undertakings		-	-
		2,673	2,019
Amounts falling due after one year		55	71
		2,728	2,090

13. Investments (assets held for resale)

The College does not have any assets held for resale in respect of the year (2022 £Nil).

14. Cash and cash equivalents

College funds		3,768	4,169
Bursary funds		91	8
Other student support funds		-	-
Endowment funds	21	22	22
		3,881	4,199

15. Creditors: amounts falling due within one year

Trade payables		551	321
Other creditors and accruals		2,874	2,544
HE discretionary funds	28	1	9
Bursary funds	28	91	27
Other creditors (Netherdale)	17	407	375
Deferred capital grants (Government)	18	1,028	1,119
		4,952	4,395

16. Creditors: amounts falling due after more than one year

Other creditors and accruals		1,132	951
Other creditors (Netherdale)	17	967	1,374
Deferred capital grants (Government)	18	16,220	17,085
		18,319	19,410

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
17. Other creditors (Netherdale)			
Amounts falling due within one year		407	375
Amounts due after more than one year		967	1,374
		1,374	1,749

Deferred Consideration

During 2006/07 the College acquired the Scottish Borders Campus of Heriot Watt University for a consideration of £4.75m. The cost of acquiring the Campus will be repaid to the University over a 17.5 year term, commencing in April 2009, the date on which the College moved to the refurbished campus. No interest is payable on the consideration. The cost of the campus acquisition is within Land and Buildings in note 11.

18. Deferred capital grants (government)

	SFC £000	Other govt £000	2023 Total £000	2022 Total £000
As at 1 August				
Land and buildings	15,119	2,246	17,365	18,242
Equipment	568	271	839	972
	15,687	2,517	18,204	19,214
Grants received in year				
Land and buildings	108	-	108	-
Equipment	104	-	104	200
	212	-	212	200
Released to Statement of Comprehensive				
Income				
Land and buildings	799	104	903	877
Equipment	132	133	265	333
	931	237	1,168	1,210
As at 31 July				
Land and buildings	14,428	2,142	16,570	17,365
Equipment	540	138	678	839
	14,968	2,280	17,248	18,204

19. Other provisions

	2023 Lifecycle costs - Netherdale £000	2023 Restructuri ng costs	2023 Total £000	2022 Total £000
As at 1 August				
Released to Statement of Comprehensive Income	1,055	92	1,147	1,077
Provision	(79)	(92)	(171)	(143)
	121	40	161	213
As at 31 July	1,097	40	1,137	1,147

20. Pension provision

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Scottish Borders Council Pension Fund	27		
Scheme assets		26,122	27,666
Scheme liabilities		(25,174)	(29,297)
Surplus/(deficit) in the scheme – pension asset/(liability)		948	(1,631)

As the pension surplus recognised is lower than the asset ceiling calculated, using either the perpetuity or FLW method, no further disclosure is required.

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
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21. Endowment Reserves

Restricted net assets relating to endowments are as follows:

George Heron Wilson Bequest		21	21
Robert Noble Trust		1	1
		22	22

Represented by:

Cash and cash equivalents		22	22
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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

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
General reserve		5,287	5,065
Pension reserve	27	948	(1,631)
		6,235	3,434

24. Capital and other commitments

No provision has been made for the following capital commitments:

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Commitments contracted for		51	7
Expenditure authorised but not yet contracted		242	196
		293	203

25. Lease obligations

Annual rental commitments under operating leases are as follows:

	Note	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Land, buildings and equipment			
Leases that expire in less than one year		-	10
Leases that expire between one and five years		75	70
Leases that expire later than five years		-	-
		75	80

Future minimum operating lease payments due:

Land, buildings and equipment			
That expire in less than one year		75	67
That expire between one and five years		99	161
That expire later than five years		-	-
		174	228

26. Contingent liabilities

The College had no contingent liabilities at 31 July 2023 (2022 £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)

	2023 £000	2022 £000
The total pension charge is analysed as follows:		
STSS - contributions paid	726	692
LGPS - contributions paid	776	748
LGPS – FRS 102 charge	598	1,685
	1,374	2,433
Unfunded pensioner payments	58	62
Charge to the Statement of Comprehensive Income (staff costs)	2,158	3,187

Scottish Teachers Superannuation Scheme

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

(c) 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.

(d)

(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 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 2022 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)/Sergeant (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 0.10% based on the proportion of employer contributions paid in 2022-23.

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 2020. The valuation set the contribution rates for the period 1 April 2021 to 31 March 2024. The minimum employer contribution rate was set at 18%, rising to 18.5% on 1 April 2023 and the calculated cost of future accruals set to 20.6%, effective from 1 August 2020. 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 2023 %p.a.	31 July 2022 %p.a.
Salary increases	3.70	3.45
Pension increases	3.00	2.75
Discount rate	5.05	3.50

Demographic assumptions

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males Years	Females Years
Current pensioners	20.2	22.8
Future Pensioners	20.9	24.6

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

Life expectancies for the prior period end are based on the Fund's VitaCurves. The allowance for future improvements is shown below:

Current Pensioners	Future Pensioners
VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females.	VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a. for both males and females

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:

	31 July 2023 %	31 July 2022 %
Asset Breakdown		
Equities	35	48
Bonds	36	23
Property	28	27
Cash	1	2
	100	100

The College's fair value of plan assets is approximately 3.0% (2022 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: £14,771,000 (employee members), £3,372,000 (deferred pensioners) and £6,446,000 (pensioners) as at 31 July 2023.

	31 July 2023 £000	31 July 2022 £000
Charged to staff costs		
Current service cost	(1,318)	(2,477)
Administration expenses		-
Past service cost, including curtailments	(74)	(18)
Total charged to staff costs	(1,392)	(2,495)
Charge for net return on pension scheme		
Interest on assets	973	461
Interest on cost	(1,040)	(670)
Net interest charged	(67)	(209)
Charge to other comprehensive income		
Return on assets less interest	(2,812)	(1,821)
Other actuarial gains/ (losses)		-
Change in financial assumptions	7,277	14,189
Change in demographic assumptions	359	147
Experience loss	(1,579)	(10)
Actuarial Gain/(Loss)	3,245	12,505
Total charge to the Statement of Comprehensive Income	1,786	9,801

Analysis of the movement in deficit during the year

Deficit in scheme at the start of the year	(1,632)	(12,242)
Service costs	(1,392)	(2,495)
Employer contributions	794	810
Net interest costs	(67)	(209)
Actuarial (loss)/gain	3,245	12,505
Deficit at end of period	948	(1,631)

28a. FE bursaries and other student support funds

	2023 FE bursary £000	2023 EMAs £000	2023 Other £000	2023 Total £000	2022 Total £000
Balance b/fwd	27	-	8	35	110
Allocation received in year	2,561	96	29	2,686	2,759
Expenditure	(2,470)	(96)	(37)	(2,603)	(2,765)
Repaid to funding council as clawback	(27)	-	-	(27)	(110)
College contribution to funds	-	-	-	-	-
Intra-region allocations	-	-	-	-	-
Virements	-	-	-	-	41
Balance c/fwd	91	0	0	91	35

Represented by:

Repayable to SFC as clawback	91	-	-	-	27
Retained by college for students	-	-	-	-	8

- 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 2023 £000	Year ended 31 July 2022 £000
Balance b/fwd	-	-
Allocation received in year	34	37
Expenditure	(34)	(37)
Funds repaid to funding council as clawback	-	-
Virements	-	-
Balance c/fwd	-	-
Represented by:		
Repayable to funding council as clawback	-	-
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
P Smith	APUC	Director
P Smith	BFET	Trustee
P Smith	Live Borders	Board Member
D Black	Scottish Borders Council	Wife is Early Years Manager
D Roberts	Lantra	Trustee/Director
D Roberts	Southern Upland Partnership	Trustee/Director
L Mirley	Eildon Housing Association	Director of Business Support
P Cathrow	SOSEP	Economic Infrastructure Development Project Manager

Organisation	Income		Balance included in trade receivables	
	2023 £	2022 £	2023 £	2022 £
Borders Further Education Trust (BFET)	1,840	-	780	-
Eildon Housing Association	4,636	3,660	1,200	-
Live Borders	-	530	-	-
Scottish Borders Council	104,077	144,761	2,450	1,517
South of Scotland Economic Partnership	6,903	14,833	1,903	14,760

Organisation	Expenditure		Balance included in trade creditors	
	2023 £	2022 £	2023 £	2022 £
Lantra	3,504	3,442	68	226
Live Borders	34,690	56,053	-	-
Scottish Borders Council	167,114	110,750	84,393	73,778

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. All transactions with related parties are in line with normal terms and conditions of sale and purchase

30. Events after the reporting period

There are no events to report.

31. Non-cash Budget for Depreciation

	Year ended 31 July 2023 £000	Year ended 31 July 2022 £000
Deficit before other gains and losses (FE/HE SORP basis)	(683)	(1,711)
Add: Non-cash allocation for depreciation (net of deferred capital grant)	220	201
Operating deficit on Central Government accounting basis	(463)	(1,510)

Following reclassification, incorporated colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE 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 FE/HE SORP, the College recorded an operating deficit of 683k for the year ended July 2023 (2022 £1,711k). After adjusting for the non-cash allocation provided under government rules, the College shows an 'adjusted' deficit of £463k (2022 adjusted deficit of £1,510k) on a Central Government accounting basis.

32. Prior Year Adjustments

The prior year has been restated so that catering income is netted off other operating expenditure to match catering expenditure, this is required because catering operations are managed by an external agency.

Summary of adjustments:

	2021/22 published statements £'000	Prior year adjustment £'000	2021/22 as restated £'000
<u>Consolidated Statement of Comprehensive Income</u>			
Income – other operating income	1,720	(185)	1,535
Expenditure – other operating expenditure	(3,622)	185	(3,437)
Effect on surplus/(deficit) before tax		-	

Appendix 1 – Scottish Funding Council Accounts Direction

Accounts Direction for Scotland's Colleges 2022-23

- a) 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.
- b) 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).
- c) Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2022-23 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
- d) Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2023.
- e) 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.
- f) Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council

20 July 2023

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
SOSE	South of Scotland Enterprise
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