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# FINANCE & GENERAL PURPOSES COMMITTEE

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| **Subject:** Annual Report of the F&GP Committee | **Purpose:**<br>**For Approval** ☒<br>**For Discussion** ☐<br>**For Information** ☐ |
| **Prepared by:** Peter Smith, Vice Principal - Finance and Resources | **Date:** 17 November 2017 |

**Purpose:** To approve the annual report of the F&GP Committee to the Regional Board.

**Linked to Strategic Goal 5: Build Sustainability.**

**Executive Summary:**

The attached report has been prepared by the Chair and summarises the work of the Committee during the year 01 August 2016 to 31 July 2017.

**Recommendation:** Committee to approve the contents of the report and its submission to the Regional Board.

**Previous Committee Approvals:** n/a

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| **For publication** ☒ | **For publication with redactions** ☐ | **Not for publication** ☐ |

**Borders College**

**Finance & General Purposes Committee – 23 November 2017**

**Annual Report of Chair of Finance and General Purposes Committee (F&GP) 2016-2017**

## 1. The Committee: planning and monitoring function

The Finance and General Purposes Committee is responsible for agreeing matters of financial policy and regulation, including policies on treasury management. It recommends the annual revenue and capital budgets to the Regional Board.

The Committee has adhered to the principles of good governance emphasised in the sector's Code of Good Governance, has relied upon the College's Financial Memorandum and monitored performance and financial objectives to support the College's strategy for a sustainable future. A standing item on all F&GP agendas, Business Review, up-dates the Committee on year-to-date performance including management accounts, balance sheet, financial KPIs, revisions to the financial forecast and projected achievement of student activity targets. Full minutes of F&GP meetings are available on request.

## 2. Budget 2016-2017

The Committee was briefed on the historical and future funding landscape prior to consideration of the draft budget for 2016-2017, a budget for a 12 month period to run concurrently with the academic year. Despite the College's clearly articulated strategic plan, uncertainty around future Public Sector and SFC funding inhibited the ability to plan ahead with certainty for more than one year. Such constraint inevitably impacted upon the budget which was recommended to the Board of Management and approved in summer 2016.

At its meeting of 23 June 2016, The Regional Board originally budgeted for an operating deficit of £175k for the year to 31 July 2017. This was revised in-year to a planned deficit of £33k. This planned deficit was to ensure the College maximised its use of cash resource received from the Scottish Funding Council, as it is not permitted to retain reserves. The actual result was an operating surplus of £20k before accounting for an accruing pension liability of £666k, taking the net operating position to a deficit of £646k.

## 3. Financial Statements 2016-2017

In October the Committee reviewed the draft annual accounts for the period to 31 July 2017, and met jointly with the Audit Committee on 23 November to review the draft External Audit Report and draft Annual Accounts. External auditors confirmed that they intend to issue an unqualified audit opinion (TBC). It was agreed to recommend the Financial Statements and associated documents for approval by the Board on 7 December 2017.

The College is to be commended on its prudent approach to financial management and the operating surplus achieved during this period and the Finance Team on achievement of a clean audit report.

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## 4. Major Estates and ISLT Developments

Throughout the year work progressed to refurbish premises at Tweedbank to expand and rationalise specialist accommodation requirements. Occupation was achieved by the start of the 17-18 academic year with the project being completed on budget.

Minor upgrading has taken place at Newtown St Boswells and increased utilisation of external facilities has been implemented, as well as other small enhancement projects.

Funding for the Tweedbank development was agreed with SFC, which now bears the risk of conclusion of a sale of Melrose Road. Despite renewed marketing efforts the buildings remain for sale.

The Committee has monitored the implementation of the College's ISLT Strategy via the Implementation Plan. Due to external factors and re-tendering the project was finally completed to the satisfaction of users in the summer of 2017. A project review is being undertaken to reflect on 'learning points'.

## 5. Risk

Risk is a standing item on all F&GP agendas. The Committee reviews the Risk Register and in particular high level strategic risks relevant to its responsibilities.

## 6. Budget 2017-2018 approved Summer 2017

The Principal invoked discussions in early summer 2017 with the Scottish Funding Council on a number of historical funding anomalies affecting the College's financial position. The F&GP Committee strongly supported the case made to ensure delivery of the Strategic Plan and financial stability at Borders College. In particular the SFC was asked to address implications of rurality and dispersed population, absorption of costs for national priorities, increases in unavoidable costs, e.g. national insurance, superannuation and nationally negotiated pay awards.

The outcome of these discussions has been reported to the Board and as a result of recognition by SFC of difficulties across the sector, there was some relaxation to provide for increased costs relating to unavoidable responsibilities.

The rurality issue has not yet been resolved, and is the subject of an SFC Consultation (Oct 2017).

## 7. Briefings and Conduct of Business

Nationally negotiated pay awards have impacted heavily on the agendas of F&GP. The Committee has been and is concerned that the cumulative effect of pay awards threatens sustainability and delivery of the strategic plan and could diminish the student experience. As a result the Principal is reviewing priorities and possible structural change to comply with the principles of good leadership, management and governance.

The Committee is indebted to the Principal and to Vice Principal, Pete Smith, and his team for the high quality briefings and papers received, and to other colleagues who have assisted the members of the Committee during the year.

Elaine Acaster

Chair, Finance and General Purposes Committee, November 2017

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