

ANNUAL ACCOUNTS

For the year ended
31 July 2023



Annual Accounts
For the year ended 31 July 2023

Scottish Charity Number: SC021203

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Principal and Chief Executive: Mr Jim Metcalfe

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The Accountable Officer authorised these financial statements for issue on:

Performance Report

Performance Overview

The performance report provides an overview of Fife College's performance within the academic year to 2022-23 covering performance analysis, financial review for the year, key risks affecting the College and social matters.

Fife College is a Higher and Further Education College with an experienced team who are dedicated to transforming the lives of our students through education and training. We offer a wide range of inspirational learning experiences from essential skills to graduate degree programmes. With our main campuses located in Dunfermline, Rosyth, Glenrothes, Levenmouth and Kirkcaldy, we operate within the heart of Fife's communities.

We are committed to offering a dynamic and relevant portfolio of courses which supports close collaboration and seamless pathways between schools, colleges, universities and employers. Our aim is to develop stronger, deeper and added value relationships with our wide range of partners and stakeholders.

Principal and Chief Executive's Statement on Performance

It is an honour to be newly in post in the role as Principal of one of the largest colleges of higher and further education in Scotland. We are at the forefront of college provision across the sector, with the ambition, talent and assets to help shape the future delivery of education and skills in Fife and beyond.

At Fife College, we transform people's lives, equip them for the world of work, and provide them with the knowledge and skills that will enhance their lives to enable them to make a meaningful and valuable contribution to society.

Our experienced team of nearly 1,000 staff is dedicated to providing our 6,000 full-time and 18,000 part-time students with the best possible College experience. We do this through a diverse range of impactful learning experiences from essential skills to graduate degree programmes. Our College has continued to deliver a tremendous service to students and staff which is reflected in sustained positive student and staff satisfaction feedback.

Against the current climate of inflationary pressures and cost of living crisis, we continue to strengthen our relationships with existing partners and stakeholders, while creating new partnerships with organisations such as NHS Fife, the region's buoyant manufacturing and construction industries, and many regional college and university partners.

During 2022-23 the College adapted to the realities of the economic environment, however, throughout this we have continued to support our students through a range of measures such as free breakfasts and lunches with over 34,000 free meals being provided to students in the last financial year. Recognising the impact of rising utility costs, we extended our opening hours in certain campuses so students could have a warm space to study and work in. We have continued to expand our scholarship opportunities, which recently achieved a milestone of £1 million in funds distributed to support students.

We have worked diligently to provide additional support services, such as financial literacy, wellness and wellbeing advice, to guide our students through these trying times.

I am pleased that throughout the year we have achieved a small adjusted operating profit, while working within the confines of a reduction in spending, and an increase in costs due to inflationary pressures and geopolitical conflict.

Fife College remains steadfast in its commitment to being student-centred in all that we do. Our aim is to transform the lives of our students, enabling them to change other people's worlds, develop their full potential, and give them the knowledge, experience and resilience to shape their future success.

Performance Report (Continued)

We will achieve this by:

- Continuing to play a pivotal role in economic recovery, through closer collaboration with Schools, Universities and external stakeholders to ensure our offering provides opportunity, encouragement and engagement for all our students.
- Investing in digital systems and capability to support flexible and adaptable learning models, with a particular focus on digital learning and digital equality.
- Focussing on optimising our resources, business processes and physical environments, all of which contribute to deliver a positive student experience, with high levels of student and staff satisfaction and, ultimately, sustaining the longer-term success and value of our College.
- Empowering our sustainability team to address the issues facing us as a College to reduce our carbon emissions and embed social responsibility across all our campuses and operations, with a particular focus on our new Net Zero Dunfermline campus coming in 2025.
- Embedding our hybrid learning and our agile working approach which is driven by the needs of our students and our staff, embracing a more service driven and flexible approach to delivery.

Having a particular focus on the health and wellbeing of our students and staff, providing flexible and adaptable approaches to learning and working, and a strong sense of togetherness and belonging we are actively exploring opportunities for staff development, training, and progression, reinforcing our commitment to their growth and well-being.

I am looking forward to playing my part in taking the College forward, empowering our students, our communities and our staff.

Finance

The College has returned a modest adjusted operating surplus in 2022-23. The College has achieved this within a tightening economic climate.

Our attention is now turning to the financial outlook for 2023-24 and beyond. In preparing our budgets for future years, we are considering a number of different scenarios, in what is a very uncertain financial environment. The main sources of pressure are likely to be from:

- Flat cash funding on the SFC core grant.
- Removal of SFC funding for Health and Wellbeing and Digital Poverty.
- Continuing widening access agenda where universities have lowered their entry requirements.
- Commercial income activities.
- Potential cuts in the Flexible Workforce Development Fund.
- Inflationary cost rises.
- Persistently high energy costs.

The College has based its financial forecast to 2025-26 in line with the assumptions provided by the Scottish Funding Council. The financial forecast returns significant deficits for the College prior to mitigating actions. The College is required to take actions to balance the underlying positions each year therefore, as part of our financial planning, actions are being implemented and considered which will mitigate the deficits over the planning period and ensure that the College can maintain and deliver its services to our students and wider stakeholders.

New Campus

The Scottish Funding Council issued their grant offer letter formally to Fife College on 12th January 2023 confirming capital grant funding of £130.9 million for the project. Fife College executed the design and build contract with Balfour Beatty Construction Limited [BBCL] on 20th January 2023. Construction work on the new Dunfermline Learning Campus [DLC] is progressing well from a start on site in January 2023. The DLC build continues to proceed to schedule, but faces significant ongoing cost pressures as procurement activity meets inflation challenges. The College has established a New Build Project Board. The Board meets monthly to review the build progress and to monitor the financial pressures. The latest cost projections from the College's advisors (November 2023) show total costs as being over the current funding package. The College is therefore working to identify options to secure additional

Performance Report (Continued)

funding streams and also to optimise building options to ensure the building is completed within the total funding envelope secured. The College projects that the build will complete in early 2025 with a phased occupation taking place before the campus is fully operational from August 2025.

Legal Status

The College is incorporated under the Further and Higher Education (Scotland) Act 1992 as amended by the Post-16 Education (Scotland) Act 2013, and is registered with the Office of the Scottish Charities. The College is a registered charity (Scottish Charity number SC021203) for the purposes of the Charity and Trustee Investment (Scotland) Act 2005.

Vision and Values

Our Vision

To transform the lives of our students through inspirational learning and teaching.

Our Mission

We will deliver excellent opportunities for our students and work with them to develop their full potential with life enhancing skills, knowledge, experience and resilience that will shape their future success.

Our Values

To realise our vision, we recognise the importance of colleagues, customers, partners and communities. The College achieves this by working to and delivering the following values:

- Student Centred
- Ambitious
- Inclusive
- Collaborative
- Integrity
- Innovative

Our Key Priority Aims

Learning and teaching is at the heart of everything we do. We recognise that delivering a relevant curriculum and an outstanding student experience is critical to our success as a College of Higher and Further Education.

The Fife College Strategic Plan 2018-23 is based on five key priorities:

- 1 Foster ambition and develop successful students ready to progress through an inspirational and high quality learning experience
- 2 Provide a first class learning environment
- 3 Provide a dynamic digital environment that will engage, empower and enhance experience
- 4 Develop and empower our staff to work in a culture of trust and respect in a successful and reputable college
- 5 Maintain long term financial sustainability and become more commercially focused

The Strategy is underpinned by and aligned to key college strategies, including our learning and teaching strategy, digital strategy, estates strategy, workforce planning and our five year financial forecasts. Priorities outlined in the Scottish Funding Council (SFC) Regional Outcome Agreement (ROA) contribute to our key priorities and objectives.

As a result of the appointment of the new Principal and Chief Executive, the period covered by the 2018-23 strategic plan has been extended until the new College strategy, which will cover the period 2023-28, has been approved which will be at the December 2023 Board of Governors meeting.

Performance Report (Continued)

Key Risks and Issues Affecting Fife College

The College maintains a strategic risk register which is reviewed regularly by the Executive Team and the Audit and Risk Committee. The risks are categorised by: Estates, Curriculum Design and Development, Health and Safety, Staff, Finance and Commercial Income which are in line with the five key priority aims noted above.

The table below notes the key strategic risks considered in 2022-23 and what the remedial and preventative controls are in place to reduce the likelihood/impact of the risk:

Strategic Risk (as noted on Risk Register)	Mitigation
Failure to achieve annual financial targets in line with the five-year financial forecast plan	<ul style="list-style-type: none"> • Work closely with the sector Finance Director group and Colleges Scotland to highlight to Scottish Funding Council (SFC) the impacts and risks facing the sector. • Continue to engage with SFC to understand the financial uncertainties and sector wide position. • Continual review of curriculum delivery and commercial courses as well as workforce planning across the College. • Close monitoring of annual budget position, seeking actions to recover shortfalls. • Refreshed the 5-year Financial Forecast Return (FFR) based on the SFC assumptions and the sector Finance Director Network's assumptions. • Continue to promote and engage with businesses on the achievement of Flexible Workforce Development Fund (FWDF) and Young Persons Guarantee (YPG) to support businesses accessing funding. • Engage in and access new funding pots to maximise outputs.
Risk of external political/funding/regulatory changes	<ul style="list-style-type: none"> • Take account of any foreseen changes/cuts in budget planning and spending plans. • Adapt and adjust College processes and procedures to maintain service operations. • Provide relevant support to students and staff to enable ongoing learning and teaching and support services. • Remain abreast of sectoral/governmental developments, liaising with auditors and responding to SFC circulars. • Actively engaging with other government agencies and other awarding bodies to support student achievement.
Risk that we fail to achieve and grow commercial income in line with the five-year financial forecast plans	<ul style="list-style-type: none"> • Engage with SFC to continue to secure FWDF funding. • Medium to long term review of product offering and adjust to support changing needs of clients. • Increase in our leadership focus on increasing our relationships and activities with the private, public and third sectors to understand their future skills, needs and to develop strong mutually beneficial relationships. • Work with Skills Development Scotland (SDS) to introduce new Modern Apprenticeship (MA) programmes as required by employer demand. • Creation of sales plans per faculty area directing focus on target markets. • Actively seeking alternative funding and project opportunities through Invitation to Tender (ITT) opportunities and new funding sources.
Failure to maintain and deliver improvements to college estate and achieve the estate strategy objectives in	<ul style="list-style-type: none"> • Continue to rationalise and maintain existing estate per the Estates Strategy. • Continue to engage with SFC with regards to Glenrothes refurbishment. • Appropriate use of professional expertise. • Maintain dialogue with SFC to obtain additional longer-term estates maintenance funding.

support of the strategic plan	<ul style="list-style-type: none"> Proactively seek alternative sources of funding to support estates refurbishment.
Failure to deliver new appropriate accommodation in Dunfermline and deliver outcomes for the College	<ul style="list-style-type: none"> Work with professional advisors to expedite issues if required. Monthly update provided to the New Build Project Board on programme, cost, quality, risk and mitigation. Campus Risk Register reviewed quarterly. Regular engagement with the Scottish Government (SG), SFC and Scottish Futures Trust (SFT) on Net Zero Pathfinder Project and Decision Point 4 (DP4) Contract Award. Continue dialogue with SFC/SG in relation to the new campus maintenance and life cycle funding. Co-ordinated engagement with stakeholders on the design development.
Failure to implement the agreement for a national job evaluation scheme impacting on our reputation, staff morale, and financial sustainability	<ul style="list-style-type: none"> Participation in the Employers' Association, College Employers Scotland and other relevant groups to support national implementation for colleagues in the support staff bargaining unit. Timely and accurate provision of requested information and data to support national decisions including pay data, completion of role questionnaires, responses to queries etc. Review and challenge data supplied to the College from the national team to ensure clear accountability as responsibility shifts to individual colleges. Scenario plan around the financial implications for the College and engage with national team and SFC as appropriate on outturn. Engagement and discussion with College Employers Scotland on concerns and their resolution. Engagement with other colleges to provide support to each other and increase influence in raising key issues and concerns and their resolution to others in the sector and College Employers Scotland.

The College's overall risk management process and internal control review are noted in detail within the Corporate Governance Statement (page 21).

Performance Summary and Overview

Fife College was allocated an activity target of 131,782 credits by the Scottish Funding Council (SFC) for the period August 2022 to July 2023.

Overall, the College has achieved 98.6% of the credit target and achieved £9.62 million of commercial training income for 2022-23 (£8.76 million in 2021-22).

The table below summarises the College key performance indicators in relation to student activity.

	2022-23	2021-22
Student Activity (Credits)	129,888	131,220
Performance Against Credits Activity Target	98.6%	99.1%
Credits per Staff FTE	154	151
Early Withdrawal	6.0%	5.2%
Further Withdrawal	12.0%	13.8%

We have developed a range of performance measures that are used to report progress to the Board and the Executive team on a regular basis throughout each year. We have identified 12 key performance indicators (KPIs) and targets that are fundamental to delivering the College's strategy.

The table below details the KPIs and states the actual position for 2022-23 compared to the 2021-22 actual and the five-year targets:

Performance Report (Continued)

KPI No.	KPI	Actual Position 2022-23	Actual Position 2021-22	Status	Five Year Target %
1	Students successfully achieving recognised qualifications	69%	71%	↓	80%
2	Students successfully achieving HNC/HND qualifications	59%	63%	↓	75%
3	Full-time college qualifiers in work/training and/or further study 3-6 months after qualifying (CLD)	Not yet available	95%		78%
4	Students from the MD (multiple deprivation) 10 areas participating in college courses	12%	11%	↑	12%+
5	Students from the MD (multiple deprivation) 10 areas successfully achieving a recognised qualification	62%	62%	→	73%
6	Volume of credits used for Higher Education programmes	25%	27%	↓	40%
7	Student satisfaction response rate	74%	66%	↑	40%
8	Students satisfied with their college experience	93%	90%	↑	92%
9	Proportion of SFC credits used to provide STEM courses	33%	32%	↑	35%
10	Adjusted operating position as a % of total income ^	0.5%^	2.3%^	↓	3%
11	Total other income as % of total income	24%	20%	↑	24%
12	Reduction of carbon emissions	2,511 tCO2e (54% reduction from 2013/14)	2,732 tCO2e (49% reduction from 2013/14)	↑	Reduce by 38%

+ Target readjusted to align with the Fife population.

^ Figure does not include the pension adjustment.

The main points to note regarding the variances between 2022-23 and 2021-22 are:

- KPI 1/KPI 2 - Students successfully achieving recognised qualifications or HNC/HND qualifications has fallen due to levels of withdrawals remaining high and an increase in partial success figures vs successful completion.
- KPI 4 – Students from the MD 10 areas participating in college has increased due to effective and growing collaboration with local and regional partners within public and third sector organisations.
- KPI 6 - Volume of credits used for Higher Education programmes has declined due to HE enrolments reducing across most of the portfolio for 2022-23 and increased withdrawals during the year. Part-time provision has been increased to a better response to the needs of the client provision, resulting in reduction in overall credits.
- KPI 7 – Student satisfaction response rate has increased as a result of proactive and focused targeting of non-responders to the survey. A new survey dashboard has also been made available to the academic departments showing response data down to course and student level.
- KPI 8 - Students satisfied with their college experience has increased as a result of improved learner engagement and supporting systems, for example student hub for resources, mental health and wellbeing resources and student association activities.

The 2022-23 outturn position will be reviewed at the December 2023 Board of Governors meeting.

Performance Report (Continued)

Performance Analysis

Fife College in conjunction with key stakeholders draws up an annual outcome agreement, which is signed off by SFC. This makes up the basis of the College's activity in terms of the volume and subject area of credit activity agreed with SFC, along with outlining the College's role within the key priority areas which are set by Scottish Government. The College also develops annually a financial plan including commercial delivery as well as SFC funded activity. Each department produces an operational plan outlining key objectives, in conjunction with the Annual Plan and overarching College Strategy, Regional Outcome Agreement and key college strategies and plans, linking in with external stakeholders.

Overall activity is managed by the Executive Team at fortnightly meetings where student activity targets are monitored along with performance against budget and achievement of planned activities for the year.

Financial performance is also monitored quarterly at both the Finance, Commercial and Estates Committee and the Board of Governors. The Board of Governors are informed of the progress made towards key targets and performance, through Business Reporting and the Principal's report.

Fife College has recorded a deficit before other gains and losses of £2.127 million (2021-22 £0.982 million). It should be noted that this figure includes the impact of the pension provision movements of £0.835 million (2021-22 £6.098 million) and spend of net depreciation funding on other items. Removing the impact of these returns an underlying surplus of £0.284 million (2021-22 £1.425 million) as presented below and within note 28 of the financial statements.

Key points to note:

- The College has exceeded its commercial income target of £9.4 million by 2%.
- The College has delivered over 927 Modern Apprenticeships under the Skills Development Scotland Modern Apprenticeship contract with 405 new apprentices starting during the year and 204 apprentices achieving their qualifications.
- The College has delivered over 258 Foundation Apprenticeships over Scottish Credit and Qualification Framework (SCQF) level 4,5 and 6 courses, 228 of these were year one students and 30 were year two.

Financial Review Summary

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 Edition; the Financial Reporting Standards FRS 102 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 picture is detailed later in this document. The following table gives a summary of key financial and other operating ratios.

	2022-23	2021-22
Adjusted Surplus/Deficit as % of Total Income	0.5%	2.3%
Non SFC Income as % of Total Income	22%	20%
Current Assets : Current Liabilities	1.09	1.09
Staff Costs as a % of total turnover	75.0%	72.9%
Ratio of days cash to total expenditure	153.2	93.0
Staff Turnover	13.7%	12.1%

Ratio of days cash to total expenditure has increased due to the year-end cash balance being significantly higher which is discussed in the Treasury Management section on page 9.

Performance Report (Continued)

Fife College's cash budget for priorities has been set at £2.152 million by SFC. We continue to reconcile spend against the set value ensuring items allocated are in line with the set spend priorities.

Spend allocated against the College's cash budget for priorities within the financial year is detailed below:

Table of cash budget for priorities spend		
Revenue Priorities	2022-23	2021-22
	£'000	£'000
2015-16 pay award	400	400
Voluntary severance	765	342
Digital Equipment	446	702
Total impact on operating position	1,611	1,444
Capital Priorities		
Loan repayments	340	487
Unfunded pension payments	201	220
Total Capital	541	707
Total cash budget for priorities spend	2,152	2,152

The college is reporting an adjusted operating surplus of £0.284 million in the table below. This position will support the College going into the next financial year 2023-24.

ADJUSTED OPERATING POSITION	2021-22	2022-23	2023-24
	£'000	£'000	Budget
			£'000
Surplus/(deficit) before other gains and losses	(982)	(2,127)	(2,517)
Add Back:			
- Depreciation (net of deferred capital grant release) (Note 1)	1,736	2,117	2,641
- Non-cash pension adjustments - Net service cost (Note 2)	5,562	1,262	0
- Non-cash pension adjustments - Net interest cost (Note 3)	536	(427)	0
- Non-cash adjustments - Release of land grant (Note 4)	(4,561)	0	0
- Non-cash adjustments - Profit on disposal (Note 5)	(159)	0	0
Deduct:			
- Cash budget for priorities allocated to loan repayments and other capital items (Note 6)	(707)	(541)	(557)
Adjusted Operating Surplus/(Deficit)	1,425	284	(432)

The Statement of Comprehensive Income (SOCI) presents the financial performance during the accounting period in accordance with the FE/HE SORP. The adjusted operating position is intended to reflect the financial performance of the College after allowing for non-cash adjustments and other material one-off or distorting items required by the SORP. The adjusted operating position 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. This should give a better indication of the College's cash generative capacity.

The adjusted operating surplus has been agreed with the Scottish Funding Council.

Commentary on adjusting items:

Note 1: Depreciation is a non-cash item and is therefore excluded when calculating the adjusted cash operating position.

Note 2: The adjustments to the pensions charge represent the non-cash element of service cost (i.e. including the present value of projected benefits resulting from employee service in the current year) less cash contributions paid.

Performance Report (Continued)

Note 3: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets. These are non-cash adjustments.

Note 4: The SFC land grant was released to income in the 21-22 financial accounts as a result of the conditions being met to proceed with the Dunfermline Learning Campus project. This is a non-cash adjustment.

Note 5: The land swap relating to the Dunfermline Learning Campus and the derecognition of the leased asset resulted in a profit on disposal in the 21-22 financial accounts. This is a non-cash adjustment.

Note 6: The loans payments and the unfunded pensions payments are not reflected in the SOCI therefore this amount is adjusted.

Treasury Management

Treasury management is the management of the College's cash flows, its banking and managing the existing borrowing facilities; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College's treasury management arrangements are governed by the College's financial regulations.

Following reclassification on 1 April 2014 the College is unable to enter into new loan arrangements without prior approval from the Scottish Funding Council.

At 31 July 2023, there was a cash balance of £23.4 million. The cash balance at 31 July 2023 is higher than would normally be anticipated at the year-end as we have carried the following balances over from 2022-23 to be paid during 2023-24:

- SFC grant clawbacks including student support underspend (£2.0 million).
- Potential liability payments and creditor payments for goods and services received in 2021-22 and paid during 2022-23 (£2.5 million).
- A provision for leased buildings in relation to dilapidation costs (£1.8 million).
- Staffing related costs of £3.2 million which includes pay rise and related deductions and planned voluntary severance payments.
- Project funds carried forward due to the timing of spend, i.e. Dunfermline Learning Campus (£6.4 million).

This means that the underlying year end cash balance was £7.5 million. This level of cash balance is sufficient for the College's working capital requirements.

Supplier Payment

Fife College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. Supplier payment runs are completed fortnightly future paying all invoices due and those falling due in the next two weeks to ensure all payments are made within 30 days.

In 2022-23, the level of creditors in terms of the proportion of year-end creditors to the aggregate invoiced amounts during the year was 17 days (2021-22: 49 days).

The College did not make any late interest payments during the year.

Sustainability Report

Fife College confirms compliance with Scottish Government sustainability reporting in line with requirements of the Climate Change (Scotland) Act 2009 which sets out the required content for the report to Scottish Government. Due to timings for capturing and reporting sustainability data, figures reported in this section of the annual report are for 2021-22.

Performance Report (Continued)

Over the 2021-22 period, the College reduced its carbon footprint by 46% against the 2013-14 baseline figure, reducing from 5,400 tCO₂e (2013-14) to 2,898 tCO₂e. As we transition our Estate and Operations away from fossil fuel consumption, we expect our scope 1 and 2 emissions to continue to decrease. However, in line with Scottish Government reporting requirements and the College's Net Zero Action plan commitments the College reported its Procurement emissions in the 2021-22 period. This has resulted in a substantial increase in our carbon emissions to 8,308 tCO₂e (a 70% increase). As such, the College will seek to recalculate its carbon emission baseline.

It is crucial to recognise that these Scope 3 carbon emissions have always been present; it has only recently been possible for the FE/HE sector to begin measuring and reporting these emissions. The College will continue to follow Scottish Government guidance on best practice in reporting Procurement emissions.

In January 2023 the Sustainability Team joined the College, and will continue to deliver our Climate Change Strategy and supporting Net Zero Action Plan which has set the following targets for GHG emissions:

- To include procurement and staff commuting emissions in reporting statistics from 2022 onwards.
- To include student commuting emissions in reporting statistics from 2024 onwards.
- To reduce direct emissions to zero by December 2028 (e.g., using natural gas for heating) i.e. Scope 1 emissions.
- To minimise where possible usage of electricity and then offset emissions from any remaining use by 2030 i.e., Scope 1 and 2 emissions.
- To achieve net zero for all emissions by 2035. i.e., Scope 1, 2 and 3 emissions.

The College also recognises its role in the broader community of Fife, Scotland and the UK. To this effect, the Sustainability Team are active members of the Environmental Association of Universities and Colleges (EAUC). The Team sits on multiple working groups including Biodiversity Community of Practice, EAUC Scotland Smaller Institutions, Advanced Procurement for Universities and Colleges (APUC) and Waste. The College is also one of two colleges represented on the Adaptation Benchmarking Working Group. This is the body that works with all public bodies across Scotland on climate change adaptation and is administered by Sniffer for Scottish Government.

Fife College is an active partner in local environmental organisations such as Fife Environmental Partnership, Fife Biodiversity Partnership and Fife Communities Climate Action Network, which are all involved in environmental initiatives across Fife. Fife College is also a member of Climate Action Fife, an organisation whose remit is to improve the climate response across the whole of Fife with a variety of different activities.

Fife College Dunfermline Learning Campus (DLC) is a Net Zero Pathfinder project to pioneer net zero building and operating principles for Public Sector buildings. Over 2022-23, there has been ongoing engagement for this project, including providing site visits and challenging students to build the furniture Balfour Beatty staff use in the welfare areas of the site. As well as the Pathfinder at DLC, the Sustainability Team are developing a route map to Net Zero for the College Estate. They successfully applied for a pre-capital grant of £60,000 in March 2023 and will be applying for funding over the 2023-24 period to deliver retrofitting work identified by Energy Modelling commissioned for each campus.

The Sustainability Team created the recently approved Transport Strategy for Fife College which will be in place until 2028. The team will lead the delivery of the strategy, supporting other identified stakeholders. They are also working with Cycling Scotland to gain Cycling Friendly Campus status for Glenrothes and Kirkcaldy campuses. The Sustainability Team also recognise the importance of delivering engaging initiatives for students and staff and so far, have delivered several swap shop and film screening events. The team will launch the College's own climate hub at the start of the 2023-24 academic year, it will be used to deliver events and training (including carbon literacy).

Performance Report (Continued)

Going Concern

As detailed within the Financial Statements pages 36-37, the Board of Governors considers that the College has adequate resources to continue in operational existence for the foreseeable future.

Signed Accountable Officer..... Date.....

Accountability Report

The Accountability Report comprises the Corporate Governance Report and the Remuneration and Staff Report, and is signed by the Chair and the Principal.

Corporate Governance Report

Director's Report

The director's report sets out the membership of the Board of Governors and the Executive Team of Fife College over the course of the financial year.

The following table gives details of Fife College Board of Governors membership and relevant Register of Interests:

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
M Boyle	01.08.22	31.07.26		Non-Executive	Ardelis LTD	None	Audit and Risk Committee New Build Project Board
D Connelly	22.09.21	31.07.25	01.10.23	Non-Teaching Staff	Fife College	None	Finance, Commercial and Estates Committee People and Culture Committee
L Davis	15.09.21	31.07.25	27.11.22	Teaching Staff	Fife College	EIS	Academic Quality Committee People and Culture Committee
G Dickson	01.04.21	31.07.24		Non-Executive	NatWest Group	Chartered Institute of Personnel and Development	People and Culture Committee Chair's Committee
P Dobson	01.08.21	31.07.25		Non-Executive	University of St Andrews	None	Academic Quality Committee People and Culture Committee
T Edwards	01.07.23	30.06.25		Student	Fife College Students' Association	National Union of Students (NUS)	Academic Quality Committee Finance, Commercial and Estates Committee
B Fisher	01.08.20	31.07.24		Non-Executive	N/A	Fife Housing Group	Audit and Risk Committee New Build Project Board Chair's Committee
N Fisher	01.07.21	30.06.23	30.06.23	Student	Fife College Students' Association	None	People and Culture Committee
S Fleming	01.08.22	31.07.26		Non-Executive	Caledonian Sleeper Ltd	None	Academic Quality Committee

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
K Gallacher	01.07.23	30.06.25		Student	Fife College Students' Association	National Union of Students (NUS)	People and Culture Committee
H Hall	01.03.17	31.05.23	31.05.23	Principal	Fife College	Lauder Learning Ltd College Development Network Historic Environment Scotland	People and Culture Committee Finance, Commercial and Estates Committee Academic Quality Committee New Build Project Board
B Heenan	02.10.23	01.10.27		Non-Teaching Staff	Fife College	UNISON	Finance, Commercial and Estates Committee People and Culture Committee
T Martin	01.10.16 01.08.20	31.07.24		Non-Executive	N/A	Opportunities Fife	People and Culture Committee Chair's Committee
E McPhail	23.03.20 01.08.23	31.07.27		Non-Executive	NHS Healthcare Improvement Scotland	None	Academic Quality Committee Audit and Risk Committee
J Metcalfe	17.04.23	Duration of contract of employment		Principal	Fife College	Energy Saving Trust Group Energy Saving Trust Foundation	People and Culture Committee Finance, Commercial and Estates Committee Academic Quality Committee New Build Project Board
S Mitchell	01.11.18 01.08.22	31.07.26		Non-Executive	Glasgow Caledonian University	GCU Company Ltd GCU Academy Ltd GCU Nominee Company Ltd	Finance, Commercial and Estates Committee Chair's Committee New Build Project Board
G Mole	23.03.20 01.08.23	31.07.27		Non-Executive	Fife Council	Business Gateway Fife	Finance, Commercial and Estates Committee
S Mowbray	01.04.21	31.07.24		Non-Executive	Aegon	None	Audit and Risk Committee

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
P Thompson	15.02.22	31.07.25		Non-Executive	Thornton Tomasetti Defence Ltd	Fife Economy Partnership Fife Economy Partnership (Innovation Group) Bank of England Advisory Panel Institute of Physics	Finance, Commercial and Estates Committee
Z Thomson	01.10.16 01.08.20	31.07.24		Non-Executive	Fife Council	None	Academic Quality Committee Chair's Committee
E Wallace	01.07.21	30.06.23	30.06.23	Student	Fife College Students' Association	Education Scotland	Academic Quality Committee Finance, Commercial and Estates Committee
D C Watt	03.03.19 03.03.23	02.03.27		Non-Executive (Regional Chair)	BGR Training Governance Express Merlin Consultancy (Global) Ltd Organising Leisure	College Employers Scotland Colleges Scotland Goodison Group in Scotland	Chair's Committee New Build Project Board
L Wilkinson	28.11.22	27.11.26		Teaching Staff	Fife College	None	Academic Quality Committee People and Culture Committee

The Board of Governors formally meets 4 times a year. During 2022-23 there was also a Board Strategy Session and a Board Development Session. The Board also has a number of committees which are formally constituted with terms of reference.

The following table provides a record of attendance of Board members at Board and Committee meetings:

Member's Name	Board of Governors	Board of Governors - Strategy and Development Day	Academic Quality	Audit and Risk	Finance, Commercial and Estates	People and Culture	Chair's	New Build Project Board
M Boyle	4/4	2/2		4/4	4/4			7/7
D Connelly	3/4	2/2				3/3		
L Davis	0/1	0/1	0/1			0/1		
G Dickson	3/4	2/2				3/3	2/4	
P Dobson	4/4	1/2	2/3			3/3		
B Fisher	3/4	2/2		4/4			4/4	7/7
N Fisher	4/4	2/2				2/3		
S Fleming	2/4	2/2	3/3					
H Hall	3/3	1/1	2/2		3/3	2/2		4/4
T Martin	3/4	2/2				3/3	4/4	
E McPhail	4/4	2/2	3/3	4/4				
J Metcalfe	1/1	1/1	1/1		1/1	1/1		2/3
S Mitchell	4/4	1/2			4/4		1/2	6/7
G Mole	4/4	2/2			4/4			
S Mowbray	4/4	2/2		4/4				
P Thompson	2/4	1/2			4/4			
Z Thomson	3/4	2/2	3/3				4/4	
E Wallace	4/4	1/2	2/3		2/4			
D C Watt	4/4	2/2					4/4	7/7
L Wilkinson	3/3	1/1	2/2			1/2		

The College's Executive Team is made up of four posts. The individuals who held these posts during 1 August 2022 to 31 July 2023 were as follows:

- Hugh Hall, Principal and Chief Executive (Leaving date 31/5/23)
- Jim Metcalfe, Principal and Chief Executive (Start date 17/4/23)
- Susan Dunsmuir, Deputy Principal (Leaving date 26/2/23)
- James Thomson, Deputy Principal (Start date 19/6/23)
- Dorothee Leslie, Vice Principal: Academic Strategy
- Iain Hawker, Vice Principal: Quality and Academic Partnerships

Statement of Board of Governor's Responsibilities

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Governors is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control and is required to present audited financial statements for each financial year.

The Board of Governors is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 Edition and the 2022-23 Government Financial Reporting Manual (FRM) issued by HM Treasury and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council (SFC) and the College's Board of Governors, the Board of Governors, through its designated Principal, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

As Accountable Officer for the college sector, the Scottish Funding Council Chief Executive is required to provide a governance certificate of assurance covering all colleges to the Principal Accountable Officer of the Scottish Government. This is based upon certificates of assurance from each college, which confirm that the Principal has undertaken a review of the internal control arrangements of the College and that these controls have been, and are, working well.

In approving the financial statements the Board of Governors has ensured that:

- Suitable accounting policies are selected and applied consistently
- Judgements and estimates are made that are reasonable and prudent
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Board of Governors is satisfied that it has adequate resources to continue in operation for the foreseeable future; for this reason, the going concern basis continues to be adopted in the preparation of the financial statements which is detailed further on within this report.

The Board of Governors has taken reasonable steps to:

- Ensure that funds from the SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the SFC and any other conditions which the SFC may from time to time prescribe
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- Safeguard the assets of the College and prevent and detect fraud
- Secure the economical, efficient and effective management of the College's resources and expenditure

The system of internal control is based on a framework of management information processes and procedures, including the segregation of duties, and relevant key college systems of delegation, automation and accountability. In particular, it includes:

Statement of Board of Governor's Responsibilities (Continued)

- Comprehensive budgeting systems and processes and quarterly review of the budget, agreed by the Finance, Commercial and Estates Committee and the Board of Governors.
- Financial Regulations outlining financial delegation of authority, approved by the Board of Governors.
- A Strategic Plan supported by a 5-year financial forecast broken down into annual income, expenditure, capital and cash flow budgets.
- Procurement Policy and Procedures designed to ensure that all College procurement activity is focussed on the delivery of value for money and conducted to high professional standards and to the relevant legal requirements.
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns.
- A comprehensive risk management process whereby the adequacy and effectiveness of the overall arrangements put in place to manage risk are reviewed on a quarterly basis.
- Clearly defined and formalised requirements for approval and control of expenditure, with investment decisions involving capital or revenue expenditure being subject to formal detailed appraisal and review according to approval levels set by the Board.
- The adoption of formal project management disciplines.
- Board of Governors business report produced on a quarterly basis and includes information on financial performance, key performance indicators such as student activity levels and retention and achievement rates, estates and IT developments and staffing indicators.

Any system of internal control can, however, only provide reasonable, but not absolute, assurance against material misstatements or loss.

Auditor

The Auditor General for Scotland appointed Mazars to undertake the audit for the year ended 31 July 2023. This is the first year of a five-year appointment.

Disclosure of Information to Auditors

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Non-Audit Fees

No payments were made to the External Auditor, Mazars, other than in respect of the Statutory Audit fee (see note 10).

Governance Statement

Introduction

Fife College is committed to exhibiting good practice in all aspects of corporate governance. This summary describes the manner in which the College has applied the principles set out in the 2016 Code of Good Governance for Scotland's Colleges. Its purpose is to help the reader of the financial statements to understand how the principles have been applied.

This governance statement is designed to supplement 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 Board's assessment of the effectiveness of these arrangements.

Statement of Compliance

The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the financial year ended 31 July 2023.

The College has also reviewed its compliance with the 2022 Code of Good Governance for Scotland's Colleges, ahead of it being a requirement to report on this for next year. The College has complied with all aspects of this Code with the exception of always having a majority of non-executive Board members when taking decisions. Steps are being taken to ensure compliance in this area for 2023-24. The review also focused on where the College could potentially do more to strengthen its compliance with the new Code, and actions have been documented in the Board's Annual Development Plan.

Board of Governors

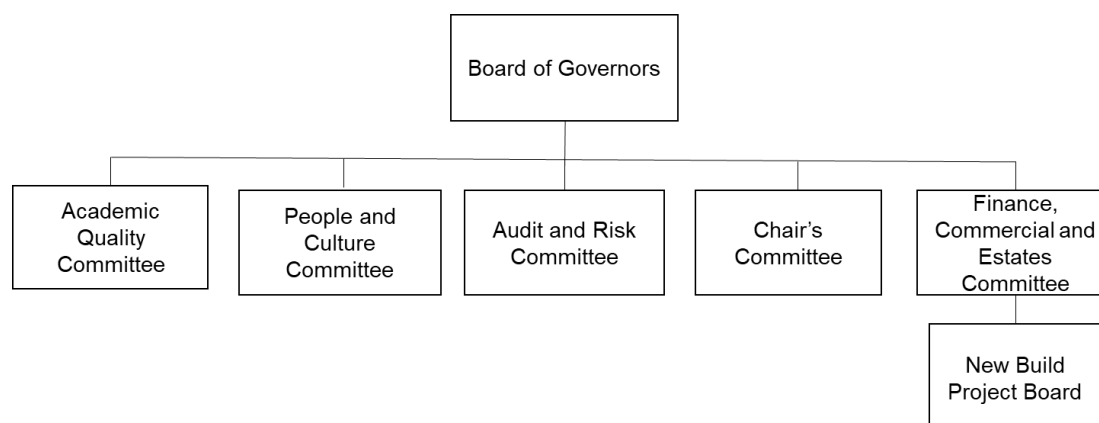
The College's Board of Governors comprised a total of 18 members. Twelve of these members were non-executive members who were drawn from the public and private sector and were selected due to their specific expertise, knowledge and skills that contributed to the effective governance of the College. The other members include the Chair, the Principal, two elected student members and two elected staff members. The Chair was appointed by Scottish Ministers. One of the non-executive members was elected by the Board as Depute Chair and another as Senior Independent Member.

During 2022-23 a new Principal and Chief Executive was appointed by the Board. The new Principal took up this position from 17 April 2023. All Board members were invited to participate in the recruitment process, together with staff and student stakeholders, and an independent person was invited to form part of the interview panel.

Since 1 August 2013, new Board Members have been appointed in accordance with the Ministerial Guidance on College Sector Board Appointments.

The Board has established the undernoted Committees, all of which are formally constituted with Terms of Reference, as delegated by the Board of Governors. All the committees are chaired by a non-executive member of the Board and meet virtually via Microsoft Teams.

The structure of Fife College's Board of Governors is as follows:



Governance Statement (Continued)

A New Build Project Board has also been established to oversee the planned new campus for Dunfermline. The Project Board reports to the Finance, Commercial and Estates Committee and meets monthly.

The Board of Governors was responsible for setting the mission and strategic direction of the College and for protecting its reputation. The Board approved major developments and partnership projects and actively monitored and promoted financial stability. The Board had strategic responsibility for employment of staff, welfare of students and staff, and standards of teaching and learning. The Board promoted high standards of ethical conduct and integrity.

The Board of Governors met four times during the year and received minutes and reports from its Committees. All meetings have been chaired by the Regional Chair, and have been held in person.

The Board held its annual development session in November 2022. This was a half-day session which allowed Board members to discuss a range of strategic issues such as Think the Unthinkable and potential strategic opportunities for Fife in Rosyth with key partners in relation to the Green Freeport development.

The Board held its annual strategy session in May 2023. The recently appointed Principal was invited to discuss with Board members his initial impressions, reflections and priorities which have subsequently been used to inform the College's Strategy. Strategic sessions on risk and on regional alignment for Fife were held. Board members were also given an update on recent Adam Smith Scholarship and Fife College Alumni activity.

At the start of the year, the Board reviewed the Strategic Risks for the College, and these were subsequently monitored by the Audit and Risk Committee through quarterly reports which demonstrated the progress that had been made to minimise and manage each risk. The Risk Management Policy for Fife College was approved by the Audit and Risk Committee in June 2014 and last revised by the Committee in September 2022.

The Board receives quarterly business reports which give updates on key performance indicators for the college in relation to students, staff, finance, digital, estates and innovation.

Evaluation of Board, Committee and Chair performance was carried out. Each Committee undertook a review of its effectiveness and the Chair has conducted individual annual development meetings with each Board Member.

Executive Team

The Executive Team received regular reports setting out progress against key performance indicators and objectives and considered possible control issues brought to their attention through management information reports including student recruitment and retention, income and expenditure and staff performance. The Executive Team also received reports from internal audit and from quality agencies. All of these reports were also fully considered by operational managers.

The Executive Team regularly reviewed progress towards objectives. The Principal prepared a report for each meeting of the Board of Governors on progress towards achievement of planned objectives and targets and a general update on matters affecting the overall progress and development of the College.

Academic Quality Committee

The purpose of the Academic Quality Committee is to assure the Board of Governors that Fife College's learning and teaching strategy meets the needs of all stakeholders and to ensure consistency in the strategic development of learning, teaching, quality and related issues throughout the College.

Governance Statement (Continued)

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to assure the Board of Governors that Fife College has in place a system of governance, internal control and risk management which is being maintained and developed to meet legislation and regulations applying to the sector. The Committee must support the Board and the Principal by reviewing the comprehensiveness, reliability and integrity of assurances: the College's governance, risk management and internal control framework.

Internal and External Auditors attended relevant meetings of this Committee. Whilst senior members of College staff including the Principal attended meetings of the Audit and Risk Committee, they were not members of the Committee. Once a year, the Audit and Risk Committee meet both the External Auditors and Internal Auditors for independent discussions.

The Audit and Risk Committee has a range of skills and experience with representation from financial and risk management backgrounds. The Committee includes a member who has over 30 years' experience of the finance services sector including actuarial/financial modelling and business change management, and who is also a member of the Board of Governors.

Chair's Committee

The purpose of the Chair's Committee is to ensure that the governance structure of Fife College is fit for purpose and meets legislative obligations; acts as a Nominations Committee for recruitment and selection to the Board of Governors; and acts as Remuneration Committee to review and approve the salaries of the Principal and Vice Principal level roles.

Finance, Commercial and Estates Committee

The purpose of the Finance, Commercial and Estates Committee is to assure the Board of Governors that Fife College has appropriate strategies, plans, budgets and controls in place which manage identified risks creating a sustainable and stable college. The Committee recommends to the Board of Governors the College's annual budgets and monitors performance in relation to the approved budgets. It considers the Estates Strategy and ensures that the College's buildings are fit for purpose and maintained to an appropriate standard. It receives quarterly reporting in relation to the Colleges Digital Strategy and performance thereof.

People and Culture Committee

The purpose of the People and Culture Committee is to assure the Board of Governors that Fife College has in place appropriate policies and procedures to promote and safeguard the health, safety and wellbeing of staff, students and all stakeholders and satisfies current legislation. With regard to organisational development and human resources, it is to assure the Board of Governors that Fife College meets its ethical and legal obligations to staff and has appropriate strategies, policies and procedures in place to promote a positive and inclusive culture.

Board and Committee Attendance Levels

Attendance at the relevant meetings throughout the year was as follows:

Board of Governors	86%	(2021/22: 84%)
Academic Quality	86%	(2021/22: 95%)
Audit and Risk	100%	(2021/22: 100%)
Finance, Commercial and Estates	92%	(2021/22: 83%)
Health and Safety and Human Resources	92%	(2021/22: 86%)
Chair's Committee	86%	(2021/22: 75%)
New Build Project Board	94%	(2021/22: 84%)

Governance Statement (Continued)

External Effectiveness Review and Self-Evaluation

The Board's External Effectiveness Review took place between September and December 2020 and was facilitated via Microsoft Teams as it was during the Covid-19 pandemic. This confirmed that the College's governance met the requirements of the Code of Good Governance for Scotland's Colleges with no areas of non-compliance highlighted. Several recommendations for further enhancing the Board's effectiveness were made. The Board has discussed and prioritised these and most recommendations were completed during 2021-22. Self-evaluation took place in 2021-22 and in 2022-23 and builds upon the recommendations that were given and as documented in the Board's Annual Development Plan. The Board intends for the next External Effectiveness Review to take place the first half of 2025.

Risk Management

Fife College is accountable to a variety of stakeholders and the environment in which it operates is subject to wide range of risks, requiring effective risk management. Therefore, the approach of Fife College is that risk management is embedded within the operation of the College and part of its culture by actions such as:

- Including risk at departmental level, both in setting a development plan for the year ahead and monitoring throughout the year
- Including risk in strategic and operational planning
- Regular review of risk management arrangements
- Operating a formalised reporting process
- Promoting Risk Management Policy at a high level

The Board of Governors has overall responsibility for ensuring the effective identification, mitigation and monitoring of strategic risks within the College. The Audit and Risk Committee has delegated authority from the Board of Governors to implement the policy and strategy set by the Accounting Officer and endorsed by the Board, and to review strategic risks and action plans, including those identified through the operational risk management process on a periodic basis and report this to the Board of Governors.

The College operates a Strategic Risk Register which identifies the most significant risks to the College. The Principal is responsible for the maintenance of the College Strategic Risk Register and for ensuring that appropriate risk mitigation actions are implemented to address significant risks to College operations and strategic objectives. The Executive Team members are responsible for ensuring that management plans are in place and reviewed to mitigate the key risks identified during the business planning risk assessment process. This information is included on the Strategic Risk Register in summary form.

The Audit and Risk Committee receives quarterly reports from the College's Executive Team. The Executive Team reviews operational risk and proposes updates to the Strategic Risk Register. Any proposed changes to the Strategic Risk Register are highlighted and discussed by the Audit and Risk Committee. It is also provided annually to the Board of Governors.

Throughout the year, the Audit and Risk Committee received updates on the Strategic Risk Register and monitored and considered the updates and actions provided. The following table sets out the fourteen strategic risks for which the underlying risk has been scored as "severe" or "high". It records the residual risk, with three risks shown as "High", ten as "Moderate" and one as "Low", following the mitigating actions which have been taken. The table below sets out the College's strategic risks as at 31 July 2023.

No.	Risk	Before Mitigation	After Mitigation
1	Failure to maintain and deliver improvements to college estate and achieve the estate strategy objectives in support of the strategic plan.	High	Moderate
2	Failure to achieve annual financial targets in line with the five-year financial forecast plan.	Severe	High
3	Failure to adopt current and emerging technologies, and to ensure continuous enhancement of digital capability in support of effective and efficient hybrid learning and teaching delivery.	High	Moderate

4	Failure to focus on wider wellbeing of staff and students.	High	Moderate
5	Failure to achieve recruitment targets across Grant in Aid and Non-Grant in Aid income activity and to deliver relevant, inclusive and sustainable curriculum, ensuring successful outcomes for all students.	High	Moderate
6	Failure to develop capacity and skills mix that fits the strategy.	High	Low
7	Risk of external political/funding/ regulatory changes.	Severe	High
8	Risk that we fail to achieve and grow commercial income in line with the five-year financial forecast plans.	High	Moderate
9	Failure to achieve cohesive culture.	High	Moderate
10	Failure to achieve positive and sustained transitions for students and to create attractive and motivating learning environments and conditions for learner journeys.	High	Moderate
11	Failure to take steps to maintain reliable IT infrastructure and to protect systems from attacks and misuse, possibly remotely over the internet. Steps may be technical or procedural in nature. Technical steps more easily addressed than procedural steps which require buy in from staff and learners across the College.	Severe	Moderate
12	Failure to fully comply with statutory or regulatory requirements leading to a breach of legislation, resulting in legal action, a fine or another penalty against the College.	Severe	Moderate
13	Failure to deliver new appropriate accommodation in Dunfermline and deliver outcomes for the College.	High	Moderate
14	Failure to implement the agreement for a national job evaluation scheme impacting on our reputation, staff morale, and financial sustainability.	High	High

Internal Audit

Internal audit is a key independent source of assurance.

The strategic and annual planning of the internal audit programme is risk based, meaning their work is targeted to the areas identified as greatest risk and strategic importance.

The Audit and Risk Committee agree an internal audit schedule annually based on an audit needs assessment. They receive:

- The internal audit reports as per the agreed work programme and ensure that recommendations are adequately responded to by the college.
- An annual report from the internal auditor which should include an opinion on the degree of assurance that can be placed on the systems of internal control and any follow-up actions still outstanding which should be closed off by the College.

In 2022-23 the Audit and Risk Committee commissioned the internal auditors to review the following key risks/areas which have been numbered in accordance with the above table:

Internal Audit	Key Risks
Procurement	Risks 2 and 7
Staff Wellbeing	Risk 4
Commercial Income / Business Engagement	Risk 8
Estates Strategy – New Dunfermline Learning Campus Project	Risk 13
Internal Communications	Risks 9 and 10
Student Assessment	Risk 12

Of the above reviews carried out in 2022-23, none identified any major control weakness.

Governance Statement (Continued)

At the end of 2022-23, of the six audit recommendations received, one was signed off as fully complete and five were not yet due for completion. Implementation of internal audit recommendations is closely monitored by the Executive Team and progress is reported to each meeting of the Audit and Risk Committee. Through the reporting on progress made with audit recommendations, the Audit and Risk Committee receives assurance from the College that it is committed to implementing the recommendations received and maintaining systems of control.

The internal auditor has expressed the opinion that the Board of Governors of Fife College has a framework of internal controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.

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 control issues/weaknesses.

Personal Data Security

The Principal is the Senior Information Risk Owner (SIRO). Day-to-day management of information risks is the responsibility of all Directors across the College supported by the Data Protection Officer. There have been no reportable breaches of personal data security during 2022-23 (2021-22 nil).

Going Concern

The going concern status of Fife College is discussed in note 1 of the financial statements under "Basis of Preparation".

Conclusion

The Board of Governors is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. Such a system was designed to manage rather than eliminate the risk of failure to achieve business objectives and could only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit and Risk Committee agenda included a regular item for consideration of risk and control and received reports thereon from the Executive Team and the Internal Auditors. The emphasis was on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Governors was of the view that there was an on-going process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2023 and up to the date of approval of the annual report and accounts, that it was regularly reviewed by the Board of Governors and that it accords with the 2016 Code of Good Governance for Scotland's Colleges.

Remuneration and Staff Report

Remuneration Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2022-23 Government Financial Reporting Model (FreM) issued by HM Treasury which came into force for the period ending 31 July 2023.

The report sets out the remuneration and accrued pension benefits of the Executive Team and remunerated board members.

The following report has been prepared in accordance with the aforementioned regulations.

Audit of Remuneration Report

All information disclosed in the tables in this report will be audited by the College's external auditor and all other sections of the Remuneration Report will be reviewed to ensure they are consistent with the financial statements.

Remuneration Policy

The remuneration of the Principal and Vice Principal level posts is considered by Chair's Committee which is made up of the Chair and Depute Chair of the Board of Governors and the Chairs of the College committees. The remit of the Chair's Committee in terms of remuneration is as follows:

- Determine the remuneration for Principal and Vice Principal level posts on an annual basis.
- Approve the terms of any staff voluntary severance scheme, considering Scottish Funding Council guidance and thresholds; together with limits on funding and payback periods and monitor progress against this.
- Consider voluntary severance scheme applications from Principal and Vice Principal level post holders.
- Approve the terms of any severance arrangements where a non-contractual financial consideration is proposed based on a business case and where this falls out with an existing and approved scheme.
- Monitor the number of severances approved where a contractual financial payment has been made.

Remuneration Including Salary and Pension Entitlements

Salary Entitlements

The following table provides detail of the remuneration and pension interests of the Principal, Deputy Principal, Vice Principals and board members that are remunerated. The remuneration of the Chair of Board of Governors is set by the Scottish Government and is a non-pensionable post.

No information has been disclosed for board members that are not remunerated.

Name	Job Title	Year ended 31 July 2023		
		Salary £'000	Pension Benefit £'000	Total £'000
David C Watt	Chair of Board of Governors	20-25	0	20-25
Hugh Hall ¹	Principal and Chief Executive	110-115	25-30	140-145
Jim Metcalfe ²	Principal and Chief Executive	40-45	0	40-45
Susan Dunsmuir ³	Deputy Principal	65-70	25-30	95-100
James Thomson ⁴	Deputy Principal	15-20	0	15-20
Dorothee Leslie	Vice Principal Academic Strategy	95-100	(45)-(40)	55-60
Iain Hawker	Vice Principal Quality and Academic Partnerships	95-100	30-35	130-135

Remuneration and Staff Report (Continued)

Name	Job Title	Year ended 31 July 2022		
		Salary £'000	Pension Benefit £'000	Total £'00
David C Watt	Chair of Board of Governors	20-25	0	20-25
Hugh Hall ¹	Principal and Chief Executive	135-140	30-35	165-170
Jim Metcalfe ²	Principal and Chief Executive	0	0	0
Susan Dunsmuir ³	Deputy Principal	95-100	35-40	130-135
James Thomson ⁴	Deputy Principal	0	0	0
Dorothee Leslie	Vice Principal Academic Strategy	95-100	0-5	95-100
Iain Hawker	Vice Principal Quality and Academic Partnerships	85-90	75-80	165-170

¹ The former Principal has left the College with effect from 31st May 2023 and had ceased to pay pension contributions into the Superannuation Scheme, therefore, the pension benefit noted reflects salary paid in lieu of pension on an equivalent basis. The figure shown is a part-year figure based on an annual equivalent salary for this position in the £135,000 to £140,000 band.

² The new Principal commenced the role from 17th April 2023. The figure shown is a part-year figure based on an annual equivalent salary for this position in the £140,000 to £145,000 band. The figure shown also includes additional payments related to the individual taking up the post, which were approved by the College's Remuneration Committee.

³ The former Deputy Principal has left the College with effect from 26th February 2023. The figure shown is a part-year figure based on an annual equivalent salary for this position in the £115,000 to £120,000 band.

⁴ The new Deputy Principal commenced the role from 19th June 2023. The figure shown is a part-year figure based on an annual equivalent salary for this position in the £115,000 to £120,000 band. The figure shown also includes additional payments related to the individual taking up the post, which were approved by the College's Remuneration Committee.

The Regulations require information to be published on the total number of College employees (including Executive Team members) whose total actual remuneration was £60,000 or more. This information is to be disclosed in salary bandings of £10,000 above £60,000 and is shown in note 7 to the financial statements.

Median Remuneration

Based on the 12-month equivalent figures, the remuneration of the highest paid official in the organisation in the financial year 2022-23 was £135-140,000. This was 4.2 times (2021-22 4.1 times) the median remuneration of the workforce which was £32,833 (2020-21 £32,909).

The following table details the median of the 25th and 75th percentiles and the ratios between the highest paid official and the total pay and benefits of the 25th and 75th percentiles and the variances from the previous year.

There are no significant variances between 2022-23 and 2021-22.

Remuneration and Staff Report (Continued)

	2022-23	2021-22	Change
	£	£	%
Range of workforce remuneration			
Highest paid official remuneration	140,000	135,867	3.0%
Median (total pay and benefits)	32,833	32,909	-0.2%
Median (salary only)	32,833	32,909	-0.2%
Ratio	4.2:1	4.1:1	
25th percentile (total pay and benefits)	27,525	25,890	6.3%
25th percentile (salary only)	27,525	25,890	6.3%
Ratio	5.1:1	5.2:1	
75th percentile (total pay and benefits)	43,357	43,271	0.2%
75th percentile (salary only)	43,357	43,271	0.2%
Ratio	3.2:1	3.1:1	

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 Local Government Pension Scheme (LGPS).

Contribution rates are set annually for all employees and can be found in note 25.

There is 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.

Name	Job Title	Accrued pension at pension age at 31 July 2023 £'000	Accrued lump sum at pension age at 31 July 2023 £'000	Real increase in pension 1 August 2022 to 31 July 2023 £'000	Real increase in lump sum 1 August 2022 to 31 July 2023 £'000	CETV at 31 July 2023 £'000	CETV at 31 July 2022 £'000	Real increase in CETV £'000
Jim Metcalfe	Principal and Chief Executive	0-5	0	0	0	10	0	0
Susan Dunsmuir	Deputy Principal	20-25	0	0-2.5	0	216	194	16
James Thomson	Deputy Principal	0-5	0	0	0	4	0	0
Dorothee Leslie	Vice Principal Academic Strategy	30-35	90-95	(2.5)-0	(10)-(7.5)	723	658	66
Iain Hawker	Vice Principal Quality and Academic Partnerships	35-40	105-110	0-2.5	0-2.5	761	610	151

Cash Equivalent Transfer Value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

In considering the accrued pension benefits figures the following contextual information should be considered:

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

Remuneration and Staff Report (Continued)

Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, 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.

Compensation for Loss of Office

During 2022-23, 26 employees left the College under an approved Voluntary Severance (VS) scheme. The total cost of these staff leaving through VS was £753,000. This figure includes pension strain costs. The table below summarises the exit packages by cost band.

Exit Package Cost Band	Total Number of Exit Packages by Cost Band
<£10,000	1
£10,000 - £25,000	14
£25,000 - £50,000	10
£50,000 - £100,000	1
Total number of exit packages	26
Total cost (£000)	£753k

Staff Report

Introduction

The staff report contains information in relation to staff costs and numbers.

Staff Numbers & Costs

Total Staff Numbers & Costs

The following table provides an analysis of the staff numbers and costs split between permanent and temporary staff:

	2023 Directly employed staff £'000	2023 Seconded and agency staff £'000	2023 Total £'000	2022 Total £'000	Movement £'000
Wages and salaries	31,605	851	32,456	30,451	2,005
Social security costs	2,747	184	2,931	2,958	(27)
Other pension costs	6,147	82	6,229	5,996	233
Total	40,499	1,117	41,616	39,405	2,211
Average number of FTE	829	14	843	870	(27)

There is a decrease in staffing of 27 FTE from 2021-22 to 2022-23. Part of this was in consultation with departments where there was an overstaffing identified and staff left on Voluntary Severance and non-renewal of temporary contracts where appropriate.

Remuneration and Staff Report (Continued)

The college employed 567 females and 372 males as at 31 July 2023, the following table details the breakdown:

Category	2023 Female	2023 Male	2022 Female	2022 Male	Movement Female	Movement Male
Senior Leadership	7	8	8	8	(1)	0
All Other Employees	560	364	558	347	2	17
TOTAL	567	372	566	355	1	17

Sickness Absence Data

The average number of days lost per full time equivalent (FTE) to sickness absence during the year 2022-23 was 7.81 days. This compares to 7.83 days for the same period during 2021-22.

The following table shows the sickness absence as a percentage of total working days for the year 2022-23 comparing to the same period during 2021-22. There has been a decrease in short-term sickness absence and a significant increase in long-term sickness absence and this is being managed by the Human Resources team.

Sickness Absence	2022-23	2021-22
Short Term % (Under 20 days)	1.64%	2.07%
Long-Term % (Over 20 days)	3.22%	1.11%
Overall %	4.85 %	3.18%

Promotion of Equality of Delivery of Service to Different Groups

The Equality and Diversity policy is implemented through a number of policies and procedures that concern the experience of staff and students and gives due regard to public sector equality duty under the Equality Act 2010.

For staff, these cover the employment cycle:

- Recruitment and Selection – the College will use media that attracts applications from all the communities that it serves and decisions will be based on objective criteria related to the requirements of the post. Where employment agencies are used, they will be informed of the College's commitment to equality and diversity and be required to act in way that is consistent with this policy.
- As an employee:
 - Staff Development/Continuous Professional Development – all members of staff will have the opportunity to participate in development activity that enables them to develop their qualifications and skills. Members of staff will be expected to participate in equality and diversity development training and other initiatives.
 - Equal Pay – members of staff can expect to be paid the same as other members of staff when the duties that they undertake are the same or similar, where it is rated as equivalent using an appropriate scheme where applicable or where it is work of equal value to another member of staff.
 - Work Life Balance – the College recognises that members of staff have commitments both at home and work. To enable staff to balance these commitments, the College has in place a range of flexible working arrangements.
 - Employee Experience – our staff engagement survey data is analysed by several protected characteristics. We endeavour that all colleagues have a positive experience whilst employed by the College.
 - Conduct – members of staff can be expected to be treated with respect by those that they encounter in the course of their duties and in return must treat others with respect. There are policies and procedures that describe the expectations of the College in this regard, and these are contained in Codes of Conduct and Anti-Harassment policy and procedure. Review of performance will be objective and fair.

Remuneration and Staff Report (Continued)

- Exit – members of staff will be treated fairly in circumstances where there is a reduction in the need for certain types of roles and in the application of disciplinary procedures where dismissal may be an outcome.

For students, this covers the learner journey:

- Course Provision – in marketing the provision and courses available, the College will reflect the diversity of its community and portray positive role models to challenge stereotypes.
- Admissions – all applications will be given equal consideration. Entry qualifications will only be those necessary for the study and suitability for the course will be based on those requirements. Where the College is informed an applicant has support requirements, these will be considered on an individual basis and in discussion with the person.
- Learning and Teaching – curricula and syllabi should promote equality and diversity avoiding bias and discrimination.
- Advice and Support – advice, support and guidance will be available to all students to ensure that they are able to fulfil their potential and contribute fully to their studies and the life of the College.
- Attainment – the College commits to ensuring that all students are provided with the opportunity and support to complete their studies and to progress towards attaining their goals.

Contractors and suppliers, including those who provide work placements to students, are bound by the terms and conditions under which they operate including the need to act in ways that are consistent with this policy. The procurement process to appoint contractors and suppliers will include a commitment to equality and diversity which is in line with this policy.

Visitors are required to behave in ways that are consistent with this policy and to seek advice and

Fair Work Practices

Fife College has a Workforce Plan and Strategy 2018-2023 which is based on the Fair Work Conventions recognising the importance of providing meaningful work and careers to our colleagues, both current and future. (<https://www.fife.ac.uk/media/2773/new-workforce-plan-and-strategy.pdf>). We continue to measure our success against the five dimensions by reviewing an agreed action plan on a continuous basis ensuring that achievements are made. All the work that has been undertaken will also help develop the new strategy due for 2023. There is also HR representation on the national working group on Fair Work for the College's working together with the recognised trade unions in developing good working practices based on the conventions.

Workforce Planning

The College has been active in its consideration of its staffing profile over a prolonged period and the direction was set in Workforce Plan and Strategy 2018-2023, the focus being on:

- Specialisms and core purpose in roles with a forecast of fewer people in academic and professional service roles and more in academic support reflecting the turnover and recruitment.
- Workforce Planning has taken place with all areas and detailed plans on forecasts over the next three years has been developed which also incorporates succession planning.
- Identifying key Learning and Development themes which will allow the People and Development Team to plan relevant activity for all.

Hybrid Working

- The College has a working group to review flexible working and learning spaces across all campuses to support more hybrid working practices.
- The aim is to finalise a Smart Work Strategy for our Executive Team to approve. The group will also work on a brief for the staff workspace in the new Dunfermline Learning Campus as well as an engagement plan to involve staff relocating to the new campus. The outputs from this work will inform the look and feel of such workspaces in other campuses.

Remuneration and Staff Report (Continued)

- There are guides available for staff and managers to assist with agile working and to ensure all are treated fairly and communicated effectively.

Health and Wellbeing

There is a Health and Wellbeing Strategy for the College, and from this there is a Health, Safety, and Wellbeing Sub-Committee and Staff and Student Community Groups. This supports the implementation of the strategy and build, from the ground up, action plans which will further establish our wellbeing culture:

- Over the last academic year, there have been two Wellbeing Festivals which covered a variety of events and external activities, and again had excellent feedback received from staff.
- The work the college has done around wellbeing has been widely recognised nationally by winning the following awards:
 - Health and Wellbeing Award at the CDN College Awards.
 - Fife Business Award for Health and Wellbeing;
 - The Great British Workplace Wellbeing Award
- The college continues to demonstrate a real commitment to wellbeing and the diverse range of activities and support provided to our colleagues, including more festivals and events throughout the next academic year. This area has also undertaken an audit and the it was cited as having good practice in strategy, good communication, gaining feedback and good budget resource.

Health and Safety

The Board of Governors of Fife College not only accepts its legal duties of care as set out in the Health and Safety at Work etc. Act 1974 and subsequent legislation but also its moral and ethical obligations to staff and to all other persons who may be affected by operational practices and procedures.

It is the policy of Fife College; Board of Governors to conduct its activities so that:

- Prime consideration is given to the health and safety of its employees and all other persons affected directly or indirectly by its activities.
- Proper regard is given to minimise any possible undesirable effects of its activities on the student population.

The Principal and Chief Executive of the College has ultimate responsibility for health and safety of the staff, students and of any members of the general public having access to college premises, and in particular assumes responsibility for:

- Considering and addressing the implications of Board decisions.
- Maintaining management structures for the effective implementation, monitoring and review of the College Health and Safety Policy, performance, systems and procedures.
- Appointing a member of the Executive Team (Deputy Principal) to the role responsible for Health and Safety.

Trade Unions

The College recognises three Trade Unions, EIS, UNISON and UNITE. The relationships with each are governed by the appropriate Recognition and Procedure Agreements augmented with regular informal discussions with senior staff including the Principal and the Director: Organisational Development and Human Resources. This brings open and construction dialogue in both formal and informal settings. The recognised Trade Unions and Management also have the opportunity to discuss how the effective relationships are working with the People and Culture Committee meetings and are now part of this committee. There will also be representation from the recognised trade unions on the Board and the process for this will commence in January 2024.

We are an active member of the Employer's Association to support National Bargaining dialogue, discussion and agreement. All of this highlights our commitment to partnership working and a relationship based on openness and transparency from management and the recognised Trade Unions.

Remuneration and Staff Report (Continued)

Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 March 2023.

Relevant union officials

Number of employees who were relevant union officials during the relevant period:	Full time equivalent employee number:
10	10

Percentage of time spent on facility time

Percentage:	Number of employees:
0%	-
1%-50%	10
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time:	£49,793
Total pay bill:	£40,900,261
Percentage of the total pay bill spent on facility time:	0.12%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	4.80%
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Parliamentary Accountability Report

Fees and Charges

Throughout the financial year Fife College had a contract with the Scottish Prison Service to deliver education services within 13 prisons across Scotland.

The direct cost of running this contract was £3.99 million (£3.92 million in 2021-22) and income generated was £4.88 million (£4.69 million in 2021-22).

The Corporate Governance Statement on pages 18-23 was approved by the Board of Governors on 7 December 2023 and signed on its behalf by:

Jim Metcalfe
Principal

David C. Watt
Chair, Board of Governors

Independent auditor's report to the Board of Management of Fife 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 Fife College for the year ended 31 July 2023 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, and 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 in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 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. Our period of appointment is five years, covering 2022/23 to 2026/27. 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 www.audit-scotland.gov.uk/our-work/annual-audits.

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.

Independent auditor's report to the Board of Management of Fife College, the Auditor General for Scotland and the Scottish Parliament (Continued)

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 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 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 part of the Remuneration and Staff Report

We have audited the parts of the Remuneration and Staff Report described as audited. In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Independent auditor's report to the Board of Management of Fife College, the Auditor General for Scotland and the Scottish Parliament (Continued)

Other information

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

Our responsibility is to read all the 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 part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to our responsibilities for the annual report and accounts, our conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in our Annual Audit Report.

Use of our report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 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.

Michael Speight, for and on behalf of Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Date:

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

Fife College

College Statement of Comprehensive Income and Expenditure

	Notes	Year Ended 31 July 2023 £'000	Year Ended 31 July 2022 £'000
Income			
SFC Grants	2	43,867	49,245
Tuition fees and education contracts	3	10,150	10,190
Other income	4	2,447	2,052
Investment income	5	630	6
Donations and endowments	6	344	210
Revenue Grant from Arms Length Foundation	4	48	0
Total income		57,486	61,703
Expenditure			
Staff costs	7	42,824	44,988
Restructuring costs	7	753	342
Interest and other finance costs	9	139	720
Other operating expenses	10	12,235	13,581
Depreciation	11	3,422	3,070
Charitable donations		240	143
Total expenditure		59,613	62,844
Deficit before other gains losses		(2,127)	(1,141)
Gain on disposal of fixed assets		0	159
Deficit before other comprehensive income		(2,127)	(982)
Deficit for the year		(2,127)	(982)
Other comprehensive income			
Actuarial gain in respect of pension schemes	19	1,028	34,077
Unrealised gain on revaluation of fixed assets	22	4,321	6,778
Total comprehensive income for the year		3,222	39,873

Total comprehensive income for the year is wholly represented by unrestricted income and is fully attributable to College.

All items of income and expenditure relate to continuing activities

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 28 provides details of the adjusted operating position on a Central Government accounting basis and presents the underlying surplus for the year.

Fife College
College Balance Sheet

	Notes	Year Ended 31 July 2023	Year Ended 31 July 2022
		£'000	£'000
Non-current assets			
Tangible assets	11	110,982	89,858
Investments	12	41	32
Investment in joint venture	12	404	404
		111,427	90,294
Current assets			
Stock	13	97	106
Trade and other receivables	14	6,403	6,629
Cash and cash equivalents	16	23,409	15,234
		29,909	21,969
Less: Creditors - amounts falling due within one year	17	(25,605)	(18,432)
		4,304	3,537
Total assets less current liabilities		115,731	93,831
Creditors: amounts falling due after more than one year	18	(52,574)	(33,637)
Provisions			
Pension provisions	19	0	0
Other provisions	20	(4,064)	(4,324)
Total net assets		59,093	55,870
Unrestricted Reserves			
Income and expenditure reserve - unrestricted	21	11,942	11,476
Revaluation reserve	22	47,151	44,395
Total Reserves		59,093	55,871

The financial statements on pages 1 to 57 were approved by the Board of Management on 7 December 2023 and were signed on its behalf on that date by:

Jim Metcalfe
Principal

David C. Watt
Chair, Board of Governors

Fife College
Statement of Cash Flow

	Note	31 July 2023	31 July 2022
		£'000	£'000
Cash flow from operating activities			
Deficit for the year		(2,127)	(982)
Adjustment for non-cash items			
Depreciation	11	3,422	3,070
Deferred government grants released to income	2	(983)	(995)
Deferred non-government grants released to income	4	(322)	(339)
Decrease in stock	13	9	31
Decrease in debtors	14	226	(1,949)
Increase in creditors	17	7,852	461
Pension costs	25	1,208	5,582
Decrease in other provisions	20	(67)	(196)
Decrease in student funds	24	(104)	235
Adjustment for investing or financing activities			
Investment income	5	(203)	(6)
Interest payable	9/20	193	744
Net return on pension scheme	5	(427)	0
Net cash inflow from operating activities		8,677	5,657
Cash flows from investing activities			
Investment income	5	203	6
Payments made to acquire fixed assets	11	(20,233)	(11,733)
Payments received for disposal of fixed assets	11	0	2,343
Net cash outflow from investment activities		(20,030)	(9,383)
Cash flows from financing activities			
Interest paid	9	(139)	(153)
Interest element of finance lease	9	0	(31)
New Grants		20,007	6,784
New SFC loans		0	2,300
Repayments of amounts borrowed	17/18	(341)	(341)
Capital element of finance lease and service concession payments	17/18	0	(1,186)
Net cash inflow from financing activities		19,528	7,372
Increase in cash and cash equivalents in the period		8,175	3,646
Cash and cash equivalents at beginning of the period		15,234	11,588
Cash and cash equivalents at end of the period		23,409	15,234
Increase in cash		8,175	3,646

Fife College
College Statement of Changes in Reserves
Year ended 31 July 2023

	Income and expenditure account	Revaluation reserve	Total
	Unrestricted		
	£'000	£'000	£'000
Balance at 1 August 2021	(21,249)	37,247	15,998
Deficit from the income and expenditure statement	(982)	0	(982)
Other comprehensive income	32,522	8,333	40,855
Transfers between revaluation and income and expenditure reserve	1,185	(1,185)	0
	32,725	7,148	39,873
Balance at 1 August 2022	11,476	44,395	55,871
Deficit from the income and expenditure statement	(2,127)	0	(2,127)
Other comprehensive income	1,061	4,288	5,349
Transfers between revaluation and income and expenditure reserve	1,532	(1,532)	0
Total comprehensive income for the year	466	2,756	3,222
Balance at 31 July 2023	11,942	47,151	59,093

Fife College
Analysis of Debt Statement
Year ended 31 July 2023

	Balance at 1 August 2022 £'000	Cash flows £'000	Balance at 31 July 2023 £'000
Cash and cash equivalents			
Cash	15,234	8,175	23,409
Borrowings			
Loans falling due within one year	(341)	0	(341)
Loans falling due after more than one year, less than 5 years	(1,364)	0	(1,364)
Loans falling due after more than five years	(1,875)	341	(1,534)
Total	11,654	8,516	20,170

Notes to the Financial Statements**1 Statement of Principal Accounting Policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of Preparation

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 within Fife College.

The College recorded a deficit of £2.127 million before other gains and losses during the financial year and total comprehensive income of £3.222 million. The College reported an adjusted operating surplus of £0.284 million after accounting for technical pension adjustments of £0.835 million, net depreciation adjustments of £2.117 million and cash budget for priorities of £0.541 million. Cash increased by £8.175 million during the year to £23.409 million at 31 July 2023. At 31 July 2023, the College held borrowings of £3.239 million in unsecured loans which have no financial covenants. The College is reporting a net asset position in these financial statements of £59.093 million (2021-22: £55.871 million net asset position). This includes a pension liability of £2.250 million for the College's share of the Fife Council Local Government Pension Scheme (LGPS) at 31 July 2023 (2021-22: £2.644 million).

The activities of Fife College are over 70% funded by the Scottish Government through the Scottish Funding Council (SFC) to provide Higher and Further Education. The Board of Governors 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 College has in place a 5-year strategic plan outlining its key strategic aims. One of the key strategic aims is to maintain long term financial sustainability and become more commercially focused. This aim is in turn supported by a Finance Strategy and a financial forecast out to 2025-26.

The Board of Fife College have assessed the financial position of the College for the year ended 31 July 2023 and its future financial position to support the going concern basis of preparation in the financial statements, and ensure completeness and accuracy of related disclosures. The assessment period considered is at 12 months from the date of signing the accounts and concluded on 7th December 2024.

Basis of Accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

The accounting policies contained in the FReM apply International Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the College for the purposes of giving a true and fair view has been selected. The particular policies adopted by the College in dealing with items that are considered material to the financial statements are set out.

Recognition of Income

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure 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 and Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount.

Notes to the Financial Statements

All income from short-term deposits and Investment income is credited to the Statement of Comprehensive Income and Expenditure on a receivable basis.

Grant Funding

Government revenue grants including the recurrent grants from the Scottish Funding Council (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 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.

Donations and Endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the College is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

Capital Grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met, the funds will be held in deferred income under creditors until conditions are met.

Tangible Fixed Assets

In line with the FReM all tangible assets must be carried at fair value.

Land and Buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. Where appropriate Depreciated Replacement Cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used. The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. In line with the FReM an annual indexation exercise will be completed. Depreciation and impairment losses are subsequently charged on the revalued amount.

Finance costs which are directly attributable to the construction of land and building, are not capitalised as part of the cost of those assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

If a building is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months that the asset was in use.

Notes to the Financial Statements

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2023. They are not depreciated until they are brought into use.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives.

The expected useful life of buildings can vary from 10 to 50 years as determined by professional opinion and valuation.

Equipment

Equipment is carried at depreciated historical cost, which is used as a proxy for fair value. Depreciated historical cost is deemed to be more appropriate than revaluing for equipment as it is common for such assets to reduce in value, rather than increase, as they are utilised by the College.

Capitalised equipment is depreciated over its useful economic life as follows:

Building Fixtures - 10% per year
Surface Works/Car Parks - 25% per year
Non-ICT Equipment - 25% per year
ICT Equipment - 25% per year
ICT Software - 25% per year
Vehicles - 25% per year

For all equipment only one-off spend above £10,000 per individual item will be considered for capitalisation and be capitalised at cost.

Where equipment is brought into use mid-way through a year the depreciation charge in the first year will be prorated to reflect the number of months that the asset was in use.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Leased Assets

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Leasing agreements which 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 element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over their useful life.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The lease rentals are treated as consisting of capital and interest. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the income and expenditure account in proportion to the reducing capital element outstanding.

Leases not meeting the criteria of a finance lease are treated as an operating lease. Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Notes to the Financial Statements

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Service Concession Arrangements

Fixed assets held under service concession arrangements will be recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

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, or at a fair estimate of value placed on such assets by an independent valuer for insurance purposes. Artwork investments are subject to an independent valuation every five years.

Investments in jointly controlled entities are carried at cost less impairment in the Colleges accounts as a measurement for fair value.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

Stocks

Stocks held are valued at cost.

Cash

Cash includes cash in hand, deposits repayable on demand and overdrafts. Deposits are repayable on demand if they are in practice available within 24 hours without penalty.

Taxation

The College is an exempt charity and is therefore not liable for corporation tax under section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988.

The College does not receive exemption in respect of Value Added Tax (VAT).

The College's conferencing facility is subject to corporation tax and VAT in the same way as any commercial organisation.

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.

Agency Arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College Income and Expenditure Account, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College Income and Expenditure Account.

Notes to the Financial Statements**Employment Benefits**

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the college. Any unused benefits are accrued and measured as the additional amount the college expects to pay as a result of the unused entitlement.

Retirement Benefits**Fife Council Pension Fund**

The Fife Council Pension Fund is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of

the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a 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.

Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the income and expenditure account represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme

The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the college, are held as a permanently restricted fund which the college must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the college is restricted in the use of these funds.

Accounting Estimates and Judgements

The financial statements contain estimated figures that are based on assumptions made by the College about the future or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors based on the information available to the College at the time of preparing the financial statements. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the College's Balance Sheet at 31 July 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Notes to the Financial Statements***Pensions Liability/Surplus***

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns, on pension fund assets.

A firm of consulting actuaries is engaged to provide the College with expert advice about the assumptions to be applied by the College in estimating these values at the balance sheet date.

The actuarial inputs into the pension liability valuation are subject to annual review, and have a significant impact on the potential valuation. Historically it is common for small changes in the discount rate, salary assumption rate and pension rate to have material impacts on the year end valuations on a year-to-year basis. We have outlined the potential impact of future changes below. The pension liability at 31 July 2023 following the updated actuarial valuation was £2.250 million, a decrease of £0.394 million from 31 July 2022.

Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds through the scheme. As the College cannot access the surplus, the net asset has not been recognised.

Given the history of significant changes to liability valuations in the past, the ongoing sensitivity to future changes, and the requirement to update assumptions annually, the College expects future liabilities to continue to change significantly going forward.

More information on the key assumptions used in the actuarial valuation of the estimates is available in note 25 to the accounts, including information on the key assumptions, risks and sensitivities.

Valuation of Property

The valuation of the College's estate which is subject to revaluation are subject to significant estimation due to a number of factors, including ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards and the remaining useful economic lives of the assets. Given the material nature of the College's assets, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the College's assets at 31 July 2023 is outlined and broken down by asset category at note 11.

Land and Buildings were independently valued for the purpose of the financial statements by F G Burnett, Property Consultants. The basis of valuation was depreciated replacement cost. The latest valuation was undertaken at 31 July 2023.

The changes in valuation in assets in 2022-23, compared to 2021-22, represent updated information around the assets since the most recent full valuation, in particular the cost of replacing assets based on RICS indices.

Job Evaluation

The National Job Evaluation Scheme is an ongoing exercise whereby both roles and salary costs are being reviewed for support staff across the College sector. Any changes to salary costs would be effective from 1 September 2018 and therefore any revisions would be backdated. Colleges Scotland prepared estimated costings of the exercise in February 2019 which the Scottish Funding Council has utilised to inform Colleges of the expected grant award to fund the cost of implementing and costs to be accounted for. In line with SFC guidance, the College has accrued the estimated backdated pay costs and the estimated grant income in the last four financial years.

Notes to the Financial Statements

At 31 July 2023, the College had accrued for income and expenditure of £4.757 million as well as a further expenditure accrual of £0.685 million to take account of inflationary rises over the period. Payment of both the grant income and costs will not be made until the exercise has fully concluded.

As the exercise has not yet concluded, the estimated income and costs are subject to change.

		Year Ended 31 July 2023	Year Ended 31 July 2022
	Notes	College £'000	College £'000
2 SFC Grants			
FE recurrent grant		38,992	37,518
Childcare funds	24	284	473
Release of deferred capital grants		983	995
Non recurring SFC Grants		658	5,380
Other SFC grants		2,950	4,879
		43,867	49,245
The decrease in the non recurring SFC grants is due to the release of the Dunfermline Learning Campus land grant of £4,561k in 2022.			
3 Tuition fees and education contracts			
FE fees - UK		129	157
HE fees		2,451	2,639
SDS contracts		1,085	955
Education contracts		6,485	6,438
		10,150	10,189
4 Other income			
European funds		0	10
Release of deferred capital grants		322	339
Other grants		354	461
Other income-generating activities		888	505
Other income		883	737
		2,447	2,052
Revenue grant from Arms Length Foundation		48	0
		2,495	2,052
5 Investment income			
Other interest receivable		203	6
Total net of pension scheme		203	6
Net return on pension scheme		427	0
		630	6
6 Donations and endowments			
Unrestricted donations		344	210
		344	210

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
7 Staff costs		
Staff costs :		
Salaries	32,456	30,452
Social security costs	2,931	2,958
Other pension costs	6,229	5,996
Pension adjustment	1,208	5,582
Restructuring costs	753	342
Total	43,577	45,330
Academic/teaching departments	19,357	18,234
Academic/teaching services	11,530	11,892
Other support services	2,200	2,065
Administration and central services	4,995	3,794
Premises	1,550	1,500
Full cost activities	1,718	1,642
Other expenditure	266	279
Pension charge less contributions paid	1,208	5,582
Sub-total	42,824	44,988
Restructuring costs	753	342
	43,577	45,330
Employment costs for staff on permanent contracts	40,499	38,445
Employment costs for staff on temporary contracts	1,117	961
Pension charge less contribution paid	1,208	5,582
Restructuring costs	753	342
	43,577	45,330

The average number of full-time equivalent employees, including higher paid employees, during the year was:

	2023	2022
Academic/teaching departments	424	442
Academic/teaching services	222	240
Other support services	52	49
Administration and central services	44	47
Premises	42	41
Full cost activities	51	43
Other staff	8	8
	843	870

The number of staff, including senior post-holders and the Principal, who received emoluments in the following ranges were: (A split is shown below for 2023 between staff whose emoluments include a voluntary severance payment and those that do not include a VS payments).

	2023 VS included	2023 No VS	2023 Total No	2022 Total No
£60,001 to £70,000 per annum	0	10	10	10
£70,001 to £80,000 per annum	1	2	3	2
£80,001 to £90,000 per annum	0	0	0	1
£90,001 to £100,000 per annum	0	2	2	3
£100,001 to £110,000 per annum	1	0	1	0
£130,001 to £140,000 per annum	0	1	1	0
£160,001 to £170,000 per annum	0	0	0	1
	2	15	17	17

8 Senior post-holders' emoluments

The Principal and Chief Executive's emoluments can be found in page 24 of the Remuneration Report.

9 Interest and other finance costs

On bank loans, overdrafts and other loans:
Repayable within five years, not by instalments
Repayable wholly or partly in more than five years

On finance leases

Total net of pension charge

Net charge on pension scheme

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
	7	7
	132	146
	139	153
	0	31
	139	184
	0	536
	139	720

10 Other operating expenses by activity

Academic/teaching departments
Academic/teaching services
Other support services
Administration and central services
Student funds overspend
General education
Premises costs
Planned maintenance
Interest on early retirement provision
Other expenses
Other income generating activities

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
	2,197	2,145
	582	529
	178	105
	2,275	3,454
	8	3
	1,458	1,404
	4,582	4,935
	259	219
	54	24
	430	652
	212	111
	12,235	13,581

Other operating expenses include:

Auditors' remuneration
- external auditors' remuneration
- internal auditors' remuneration
- other audit services

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
	52	38
	39	39
	7	2

11 Fixed Assets

	Land and Buildings £'000	Equipment £'000	Total Assets £'000	Assets in the Course of Construction £'000	Total £'000
Cost or valuation					
At 1 August 2022	81,877	3,064	84,941	10,010	94,951
Additions		48	48	20,185	20,233
Revaluation	1,035	0	1,035	0	1,035
Disposals	(212)	(324)	(536)	0	(536)
At 31 July 2023	82,700	3,064	85,488	30,195	115,683
Depreciation					
At 1 August 2022	2,412	2,681	5,093	0	5,093
Charge for the year	3,287	134	3,421	0	3,421
Revaluation	(3,277)	0	(3,277)	0	(3,277)
Disposals	(212)	(324)	(536)	0	(536)
At 31 July 2023	2,210	2,681	4,701	0	4,701
Net book value					
At 1 August 2022	79,465	383	79,848	10,010	89,858
At 31 July 2023	80,490	383	80,787	30,195	110,982

All assets are deemed to be exchequer funded. The proceeds from the disposal of any asset, potentially could result in a repayment of funds to the exchequer.

Land and buildings were independently valued for the purposes of the financial statements by F G Burnett, Property Consultants. The basis of valuation used was depreciated replacement cost at 31 July 2023 .

Freehold land at Dunfermline, Glenrothes and Kirkcaldy campuses which was inherited on incorporation at a nominal value of £1, was revalued on 31 July 2023 at £4.25m (£3.85m 2022).

Other tangible fixed assets inherited from the local authority at incorporation were revalued on 31 July 2023 on a depreciated replacement cost basis with the assistance of independent advice. If inherited land and buildings had not been valued they would be included at nil cost and nil net book value.

The title to land, buildings and equipment with an original net book value of £5.335m originally funded from local authority sources was formally transferred to the College during 1997/98. The disposal of these assets and retention of any proceeds is subject to the approval of the Scottish Funding Council in accordance with the procedures set out in its circular letter FE/48/00

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
12 Investments		
Investments in joint venture companies	404	404
Artworks	41	32
	445	436
	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
13 Stocks		
Consumables	97	106
	97	106
	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
14 Trade and other receivables		
Trade debtors - net of provision for doubtful debts	929	841
Prepayments and accrued income	5,456	5,777
VAT	18	11
	6,403	6,629
	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
16 Cash and cash equivalents		
Cash at bank	23,400	15,226
Cash in hand	9	8
	23,409	15,234

The College receives certain Scottish Funding Council grants on an agency basis. The funds are available solely for students and the College acts only as paying agent. The funds held in trust are reflected on the balance sheet, as both cash at bank and as a current liability. The following agency funds are included in cash at bank and in hand at the year end:

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
Bursary funds	(55)	347
FE Hardship	847	258
HE Discretionary	45	187
Childcare	466	759
	1,303	1,551
	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
17 Creditors - amounts falling due within one year		
Bank loans and overdrafts	341	341
Trade creditors	736	2,216
Pension	730	798
Amounts owed to SFC	636	1,126
Other taxation and social security	716	867
Other creditors	44	51
Accruals and deferred income	20,369	10,321
Bursaries and Access funds for future disbursement	1,260	1,364
Government grants	773	1,348
	25,605	18,432

Year ended 31 July 2022 has been restated as a result of accrued income of £1,680,000 relating to dilapidations on leased buildings being reclassified as a provision.

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
18 Creditors: amounts falling due after more than one year		
Bank loans due < 5 years	1,364	1,364
Bank loans due > 5 years	1,534	1,875
Amounts owed to SFC	2,225	2,225
Government grants	47,451	28,173
	52,574	33,637

Bank loans refer to a term loan from Santander, with a fixed rate of 2.155%, due to mature in November 2032.

The increase in Government grants relates to the funding of the Dunfermline Learning Campus.

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
19 Pension Provision		
As at 1 August 2022	0	27,578
Current service cost	4,977	9,193
Employer contributions	(3,522)	(3,230)
Interest charged/(earned)	(427)	536
Transfer to/(from) income & expenditure	1,028	6,499
Actuarial (gains)/losses	(1,028)	(34,077)
As at 31 July 2023	0	0

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
20 Other Provisions		
Unfunded Pension Provision		
At 1 August 2022	2,644	3,265
Expenditure in the period	(201)	(220)
Revaluation adjustment	(247)	(425)
Interest charged	54	24
At 31 July 2023	2,250	2,644
Provision for leased buildings in respect of dilapidations	1,814	1,680
At 31 July 2023	4,064	4,324

The unfunded pension provision is in respect of future pension liabilities arising from early retirements.

A valuation of the existing pension provision was carried out by Hymans Robertson LLP, an independent firm of actuaries, at 31 July 2023.

Year ended 31 July 2022 has been restated as a result of accrued income of £1,680,000 relating to dilapidations on leased buildings being reclassified as a provision.

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
21 Income & Expenditure Reserve Unrestricted		
At 1 August 2022	11,476	(21,249)
Deficit for the year	(2,127)	(982)
Revaluation of asset	33	(1,555)
Transfer from revaluation reserve	1,532	1,185
Actuarial gain in pension scheme	1,028	34,077
At 31 July 2023	11,942	11,476

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
22 Revaluation Reserve		
At 1 August 2022	44,395	37,247
Revaluation	1,002	5,537
Artworks revaluation	9	0
Write back of depreciation on revaluation	3,277	2,796
Transfer to Income & expenditure account in respect of: Depreciation on revalued assets	(1,532)	(1,185)
At 31 July 2023	47,151	44,395

Notes to the Financial Statements (Continued)

23 Lease obligations

There are no minimum lease payments receivable under non-cancellable finance leases.

24 FE Bursary and other Student Support Funds

					Year ended 31 July 2023	Year ended 31 July 2022
	FE Bursary £'000	FE Hardship £'000	EMA's £'000	Other £'000	Total £'000	Total £'000
Balance brought forward	348	258	2	187	795	756
Allocation received in year	6,609	1,803	455	222	9,089	8,377
	6,957	2,061	457	409	9,884	9,133
Expenditure	(6,665)	(1,168)	(454)	(179)	(8,466)	(7,834)
Repaid to Scottish Funding Council as Clawback	(347)	(46)	0	(185)	(578)	(507)
Virements	0	0	0	0	0	0
Balance carried forward	(55)	847	3	45	840	792

All grants are available solely for students, the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
Represented by:		
Repayable to Scottish Funding Council as clawback	840	784
Retained by College for Students for 23/24 distribution	0	8
	840	792
FE Childcare Funds		
Balance brought forward	759	408
Allocation received in year	750	1,232
	1,509	1,640
Expenditure	(284)	(473)
Repaid to Scottish Funding Council as clawback	(759)	(408)
Balance carried forward	466	759

Childcare Fund transactions are included within the College Income & Expenditure account in accordance with Accounts Direction issued by the Scottish Funding Council.

25 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Fife Council Pension Scheme (LGPS).

The total pension costs for the institution was :

	Year ended 31 July 2023	year ended 31 July 2022
	£000	£000
Contribution to STSS	2,853	2,876
Contribution to LGPS	3,412	3,152
Total pension cost (Note 7)	6,265	6,028
Contribution rates		
STSS	23.0%	23.0%
LGPS	21.9%	20.5%

The employers contribution rates for the Local Government Pension Scheme increased to 23.4% with effect from 1st April 2023.

Scottish Teachers Superannuation Scheme (STSS)

The STSS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rate.

Fife Council Pension Scheme

The Fife Council Pension Scheme is a notional fund and is a defined benefit multi-employer scheme. The latest actuarial valuation for the scheme was carried out as at 31 July 2023.

The following notes are derived from the actuarial report supplied by Hymans Robertson's LLP dated September 2023 to comply with the reporting requirements of FRS102, as amended.

The Fife Council Pension Scheme is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. It is contracted out of the State Second Pension.

The above movements in plan assets and liabilities result in a net asset of £30.5 million at 31 July 2023 (2021-22: net asset of £15.4 million). In 2023, as outlined in the accounting policies, where the calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The College assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus was not recognised in line with the requirements of FRS 102.

Reconciliation of defined benefit obligation

Year ended	31 July 2023	31 July 2022
	£000	£000
Opening position	97,305	141,215
Current service cost	4,583	8,538
Interest cost on defined benefit obligation	3,458	2,316
Plan participants contributions	892	860
Total remeasurements recognised in other comprehensive income	(22,087)	(53,508)
Past service costs	0	34
Estimated unfunded benefits paid	(210)	(222)
Benefits paid	(2,112)	(1,928)
Closing position	81,829	97,305

Balance sheet

Year ended	31 July 2023	31 July 2022
	£000	£000
Fair value of plan assets	110,086	110,047
Present value of funded liabilities	(79,579)	(94,661)
Present value of unfunded liabilities	(2,250)	(2,644)
Net asset per actuarial valuation	28,257	12,742
Less share of assets not recognised under FRS 102	(30,507)	(15,386)
Net asset held in balance sheet	(2,250)	(2,644)

The present value of funded liabilities and the share of assets not recognised under FRS 102 for 2021-22 have been restated in line with the actuarial report.

The present value of unfunded obligations is £2,250K (£2,644k in 2021-22) in relation to early retirements agreed in previous years. There are no partly funded obligations.

The assumptions noted above relate to expectations across the duration of the scheme and therefore are based on longer-term estimations.

Reconciliation of fair value of employer assets

Year ended	31 July 2023	31 July 2022
	£000	£000
Opening position	110,047	110,372
Interest income on plan assets	3,885	1,780
Return on assets excluding amounts Included in net interest	(5,938)	(4,045)
Plan participants contributions	892	860
Employer contributions	3,312	3,008
Contributions in respect of unfunded benefits	210	222
Unfunded benefits paid	(210)	(222)
Benefits paid	(2,112)	(1,928)
Closing position	110,086	110,047

Fair value of employer assets

Year ended	31 July 2023	31 July 2022
	£000	£000
Equities	74,858	74,832
Bonds	25,320	25,311
Property	6,605	7,703
Cash	3,303	2,201
Total	110,086	110,047

Analysis of amounts included in interest receivable (Note 5 & 9)

	31 July 2023	31 July 2022
	£000	£000
Net return/(cost) on pension asset/liability	427	(536)
Interest income on plan assets	3,885	1,780
Interest cost on defined benefit obligation	(3,458)	(2,316)
Net interest	427	(536)

Analysis of amounts charged to staff costs (Note 7)

	31 July 2023	31 July 2022
	£000	£000
Pension charge less contributions paid	1,455	5,963
Current service costs	4,977	9,159
Past service costs	0	34
Total operating charge	4,977	9,193
Less contributions paid	(3,522)	(3,230)
Pension costs less contributions payable	1,455	5,963

Actuarial assumptions

The actuaries recommended assumptions are summarised below:

Year ended	31 July 2023	31 July 2022
	% p.a.	% p.a.
Salary increase rate	3.50%	3.25%
Pension increase rate (CPI)	3.00%	2.75%
Discount rate	5.05%	3.50%

Mortality rates

The average life expectancy after retiring is assumed to be as follows:

	Males	Females
Current pensioners	19.8	22.7
Future pensioners	20.9	24.6

Amounts for the current and previous accounting periods

Year to 31 July 2023	2023	2022	2021	2020	2019
	£000	£000	£000	£000	£000
Fair value of employer assets	110,086	110,047	110,372	90,616	86,868
Present value of defined benefit obligation	(81,829)	(97,305)	(141,215)	(127,412)	(107,845)
Adjustment to de-recognise funded pension asset	(30,507)	(15,386)	0	0	0
Gain/(Deficit)	(2,250)	(2,644)	(30,843)	(36,796)	(20,977)

26 Summary pension note

The analysis of amounts charged to the Statement of Comprehensive Income (SOCl) is as follows:

	Year Ended 31 July 2023 £000	Year Ended 31 July 2022 £000
Charged to staff costs:		
Current service cost	(4,583)	(8,538)
Past service cost	0	(34)
Total charged to staff costs	(4,583)	(8,572)
Credit/charge for net return on pension scheme:		
Interest income on plan assets	3,885	1,780
Interest cost on defined benefit obligation	(3,458)	(2,316)
Net interest charges	427	(536)
Credit/charge to other comprehensive income:		
Return on assets excluding amounts Included in net interest	(5,938)	(4,045)
Other experience	5,677	102
Gains and losses arising on changes in financial assumptions	16,410	53,406
Adjustment for assets not recognised under FRS 102	(15,121)	(15,386)
Actuarial gain	1,028	34,077
Total charge to the SOCI	(3,128)	24,969
Analysis of the movement in deficit during the year:		
Asset/(Deficit) in scheme at start of the year	12,742	(30,843)
Service cost	(4,583)	(8,572)
Employer contributions	3,522	3,230
Net interest costs	427	(536)
Actuarial gain	16,149	49,463
Asset in scheme at end of year	28,257	12,742

Recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds through the scheme. As the College cannot access the surplus, the net asset has not been recognised in the balance sheet.

27 Related party transaction

Due to the nature of the College's operations and the composition of its Board of Governors (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 of Governors may have an interest. All transactions involving organisations in which a member of the Board of Governors may have a material interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures.

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 of Governors hold, or held, official positions as noted below:

Company	Sales	Purchases	As at 31st July Due from	As at 31st July Due to	Name	Position in College
Colleges Scotland	£33,810	£83,077	£0	£13,685	DC Watt	Board Member
Fife Chamber of Commerce & Enterprise	£0	£10,106	£0	£3,900	Susan Dunsmuir	Board Member
College Development Network	£1,384	£11,730	£0	£2,000	Hugh Hall	Board Member
Babcock International Group	£51,750	£514,254	£1,350	£0	Patrick K Carnie	Director
Opportunities Fife	£40,000	£0	£0	£0	T Martin	Chair
Totals	£126,944	£619,167	£1,350	£19,585		

28 Non-cash allocation

The following note provides details of the adjusted operating position on a Central Government Accounting basis.

	Year Ended 31 July 2023 College £'000	Year Ended 31 July 2022 College £'000
Deficit before other gains and losses (FE/HE SORP basis)	(2,127)	(1,141)
Add back: non-cash allocation for depreciation (net of deferred capital grant)	2,117	1,736
Operating (deficit)/surplus on Central Government Accounting basis	(10)	595

Following reclassification, colleges received additional non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges show a deficit equivalent to net depreciation (where funds are spent on revenue items) in order 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 £2,127,000 for the year ended 31 July 2023. After taking account of the Government non-cash budget, the college shows an "adjusted" deficit of £10,000 on a Central Government Accounting basis. Further removing the impact of the non-cash pension adjustments and the impact of revenue funding allocated to capital items the below demonstrates that the college is operating sustainably within its funding allocation to 31st of July 2023.

Operating (deficit)/surplus on Central Government Accounting basis	(10)	595
Non-cash pension adjustments	835	6,098
Revenue funding allocated to loan repayments and other capital items	(542)	(707)
Release of SFC land grant	0	(4,561)
Adjusted operating surplus	284	1,425

Accounts direction for Scotland's Colleges 2022-23

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RBS) (for assigned colleges).
3. 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 FReM and the SORP, the latter will take precedence.
4. 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.
5. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
20 July 2023

¹ The term "institutions" includes colleges and Glasgow Colleges' Regional Board.

² Glasgow Colleges' Regional Board's accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire's accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College.