



**Fife College**

**Annual Accounts 2020-21**



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2020-21**

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Principal and Chief Executive: Dr Hugh Hall

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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 31 July 2021 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**

As one of the largest colleges of higher and further education in Scotland, Fife College is 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, to equip them for the world of work, to provide them with the knowledge and skills that will enhance their lives and enable them to make a meaningful and valuable contribution to society. Fife College's expert and experienced team is dedicated to giving our 6,000 full-time and 14,000 part-time students the best possible College experience. We offer a wide range of inspirational learning experiences from essential skills to graduate degree programmes.

Thanks to the efforts of its students and staff, the College continues to go from strength to strength, with high levels of achievement and satisfaction amongst students and staff. Despite the challenges of the pandemic, we continue to perform well across our key performance indicators and our portfolio continues to be adapted to meet the demand and the needs of the economy and our learners. Our relationships with schools and universities has never been stronger, building great partnerships that will serve us well into the future. Our work with a wide range of businesses is amongst the best in the sector.

The pandemic has presented many challenges but it has also created many opportunities. Learning and working practices have changed for all. Our adaptability, agility and resilience has shone through, and I am extremely proud of how our students and staff have risen to the challenge. We are committed to learning lessons from the lockdown period so that it influences in a positive and fruitful way how we will learn and work in the future.

I am pleased that the College has returned a modest surplus in 2020-21. We are grateful to the Scottish Funding Council for the additional funding and flexibilities provided through the uncertainties of the pandemic. We continue to plan our finances on a medium to long-term basis as best we can despite the uncertainty caused by the Government's short-term approach to funding colleges. We strongly support the SFC's recommendation for the implementation of multi-year funding for colleges to provide greater certainty and enable the sector to better plan provision in a way that protects and promotes the interests of students.

As we emerge from the pandemic stronger, wiser and more resilient than ever, Fife College looks forward with much hope and excitement at what lies ahead.

Amongst other things:

- We will continue to play a pivotal role in economic recovery, realigning our portfolio to industry needs, in closer collaboration with Schools, Universities and external stakeholders, to ensure our offering provides opportunity, encouragement and engagement for all our students.

## **Performance Report (Continued)**

- We will continue to significantly invest in our digital infrastructure and upscale our investment in digital systems and capability to support flexible and adaptable learning models, with a particular focus on digital learning and digital equality.
- We will continue to focus on optimising our resources, business processes and physical environments, all of which contribute to delivering a great student experience, greater attainment, high levels of student and staff satisfaction and, ultimately, sustaining the longer term success and value of our College.
- We will progress the shift to hybrid learning and working which will be driven by the needs of the College and our students, embracing a more service driven and flexible approach to delivery.
- We will have 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.

Fife College is committed to being student-centred in all that we do. Our aim is to transform the lives of our students through inspirational learning and teaching, enabling them to develop their full potential with life enhancing skills, knowledge, experience and resilience that will shape their future success. In all of this, we are acutely aware of the need to exercise sound stewardship and achieve continuous improvement and value for money across all parts of the College.

## **Covid-19 Pandemic Impacts and College Responses**

### **Support for Students**

The College continues to deliver to students remotely as well as face-to-face, ensuring Covid-19 restrictions are in place, to do so safely. Delivery was extended at the end of the academic year to enable as many students as possible to finish their courses, minimising deferrals into 2021-22.

The College has distributed equipment to students who would otherwise not have access to kit to enable them to continue with remote learning, for example Chromebooks and Wi-Fi dongles as well as enhancing our virtual desktop access infrastructure for students to be able to remotely access specialised software required to support their progression through their courses.

The Student Experience and Engagement Team and the Fife College Student Association continues to work hard on student engagement offering a wide range of support, including financial.

### **Digital**

Our digital infrastructure continues to be reliable during the year. Due to the continued off-campus working and learning, the college has adopted a policy to support the security of our infrastructure environment of mandatory multifactor authentication (MFA) requirements for all staff accounts and the segregation of duties with a privileged high-level access only being enabled on dedicated accounts. The result has been a significant reduction in the number of unauthorised systems accesses using compromised account credentials obtained when an authorised user account has been compromised.

Digital inclusion remains a top priority for the College ensuring access to digital equipment for all. As noted above, we have distributed kit to students who require it to continue their studies. In addition to this, we have deployed a two-device strategy for staff issuing approximately 550 iPads to improve communication and staff engagement.

### **Preparing to Support the Economic Recovery**

Our attention is increasingly focussed on how Fife College can support economic and social recovery, particularly with the forecast spike in unemployment post furlough. The College has decided to pool its efforts on this with Edinburgh College, West Lothian College and Forth Valley College through the newly created East Central Scotland Colleges Collaboration where the focus has been around the creation of industry focussed skills boost courses and accelerated Higher National (HN) courses to support re-entry into employment. Throughout the year our Business Development team have continued employer engagement with our industry partners to support their upskilling and reskilling needs.

## Performance Report (Continued)

### Finance

During 2020-21 the College has continued to focus on the impacts of Covid-19, including the loss of commercial income and reprioritisation of expenditure in line with the associated income. The Scottish Funding Council assured the College that any shortfall in core credits as a result of the pandemic will continue to be paid. In addition to this a Financial Sustainability grant of £1.134m was paid to Fife College to support the impacts of Covid-19. As noted above, the College has returned an underlying surplus in 2020-21 despite continued downward pressure on our core funding from the Scottish Funding Council, the uncertainties of Brexit and the significant disruption caused by the Covid-19 lockdown.

Our attention is now turning to the financial impacts in 2021-22 and beyond. In preparing our budget for the coming year, 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:

- Continued widening access agenda where universities have lowered their entry requirements.
- Commercial activities.
- European Social Fund.
- Flexible Workforce Development Fund.
- Skills Development Scotland.

The College has updated the financial forecast out to 2023-24 in line with the assumptions provided by the Scottish Funding Council. This includes the assumption that Colleges are taking relevant actions to balance their underlying positions each year. Based on our latest assumptions, the College will breakeven across the 3-year forecast period. As part of our financial planning, additional scenarios were considered which incorporate further downward pressure on our funding to support early indication of further actions required.

### Learning from Lockdown

The College has received feedback from staff and students through surveys and group discussions during 2020-21 for their views on the way forward as we start to emerge from the pandemic, the key messages being:

- Students are generally keen to return to an in-person college experience with engagement and peer support as key factors. Aspects of the online learning experience, including flexibility and personalisation, have been well received.
- The majority of staff are enjoying the flexibility of working from home, although missing the social interaction with colleagues. A significant majority are keen to embrace hybrid working on their return to the office.

### Strategic Imperatives:

- Rebalancing our portfolio shifting from full to part time, fast track/flexible delivery, upscaling on-line blended learning and HE portfolio.
- Maximise collaboration with strategic partners within the region and across regions.
- Expressly value the contribution of our people with Fife College as a socially progressive employer.
- Invest in our physical and technological infrastructure to achieve a modern, quality, fit for purpose learning environment.
- Exploit technology to enhance learning and teaching and improve the way we run our business.
- Seize the opportunity to empower staff and promote flexibility on how we view the workplace and our students' learning experience.
- Increase productivity through improved workforce planning and system streamlining/simplification.

### The Way Forward:

- A permanent shift to hybrid learning which is driven by the needs of the college and our students, embracing a more service driven and flexible approach to delivery.

## **Performance Report (Continued)**

- The importance of health and well-being and achieving a sense of belonging.
- Closer collaboration with other colleges/universities and a greater emphasis on co-creation, co-development and co-delivery.

### **Brexit**

Fife College has a Brexit Plan in place which has been endorsed by the Scottish Funding Council. The plan highlights concerns and recommendations in relation to Brexit and outlines the potential impact that both the College and Sector may face. Following the exit date where the UK left the EU, we continue to remain abreast and action plan accordingly regarding any key developments and challenges faced due to Brexit.

### **New Campus**

Work on delivering the new Dunfermline Learning Campus is progressing as planned. The Full Business Case has received approval from Scottish Funding Council (SFC) Committee on 2nd September 2021. The Scottish Government have now confirmed funding of up to £100 million for the proposed Hybrid plus low carbon solution. Balfour Beatty Construction Ltd has been appointed the main contractor to deliver a circa 20,000 square metre campus. The Pre-Construction Services Agreement (PCSA) has commenced in line with our programme, working towards the RIBA Stage 4 Technical Design to be completed by the end of 2021, at which time a full cost report will be concluded and submitted to SFC. Spend remains on track against budget and will continue to be reviewed and cost controlled in line with the progressing design. Overall completion of the project is planned for the start of the academic term in August 2024.

### **Adam Smith Foundation**

Since its establishment in 1997, the Adam Smith Foundation has supported the continued growth and development of Fife College securing gifts of support from companies, charitable trusts, foundations, friends and former students of Fife College to realise specific projects and in particular fund our Scholarship Programme.

Despite the continued challenges of Covid-19, 303 students have benefitted from scholarships and have been awarded a share of £86,924 (up 37% on the same fund total in 2019-20) to support their studies during difficult and unprecedented times.

Highlights of 2020-21 include:

- Foundation donor and Scottish crime writer Ian Rankin joined students and staff on Teams to award three £600 scholarships online during lockdown.
- Donors Little Raith and Earseat Wind Farms generously awarded us £10,000 from their COVID Recovery Fund for student devices. A further £10,000 was awarded which will allow us to support work placements for students.
- The Fife College Foundation also awarded £14,000 during 2020-21 to support seven scholarships per year for two years in a range of academic areas. A further £10,000 was awarded this year to support students who require help to pay their own tuitions fees – eight students have benefitted from this fund so far.

Going forward the College will endeavour to source external funding for those Scholarships that are currently internally funded and secure additional funding with new, existing and lapsed donors to support as many College subject areas as possible.

These initiatives, alongside our substantial existing scholarship programme, will help us to ensure we continue to support our students during 2021-22 to achieve their goals and enhance other projects being carried out by the College.

## **Performance Report (Continued)**

### **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 SCO21203) 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 with whom we share these 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 which covers the period 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.

### **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 5 key priority aims noted above.



## Performance Report (Continued)

The table below notes the key risks considered in 2020-21, what strategic risk they tie up with and what the remedial and preventative controls are in place to reduce the likelihood/impact of the risk:

Key Risks	Strategic Risk (as noted on Risk Register)	Controls/procedures in place to reduce the likelihood and impact of the risk to a more acceptable level.	
		Remedial	Preventative
Impact of the COVID-19 outbreak on all college operations, staff, students and wider stakeholders.	All Strategic Risks	<ul style="list-style-type: none"> <li>• Move to online delivery and remote working.</li> <li>• Issuing of devices to staff and students to support remote working.</li> <li>• Mobilisation of business continuity team in response to COVID-19.</li> <li>• Dedicated COVID-19 website for information and support to staff and students – overall return to campus plan created as well as individual directorate plans incorporating specific needs.</li> <li>• Engagement at a sector level across all areas of the business to co-ordinate response and gain assurance and interaction with Scottish Government and executive agencies.</li> </ul>	
Financial sustainability and uncertainty around future funding.	Failure to achieve annual financial targets in line with the five year financial forecast plan.	<p>The impact of the Covid-19 crisis will significantly exacerbate an already very difficult financial and operating environment for the College.</p> <p>We continue to work closely with the sector Finance Director group and Colleges Scotland to inform ongoing discussions with the Scottish Government and SFC highlighting the impacts and risks facing the sector within the current financial year and also those likely to impact 2021-22.</p> <p>We also continue to modify our curriculum delivery and commercial offering to ensure we are able to deliver and support students through to achievement of their qualifications while working within the current restrictions in place.</p>	<ul style="list-style-type: none"> <li>• Our Exec Team, Finance Committee and Board received the 2021-22 budget projection at our June committee/board meetings. This presented an underlying surplus of £490k.</li> <li>• The 3-year financial forecast to 2023-24 has now been completed in line with SFC assumptions and returns a breakeven position across the 3 year period and details actions required to maintain financial sustainability.</li> <li>• We will continue to work closely and constructively with SFC in analysing the outputs from the sector for 2021-22 and the 3-year FFR exercise to support the wider financial sustainability of the sector and support requirements.</li> <li>• The above will continue to be supported by the following regular controls within College planning processes: <ul style="list-style-type: none"> <li>- Review of staffing structures and cost base across the 3-year forecast period to align with rising costs and funding assumptions.</li> <li>- Rigorous budgeting, forecasting and reporting.</li> <li>- Ongoing drive for efficiencies and realisation of "invest to save".</li> <li>- Researching alternative delivery approaches.</li> <li>- Effective planning and recruitment processes.</li> <li>- Targeted marketing and sales plans.</li> <li>- Ongoing engagement with SFC/SG on the funding requirements for the New Build project activities.</li> </ul> </li> </ul>

Key Risks	Strategic Risk (as noted on Risk Register)	Controls/procedures in place to reduce the likelihood and impact of the risk to a more acceptable level.	
		Remedial	Preventative
	Risk of external political / funding / regulatory changes.	<ul style="list-style-type: none"> <li>• Take account of any foreseen changes/cuts in budget planning and spending plans.</li> <li>• Ongoing participation within sector groups across the College.</li> <li>• Reverting to online delivery and working.</li> <li>• Adapt and make adjustments to College processes and procedures to maintain service operations.</li> <li>• The College has used a variety of communications and guidance documentation, to allow staff and students to work from home safely and increase the level of awareness of security risks caused by the Covid-19 pandemic.</li> <li>• Provide relevant support to students and staff on resources, guides, health and wellbeing to enable ongoing learning and teaching and support services.</li> </ul>	<ul style="list-style-type: none"> <li>• Remain abreast of sectoral/governmental developments, liaising with auditors and response to SFC circulars.</li> <li>• Remain abreast with developments on the New Build campus funding model and financing arrangements agreed with SFC/SG.</li> <li>• Principal sector lead on College financial position following Covid-19 supported by CFO and 4 other sector FDs.</li> <li>• Actively engaging with SFC and SG on financial implications for the College sector. Providing support and recommendations on system changes and flexibilities required to support the financial sustainability of the sector.</li> <li>• Actively engaging with other government agencies such as SQA, SDS and other awarding bodies to support student achievement.</li> </ul>
	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"> <li>• Remain abreast with client positions following restrictions of Covid-19 and impact thereof.</li> <li>• Engage with SFC to continue to secure funding allocated to clients training now postponed.</li> <li>• Increase network of partners and programmes offered to expand portfolio and geographical reach</li> <li>• Revert training offering to remote or online delivery.</li> <li>• Engagement for SFC and SDS on proposals to support ongoing achievement of MA/VQ qualifications.</li> <li>• Identify new MAs where demand has increased as a result of the pandemic</li> <li>• Review product offering and adjust to support changing needs of clients.</li> <li>• Engagement with SPS on supplier relief to ensure continued payment of fixed</li> </ul>	<ul style="list-style-type: none"> <li>• Review complete curriculum and commercial offering for 2021-22 and into 2022-23 to make adjustments to offering and delivery models.</li> <li>• Working closely with clients on requirements.</li> <li>• Engagement with SFC to direct funding underspends to support clients in maintaining their essential/mandatory training needs to resume operations following ease of Covid-19 restrictions.</li> <li>• Work with SDS to create pre-apprenticeship programmes to maintain the MA pipeline and activity as business recovers.</li> <li>• Constant review of KPI's.</li> <li>• Monitor return on investment.</li> <li>• Constant review of delivery options.</li> <li>• Departmental restructure/more integrated planning/workforce.</li> <li>• Creation of sales plans per faculty area directing focus on target markets.</li> </ul>

Key Risks	Strategic Risk (as noted on Risk Register)	Controls/procedures in place to reduce the likelihood and impact of the risk to a more acceptable level.	
		Remedial	Preventative
		<p>costs on the contract. Providing ongoing support and services to SPS and working with them to review the offering as restrictions on Covid-19 change.</p> <ul style="list-style-type: none"> <li>• Review target/budget setting.</li> <li>• Adjust marketing as required.</li> </ul>	<ul style="list-style-type: none"> <li>• Ensure estates team are kept abreast with estates related enhancements/changes required to support delivery.</li> </ul>
Uncertainty around the funding of the estates strategy and back log maintenance.	Failure to maintain and deliver improvements to college estate and achieve the estate strategy objectives in support of the strategic plan.	<ul style="list-style-type: none"> <li>• Update Estates Strategy throughout Fife approved at December 2020 Board meeting.</li> <li>• Continue to rationalise and maintain existing estate per the Estates Strategy.</li> <li>• Extension of lease at Rosyth, review cost/benefit of remaining until DLC complete or carrying out work.</li> <li>• Changes to the estate to ensure that current Covid requirements are met and student experience maintained.</li> <li>• While student and staff numbers limited on campus, take the opportunity to bring forward and complete any works typically carried out during summer</li> </ul>	<ul style="list-style-type: none"> <li>• Keep Estates Strategy under review.</li> <li>• Submitted FBC for Dunfermline new campus August 2021.</li> <li>• Submitted OBC for Glenrothes refurbishment to SFC June 2021.</li> <li>• Ensure Fife College adheres to deadlines under its control.</li> <li>• Budgeting and longer term financial planning to identify and accumulate resources for estate realisation.</li> <li>• Appropriate use of professional expertise.</li> <li>• Maintain dialogue with SFC to obtain additional longer term estates maintenance funding.</li> </ul>
Ability to create a new campus in Dunfermline which meets the needs of all learners, staff and wider stakeholders.	Failure to deliver new appropriate accommodation in Dunfermline and deliver outcomes for the College.	<ul style="list-style-type: none"> <li>• Ensure existing estate continues to be fit for purpose.</li> <li>• Continue to negotiate solutions with stakeholders at senior levels.</li> <li>• Work with professional advisors to expedite issues.</li> </ul>	<ul style="list-style-type: none"> <li>• Working with regional and national partners to deliver the vision.</li> <li>• Ensure Fife College adheres to deadlines under its control.</li> <li>• Appropriate use of professional expertise.</li> <li>• Maintain dialogue with SFC /Scottish Government to obtain additional longer term estates maintenance funding.</li> <li>• Where appropriate use professional advisor to guide/assist to qualify risk and mitigation.</li> <li>• Monthly update provided to the New Campus Project Board on programme, cost, quality, risk and mitigation.</li> <li>• Joint Design Principles Guide developed and Design Guardian appointed to support the design delivery of the guide, for the overall campus development.</li> </ul>

Key Risks	Strategic Risk (as noted on Risk Register)	Controls/procedures in place to reduce the likelihood and impact of the risk to a more acceptable level.	
		Remedial	Preventative
			<ul style="list-style-type: none"> <li>• Campus Risk Register reviewed on quarterly basis, looking at all risks.</li> <li>• Concept design approved by the New Campus Project board.</li> <li>• Regular engagement with the Scottish Government &amp; SFC/SFT on design development, pathfinder projects and key decision point dates.</li> <li>• FBC approved by College Board and SFC board, awaiting ministerial approval.</li> </ul>
Uncertainty around Brexit implications, in particular, the impact on commercial business and the replacement scheme for European Social Fund funding.	All Strategic Risks	<ul style="list-style-type: none"> <li>• Brexit Plan in place and updated regularly to take into account developments as and when known.</li> <li>• Creation of action plan which identifies all the actions, aligned to relevant areas of the College, to ensure appropriate consideration and planning is carried out in preparation for Brexit.</li> <li>• Those responsible for actions within the Brexit Plan provide regular updates on progress made with actions.</li> </ul>	

The College's overall risk management process and internal control review are noted in detail within the Corporate Governance Statement (page 26).

## Performance Summary and Overview

Fife College has been allocated a core activity target of 132,489 credits by the Scottish Funding Council (SFC) for the period August 2020 to July 2021.

The College has exceeded the credit target for 2020-21 by 0.2% (408 credits) as well as undertaking a further £8.02 million of commercial training.

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

	2020-21	2019-20
Student Activity (Credits)	132,897	133,255
Performance Against Credits Activity Target	100.2%	100.5%
Credits per Staff FTE	161	163
Early Withdrawal	5.1%	4.4%
Further Withdrawal	14.2%	11.0%

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 2020-21 compared to the 2019-20 actual and the targets:

## Performance Report (Continued)

KPI No.	KPI	Actual Position 2019-20	Actual Position 2020-21	Status	Five Year Target %
1	Students successfully achieving recognised qualifications	74%	71%*	↓	80%
2	Students successfully achieving HNC/HND qualifications	71%	68%*	↓	75%
3	Full-time college qualifiers in work/training and/or further study 3-6 months after qualifying (CLD)	93% (2018-19) 90% (2019-20)	Not Yet Available	↓	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	64%	62%*	↓	73%
6	Volume of credits used for Higher Education programmes	30%	30%	→	40%
7	Student satisfaction response rate	69%	67%	↓	40%
8	Students satisfied with their college experience	94%	85%	↓	92%
9	Proportion of SFC credits used to provide STEM courses	30%	31%	↑	35%
10	Adjusted operating position as a % of total income	1.8%^	2.8%^	↑	3%
11	Total other income as % of total income	23%	22%	↓	24% <sup>++</sup>
12	Reduction of carbon emissions	3,011 tCO <sub>2</sub> e (44% reduction from 2013-14)	2,898 tCO <sub>2</sub> e (46% reduction from 2013-14)	↑	Reduce by 38%

\* Figures are subject to change. The PIs will be restated in early 2022 to include our COVID Deferrals.

+ Target readjusted to align with the Fife population.

^ Figure does not include the pension adjustment.

++ The KPI has been aligned with the latest Financial Forecast Return (FFR) position to 2022-23. The target has been adjusted from the original set back in 2017-18 due to a disproportionate increase in SFC income as a result of additional funding to cover the increased costs of national bargaining harmonisation and pension cost increases for academic staff.

The main points to note regarding the variances between 2019-20 and 2020-21 are:

- Students successfully achieving (KPIs 1, 2, 3, 4 and 5) has declined due to students who have disengaged or withdrew from their courses as a result of the campus closures due to the Covid-19 pandemic and/or due to a related change in personal circumstances. Some students are being supported to return in session 2021-22 to complete their course and SFC guidance excludes these students from the KPI. It is expected that these KPIs will subsequently be updated following the final outcome of these 'deferred' student results.
- Student satisfaction response rate (KPI 7) has decreased as a result of students and staff having other priority tasks and workloads to meet the changing Covid-19 guidance and assessment adaptations from awarding bodies. The reduction in direct face to face interventions meant we were not able to interact with student groups on-campus in communal spaces which historically has contributed to the higher response rates.
- Students satisfied with their college experience (KPI 8) has decreased as a result of curriculum delivery being restricted due to Covid-19 guidance and the full expectations of students not being able to be realised including full timetable of on-campus teaching, access to on-campus resources, participation in work placements and access to the full student 'life' experience including participation in clubs and social activities.
- Proportion of SFC credits used to provide STEM courses (KPI 9) has increased in line with a deliberate emphasis on credit allocation to support an enhanced STEM portfolio, including pipeline building courses for school pupils and adult returners.
- Operating surplus as a percentage of total income (KPI 10) has increased due to staff and material expenditure savings being made the College continues take action to support the financial sustainability of the College in line with its financial forecasts.
- Total other income as a percentage of total income (KPI 11) has decreased due to SFC grants increasing as a result of one-off grants being paid to support financial sustainability during the pandemic.

The 5 year KPIs were reviewed as part of the College Annual Plan for 2021-22 and the College remains on course to achieve the KPIs set. The 2020-21 outturn position will be reviewed at the December 2021 Board of Governors meeting.

## Performance Report (Continued)

### Performance Analysis

Fife College in conjunction with local 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. 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 Strategic Plan, 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 operational plan targets.

Financial performance is also monitored quarterly at both the Finance 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 Principals report, which allows them to focus on how they will impact our Strategic and Operational Planning along with highlighting any key risk areas.

Fife College has recorded a deficit before other gains and losses of £4.425 million (2019-20 £3.1 million). It should be noted that this figure includes the impact of the pension liability movements of £5.003 million (2019-20 £3.294 million) and spend of net depreciation funding on other items. Removing the impact of these returns an underlying surplus of £1.609 million (2019-20 £1.016 million) as presented below and within note 28 of the financial statements.

#### Key points to note:

- Despite the restrictions imposed by the Covid-19 pandemic, we delivered over the SFC core credit target of 132,489 by 0.2%.
- Despite the pandemic restrictions, the College has exceeded its commercial income target of £7.5 million by 7.6%.
- The College has delivered over 600 Modern Apprenticeships under the Skills Development Scotland Modern Apprenticeship contract.
- The College has delivered over 260 Foundation Apprenticeships under the Skills Development Scotland Foundation Apprenticeship contract.
- Several grants have been awarded from the college's Arms-Length Foundation in order to purchase equipment to enhance the students learning such as:
  - £16.5k for energy efficiency equipment.
  - £10k to the Adam Smith Foundation for access awards.
  - £14k to the Adam Smith Foundation for scholarships.
  - £42k for jewellery casting equipment.
- Scottish Funding Council (SFC) has granted Fife College funding of £4.3 million in the financial year April 21 to March 22 to continue the development of the Dunfermline Learning Community Campus. The previous year's underspend of £2.1 million has been added to this meaning the College has a total of £6.4 million to spend between April 21 and March 22.
- During 2020-21 SFC distributed funding totalling £15.3 million within the college sector to help alleviate the financial pressures faced by colleges as a result of the latest lockdown. Fife College received £1.134 million of this funding. The College has utilised this funding to help address the major impact that Covid-19 has had on the College in terms of:
  - Reduced income from pre-pandemic years, including from commercial contracts.
  - Additional costs, such as adjustments to campuses and facilities to allow for social distancing.
  - Additional staff costs to ensure that the 2020-21 students completed their courses minimising the level of deferrals into 2021-22.
  - Devices to ensure that students were able to continue with their studies remotely, for example Chromebooks.

## Performance Report (Continued)

### 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 2020-21 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.

	2020-21	2019-20
Adjusted Surplus/Deficit as % of Total Income	2.8%	1.8%
Non SFC Income as % of Total Income	22%	23%
Current Assets : Current Liabilities	0.96	0.63
Staff Costs as a % of total turnover	73.7%	72.2%
Ratio of days cash to total expenditure	72.3	56.0
Staff Turnover	11.9%	14.7%

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 14.

One consequence of college reclassification as central government bodies is that, from 1 April 2014, while colleges continued to prepare financial statements under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated for budgeting purposes and how the colleges spend the cash funds (cash budget for priorities) previously earmarked for depreciation.

Fife Colleges cash budget for priorities has been set at £2.152 million by SFC, the actual net depreciation spend within the financial year is £1.734 million. 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:

<b>Table of cash budget for priorities spend</b>		
<b>Revenue Priorities</b>	<b>2020-21</b>	<b>2019-20</b>
	<b>£'000</b>	<b>£'000</b>
2015-16 pay award	400	400
Voluntary severance	34	428
ICT Equipment	1,015	335
<b>Total impact on operating position</b>	<b>1,449</b>	<b>1,163</b>
<b>Capital Priorities</b>		
Loan repayments	482	768
Unfunded pension payments	221	221
<b>Total Capital</b>	<b>703</b>	<b>989</b>
<b>Total cash budget for priorities spend</b>	<b>2,152</b>	<b>2,152</b>

There has been no impact on the financial position in 2020-21 as a result of Brexit although there have been delays receiving goods from suppliers and also indications at the beginning of 2021-22 that there will be price rises in materials especially those relating to construction. The College will continue to monitor the situation for future years engaging with suppliers to discuss any price increases relating to Brexit and ensuring value for money.

## Performance Report (Continued)

Despite the disruption caused by the Covid-19 pandemic restrictions, all core credit income has been achieved for academic year 2020-21 and the non-grant in aid income which includes commercial income and academic fees as well as the Scottish Prison Service contract has overall achieved higher than the target.

Staff costs are better than target due to a delay in recruiting vacancies as well as reduced reliance on temporary staffing during the lockdown. These savings have meant that the College has been able to invest in improvements to the campuses as well as purchase devices to enable students and staff to work remotely. There have been significant investments in student equipment to enhance their learning experience. There have been savings made in material costs due to a delay receiving goods as a result of delays in the supply chain as well as some departmental savings being made. The College has also continued to make use of the Coronavirus Job Retention Scheme.

This has resulted in the college reporting an adjusted operating surplus of £1.609 million as reported in the table below. This position will support the College going into the next financial year 2021-22.

The 2019-20 deficit before other gains and losses has increased by £20k due to a late pension adjustment.

<b>ADJUSTED OPERATING POSITION</b>	<b>2019-20 Restated £'000</b>	<b>2020-21 £'000</b>	<b>2021-22 Budget £'000</b>
<b>Surplus/(deficit) before other gains and losses</b>	<b>(3,100)</b>	<b>(4,425)</b>	<b>(311)</b>
<b>Add Back:</b>			
- Depreciation (net of deferred capital grant release) (Note 1)	1,811	1,734	1,503
- Non-cash pension adjustments - Net service cost (Note 2)	2,416	4,459	0
- Non-cash pension adjustments - Net interest cost (Note 3)	444	544	0
- Non-cash pension adjustments - Early retirement provision (Note 4)	433	0	0
<b>Deduct:</b>			
- Cash budget for priorities allocated to loan repayments and other capital items (Note 5)	(989)	(703)	(703)
<b>Adjusted Operating (Deficit)/Surplus</b>	<b>1,016</b>	<b>1,609</b>	<b>489</b>

The 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.

**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 early retirement provision adjustment relates to the gain or loss arising from the actuarial valuation during the year and other non-cash movements.



## Performance Report (Continued)

**Note 5:** 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 2021, there was a cash balance of £11.59 million. Normal practice is to pool funds in an overnight deposit account and to use a longer term deposit when circumstances permit. The cash balance at 31 July 2021 is higher than would normally be anticipated at the year-end as the College has made the following provisions:

- SFC grant clawbacks mainly for student support underspend (£1.2 million).
- Potential liability payments and creditor payments for goods and services received in July, for example windows refurbishment at Kirkcaldy campus, digital devices and student equipment (£4.7 million).
- Cash carried forward relating to the Adam Smith Foundation (£0.2 million) and mental health counsellors (£0.1 million).

This means that the underlying year end cash balance was £5.39 million, which is sufficient for 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. All disputes are handled as quickly as possible. Supplier payment runs are completed fortnightly future paying all invoices due and those falling due in the next 2 weeks to ensure all payments are made within 30 days unless the invoice is contested or alternative terms have been arranged.

In 2020-21, the level of creditors in terms of the proportion of year-end creditors to the aggregate invoiced amounts during the year was 39 days (2019-20: 51 days).

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

### Social Matters

#### Human Rights

Fife College has published a Slavery and Human Trafficking Policy Statement as required by the Modern Slavery Act 2015. This statement is reviewed annually and the actions from it implemented in all purchasing activity by requiring all new suppliers to confirm that they have "effective procedures in place to comply with the Modern Slavery Act 2015" before any transaction can take place. Details of our requirements have been incorporated into the Fife College Standard Terms & Conditions upon which all purchase orders and local contracts are based. These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as Advance Procurement for Universities & Colleges (APUC), Scottish Procurement and Crown Commercial Service (CCS).

Where modern slavery, human rights or workforce matters are identified as a potential risk in contracting for goods and services, relevant and proportionate requirements are included within our specification and appropriately probing questions are asked of bidders to demonstrate compliance with applicable laws, regulations and policies such as International Labour Organisation standards.

## **Performance Report (Continued)**

As a Living Wage Foundation accredited employer we also ensure that all on-site contractors are paid at least the Real Living Wage, as set annually by the Living Wage Foundation. This has applied to both our Catering Services and Cleaning, Hygiene & Waste contracts.

There have been no complaints of any breaches of human rights within our supply chain.

## **Anti-Corruption and Bribery Matters**

All new suppliers are required to confirm that they are “in full compliance with and support the Bribery Act 2010” before any transaction can take place. Details of our Anti-Corruption requirements are stated in the Fife College Standard Terms & Conditions upon which all purchase orders and local contracts are based. These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as Advance Procurement for Universities & Colleges (APUC), Scottish Procurement and Crown Commercial Service (CCS).

Fife College has a Fraud Prevention Policy and Response Plan which is regularly reviewed and clearly details the requirements for staff members to adhere to as well as advising on how to report suspected breaches.

Our procurement and financial transaction processes ensure a clear separation of duties between requestors, budget approvers and payees to mitigate against potential risk or fraudulent activity.

There have been no complaints of any breaches of corruption or bribery within our supply chain.

## **Environmental Matters**

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. The College submitted a full report in the 2015-16 trial period and has reported every year since the 2015 Schedule became active. Fife College has no data from the baseline year of 1990, and so the College has set the baseline at 2013-14. The College set a target of a 20% reduction by the 2018-19 reporting year. The College has exceeded its original target to reduce our carbon footprint, having reduced our annual emissions from 5400 tCO<sub>2</sub>e (2013-14) to 3,011 tCO<sub>2</sub>e (2019-20) a 44% reduction, and we expect this trend to continue in the 2020-21 academic year.

The College also recognises its role in the broader community of Fife, Scotland and the UK. To this effect, we provide one of two college representatives on the Environmental Association of Universities and Colleges (EAUC Scotland) Office Bearers' Group (OBG) where policy and performance are shaped and monitored. In the past year, our representative has been appointed as Convenor of EAUC Scotland, and also appointed to the Board of Trustees of EAUC UK and is therefore in a position to represent the College on the UK body. The College is also the only college to be represented on the Sustainable Scotland Network Steering Group, the body that works with all public bodies across Scotland on climate change action and public bodies reporting, with our representative has now been appointed as the Chair of this Steering Group. Fife College is an active partner in local environmental organisations such as Fife Environmental Partnership (where the College representative has now been elected as Chair), Fife Biodiversity Partnership and Fife Communities Climate Action Network, which are all involved in environmental initiatives across Fife. 'The Leven' continues to be a large community driven project, where Fife College staff and students have been key partners in the programme designed to combine environmental, economic and social regeneration centred around the River Leven. 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.

Working with our students, we promote sustainability both through our teaching, and with Fife College Students Association initiatives such as Green Week, and a campus cycling officer. The College is acutely aware of our environmental leadership responsibilities and we endeavour, wherever possible, to demonstrate this commitment in our relationships with members of the community both within the college and in the wider environment.

**Performance Report (Continued)**

**Going Concern**

As detailed within the Financial Statements pages 47-49, 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
R Black	30.06.14 01.08.17	31.07.21	31.07.21	Non-Executive	N/A	Royal Dutch Shell Standard Life	Audit and Risk Committee
S Cochrane	01.08.14 01.08.18	31.07.22		Non-Executive	Bright Red Publishing	N/A	Academic Quality Committee Chair's Committee
J Trail OBE	03.03.15 01.08.18	31.07.22		Non-Executive	GIA Business Properties	Scottish Children's Panel	Finance, Commercial and Estates Committee Chair's Committee New Campus Project Board
T Martin	01.10.16 01.08.20	31.07.24		Non-Executive	N/A	Opportunities Fife	Health and Safety and Human Resources Committee Chair's Committee
Z Thomson	01.10.16 01.08.20	31.07.24		Non-Executive	Fife Council	N/A	Academic Quality Committee
H Hall	01.03.17	Duration of contract of employment		Principal	Fife College	Scottish Children's Lottery Lauder Learning Ltd College Development Network	Health and Safety and Human Resources Committee Finance, Commercial and Estates Committee Academic Quality Committee New Campus Project Board
J Anderson	01.08.19	5.8.21		Staff	Fife College	N/A	Health and Safety and Human Resources Committee Academic Quality Committee
T Vandermotten	29.01.18	31.07.21	30.09.20	Non-Executive	Scottish SPCA	N/A	Health and Safety and Human Resources Committee

<b>Member's Name</b>	<b>Date Appointed</b>	<b>Term of Office Ends</b>	<b>Date Resigned</b>	<b>Status of Appointment</b>	<b>Interests (Employer)</b>	<b>Interests (Related Undertaking / Non-financial interests)</b>	<b>Committees Served</b>
S Mitchell	01.11.18	31.07.22		Non-Executive	Glasgow Caledonian University	GCU Company Ltd GCU Academy Ltd GCU INTO Ltd GCU Nominee Company Ltd	Audit and Risk Committee Chair's Committee New Campus Project Board
J Harney	01.08.18	14.9.21		Teaching Staff	Fife College	EIS	Academic Quality Committee Finance, Commercial and Estates Committee
J Burnett	01.06.19 01.06.20	30.06.21	30.06.21	Student	Fife College Students' Association	NUS	Health and Safety and Human Resources Committee
D C Watt	03.03.19	02.03.23		Non-Executive (Regional Chair)	BGR Training Governance Express Merlin Consultancy (Global) Ltd Organising Leisure	Colleges Scotland Goodison Group in Scotland	Chair's Committee New Campus Project Board
G Mole	23.03.20	31.07.23		Non-Executive	Fife Council	Business Gateway Fife	Finance, Commercial and Estates Committee
P Carnie	23.03.20	31.07.23		Non-Executive	Babcock International Group	Royal Society for the Encouragement of Arts, Manufactures and Commerce Institute of Directors	Finance, Commercial and Estates Committee
A Kindness	23.03.20	31.07.23	31.10.20	Non-Executive	University of St Andrews	Edinburgh Napier Student Association	Academic Quality Committee
E McPhail	23.03.20	31.07.23		Non-Executive	NHS Healthcare Improvement Scotland	N/A	Audit and Risk Committee
B Fisher	01.08.20	31.07.24		Non-Executive	LV	N/A	Audit and Risk Committee New Campus Project Board
S Ferguson	01.07.20	30.06.22	30.06.21	Student	Fife College Students' Association	NUS	Academic Quality Committee Finance, Commercial and Estates Committee

<b>Member's Name</b>	<b>Date Appointed</b>	<b>Term of Office Ends</b>	<b>Date Resigned</b>	<b>Status of Appointment</b>	<b>Interests (Employer)</b>	<b>Interests (Related Undertaking / Non-financial interests)</b>	<b>Committees Served</b>
T Fisher	01.07.21	30.06.23		Student	Fife College Students' Association	NUS	Health and Safety and Human Resources Committee
E Wallace	01.07.21	30.06.23		Student	Fife College Students' Association	NUS	Academic Quality Committee Finance, Commercial and Estates Committee
Garry Dickson	01.04.21	31.07.24		Non-Executive	NatWest Group	Kingdom Initiatives Ltd Kingdom Support and Care Chartered Institute of Personnel and Development	Health and Safety and Human Resources Committee Chair's Committee
Samantha Mowbray	01.04.21	31.07.24		Non-Executive	Aegon	N/A	Audit and Risk Committee
Pamela Dobson	01.08.21	01.08.25		Non-Executive	University of St Andrews	Apex Scotland Childrens Hearings Scotland	Academic Quality Committee

The Board of Governors formally meets four times a year. During 2020-21 there was also a Board Strategy Session, a Board Development Session, an extraordinary meeting to discuss the College's Covid response and a meeting to hear the findings of the External Effectiveness Review. 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 which were all held virtually:

Member's Name	Board of Governors	Board of Governors - Strategy and Development Day	Board of Governors - Extraordinary Meetings	Academic Quality	Audit and Risk	Finance, Commercial and Estates	Health and Safety and Human Resources	Chair's	New Campus Project Board
J Anderson	3/4	1/2	1/2	1/3			2/3		
B Black	4/4	1/2	1/2		4/4				
J Burnett	4/4	2/2	2/2			1/1	2/3		
P Carnie	3/4	1/2	2/2			1/4			
S Cochrane	4/4	2/2	2/2	3/3				4/4	
G Dickson	1/1	1/1					3/3	1/1	
S Ferguson	3/4	2/2	2/2	3/3		3/3			
B Fisher	4/4	2/2	2/2		4/4				7/7
H Hall	4/4	2/2	1/2	3/3		1/4	3/3		5/7
J Harney	4/4	2/2	1/2	3/3		1/4			
A Kindness	1/1		0/1	1/1					
T Martin	4/4	2/2	2/2				3/3	4/4	
E McPhail	4/4	2/2	1/2		3/4				
S Mitchell	4/4	1/2	1/2		4/4			3/4	5/7
G Mole	4/4	1/2	2/2			3/4			
S Mowbray	1/1	1/1			1/1				
Z Thomson	4/4	2/2	1/2	2/3					
J Trail	4/4	2/2	2/2			4/4		4/4	6/7
T Vandermotten			0/1					1/1	
D C Watt	4/4	2/2	2/2					4/4	7/7

The members of the Executive Team of Fife College for the period 1 August 2020 to 31 July 2021 were:

- Hugh Hall, Principal and Chief Executive
- Dorothée Leslie, Vice Principal: Academic Strategy
- Susan Dunsmuir, Chief Financial Officer
- Sue Reekie, Chief Operating Officer
- Iain Hawker, Assistant Principal: Quality and Academic Partnerships
- Kris Getchell, Chief Information Officer

### **Non Audit Fees**

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

### **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 2020-21 (2019-20 nil).

### **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 2020-21 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 causing the financial statements to be prepared, 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 detail 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



## **Statement of Board of Governor's Responsibilities (Continued)**

- 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:

- 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 has appointed Ernst & Young to undertake the audit for the year ended 31 July 2021.

### **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.

## 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 2021 and reports the Board's assessment of the effectiveness of these arrangements.

### Statement of Compliance

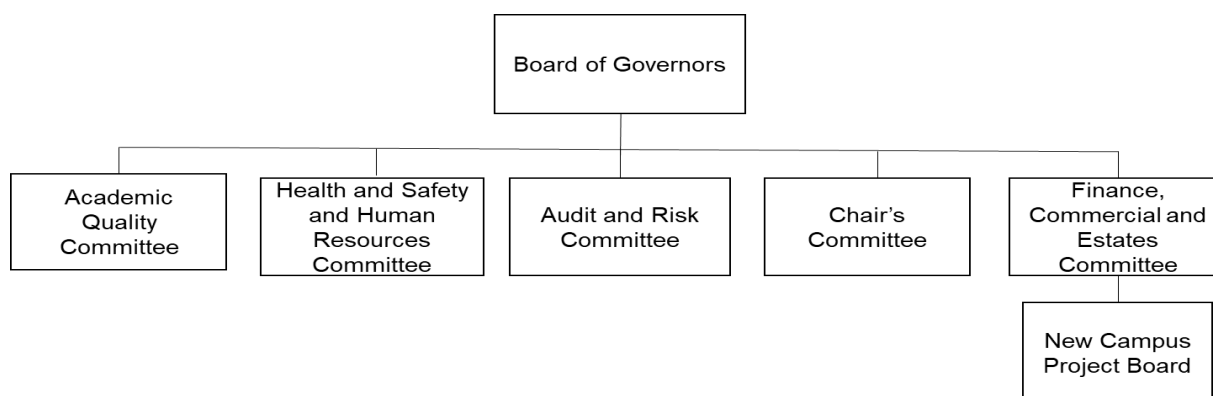
The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the financial year ended 31 July 2021.

### 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.

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



The Board of Governors is responsible for setting the mission and strategic direction of the College and for protecting its reputation. The Board approves major developments and partnership projects and actively monitors and promotes financial stability. The Board has 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.

## **Governance Statement (Continued)**

The Board of Governors met four times during the year and received minutes and reports from its Committees. Two extraordinary meetings were held in 2020-21, one to discuss arrangements being put in place due to the Covid-19 pandemic, and the other to discuss the External Effectiveness Review draft report.

The Board held its annual development session in November 2020. The Coherence and Sustainability Report was discussed and a presentation was made on Regional economic recovery.

The Board held its annual strategy session in May 2021. Education Scotland attended and provided an update on the strategic context for the sector. The Board was given an update on what the College had learned from lockdown, and considered blended approaches to governance in the future.

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 was last revised in September 2021

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.

### **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 during the year, the Audit and Risk Committee met 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 qualified accountant who is also a member of the Board of Governors.

## **Governance Statement (Continued)**

### **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, Vice Principal, Chief Financial Officer and Chief Operating Officer.

### **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 College's Digital Strategy and performance thereof.

### **Health and Safety and Human Resources Committee**

The purpose of the Health and Safety and Human Resources 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.

### **Impact of Covid-19**

Since lockdown in the UK in March 2020, all Board and Committee meetings have continued as scheduled, using Microsoft Teams to meet virtually rather than in College. All Board business has progressed as planned. Throughout this time, the Board has been reassured by the approaches taken by staff and their enthusiasm to provide alternative solutions to our students. Additional support was also put in place from an early stage to support staff working from home.

Board members had previously been issued with College iPads, and were quickly adapted to using Microsoft Teams, with support offered from the Director: Governance and Compliance and the Digital Services Team to provide training and resolve any technical issues.

All new Board members have completed their Board induction via Microsoft Teams.

A survey was issued to Board members in May 2021 asking for views on virtual Board and Committee meetings. Board members generally felt that meetings were effective regardless of whether held in-person or via Microsoft Teams. Members missed the ability to have informal dialogue before and after meetings and were keen to return to some face to face meetings as soon as Scottish Government guidance suggests this is safe. Once restrictions ease, it is likely that the majority of Board meetings, Development Days and Strategy Days will be face to face, and the majority of Committee meetings will be via Microsoft Teams.

The Board's External Effectiveness Review took place between September and December 2020 and was facilitated via Microsoft Teams. 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 will start to take them forward as appropriate during 2021-22. This includes the drafting of a new format of Business Report to focus the Board on strategic KPIs rather than more operational or detailed issues; consideration of the adequacy of the learner voice; reviewing compliance with the Code of Good Governance for Scotland's Colleges and develop stretch targets to aim for higher compliance; and adding stakeholder mapping to future discussions

## Governance Statement (Continued)

### 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 thirteen strategic risks for which the underlying risk has been scored as "severe" or "high". It records the residual risk, with two risks shown as "High" and ten as "Moderate", following the mitigating actions which have been taken.

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.	High	Moderate
3	Failure to make use of current and emerging technology effectively and to be in a position to continuously enhance digital capability and confidence to offer hybrid learning and teaching delivery modes expected by learners and all stakeholders and necessary to support sustained delivery.	High	Moderate
4	Failure to focus on wider wellbeing of staff and students.	High	Moderate
5	Failure to achieve student recruitment targets across GIA and Non-GIA income activity and to deliver relevant, inclusive and sustainable regional curriculum, including ensuring successful outcomes for all students.	High	Moderate
6	Failure to develop capacity and skills mix that fits the strategy.	High	Low

No.	Risk	Before Mitigation	After Mitigation
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.	Severe	High
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 environment and conditions for progressive 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

As Covid-19 impacted on all strategic risks, it was deemed necessary by the Executive Team to view it as a college wide risk initially, with mitigating actions being held centrally, however the remaining thirteen risks were updated to reflect the impact and actions each function were taking in order to reduce the impact of the outbreak. The Audit and Risk Committee were satisfied that the Covid-19 risk had been embedded satisfactorily in all risks, and as such, agreed to the specific risk being removed from the risk register in June 2020.

Throughout the year, other Board sub-committees received information relating to the key risks relevant to their remit i.e. the Finance, Commercial and Estates Committee received information on the key financial risks, progress towards financial targets, balancing the budget and maintaining financial sustainability and the Academic Quality Committee received regular updates on credit position, performance indicators, student recruitment and the learning and teaching strategy.

### 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 2020-21 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
Stakeholder Engagement – Employers	Risks 8 and 10
Strategic & Operational Planning	Risks 1-13
Core Financial Systems	Risks 2, 7, 8
Digital Capabilities	Risks 11 and 12
Business Continuity & Cyber Resilience	Risks 11 and 12

<b>Internal Audit</b>	<b>Key Risks</b>
Review of Business Improvement Function	Risks 1, 2, 3
Estates Strategy & Project Management	Risk 1 and 13

Of the above reviews carried out in 2020-21, none identified any major control weakness.

At the end of 2020-21, of the 20 audit recommendations received, 6 were signed off as fully complete, 2 were signed off as partially complete, 10 were not yet due for completion and 2 were deemed to be closed with no further action required. 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.

### **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 2021 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 2020-21 Government Financial Reporting Model (FrM) issued by HM Treasury which came into force for the period ending 31 July 2021.

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, Vice Principal, Chief Financial Officer and Chief Operating 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, taking into account 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, where relevant following recommendations by the Principal.
- 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, Vice Principal, Chief Financial Officer, Chief Operating Officer 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 2021			Year ended 31 July 2020		
		Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
David C Watt	Chair of Board of Governors	20-25	0	20-25	15-20	0	15-20
Hugh Hall <sup>1</sup>	Principal and Chief Executive	135-140	30-35	165-170	130-135	30-35	160-165
Dorothee Leslie	Vice Principal Academic Strategy	95-100	30-35	125-130	90-95	15-20	105-110
Susan Dunsmuir	Chief Financial Officer	95-100	35-40	130-135	90-95	35-40	130-135
Sue Reekie	Chief Operating Officer	95-100	30-35	125-130	90-95	30-35	120-125

<sup>1</sup> The Principal has 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.



## Remuneration and Staff Report (Continued)

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 banded remuneration of the highest paid official in the organisation in the financial year 2020-21 was £135-140,000. This was 4.2 times (2019-20 4.0 times) the median remuneration of the workforce which was £31,833 (2019-20 £33,055).

### 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.

### Executive Team

Pension benefits are provided to the Vice Principal, Chief Financial Officer and Chief Operating Officer on the same basis as all other staff. The accrued pension benefits for only those with a pension are set out in the table below, together with the pension contributions made by the College:

Name	Job Title	Accrued pension at pension age at 31 July 2021 £'000	Accrued lump sum at pension age at 31 July 2021 £'000	Real increase in pension 1 August 2020 to 31 July 2021 £'000	Real increase in lump sum 1 August 2020 to 31 July 2021 £'000	CETV at 31 July 2021 £'000	CETV at 31 July 2020 £'000	Real increase in CETV £'000
Dorothee Leslie	Vice Principal Academic Strategy	30-35	65-70	0-2.5	0-2.5	614	571	42
Susan Dunsmuir	Chief Financial Officer	15-20	0	0-2.5	0	169	146	15
Sue Reekie	Chief Operating Officer	5-10	0	0-2.5	0	65	38	18

### 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 taken into account:

- (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

33 employees left under Voluntary Severance during the year.

1 employee left under voluntary exit terms during the year.

The total cost of the above was £584k.

The table below summarises the exit packages by cost band.

Exit Package Cost Band	Total Number of Exit Packages by Cost Band
<£10,000	7
£10,000 - £25,000	24
£25,000 - £50,000	3
<b>Total number of exit packages</b>	<b>34</b>
<b>Total cost (£000)</b>	<b>£584k</b>

## 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:

	2021 Directly employed staff	2021 Seconded and agency staff	2021 Total	2020 Total	Inc/(Dec)
Wages and salaries	28,616	547	29,163	28,946	217
Social security costs	2,710	49	2,759	2,707	52
Other pension costs	5,548	107	5,655	5,794	(139)
<b>Total</b>	<b>36,874</b>	<b>703</b>	<b>37,577</b>	<b>37,447</b>	<b>130</b>
Average number of FTE	810	17	827	816	11

There is an increase of 11 FTE from 2019-20 to 2020-21. This is mainly due to changes within the Digital Team, and a continuation with the appointment of more academic support staff as part of the workforce plan.

## Remuneration and Staff Report (Continued)

The college employed 574 females and 387 males as at 31 July 2021, the following table details the breakdown:

	2021 Female	2021 Male	2020 Female	2020 Male	Inc/(Dec) Female	Inc/(Dec) Male
Executive	3	3	3	3	0	0
Director	7	4	7	4	0	0
All other Employees	564	380	562	339	2	41
<b>TOTAL</b>	<b>574</b>	<b>387</b>	<b>572</b>	<b>346</b>	<b>2</b>	<b>41</b>

## Sickness Absence Data

The average number of days lost per full time equivalent (FTE) to sickness absence during the year 2020-21 was 6.8, this compares to 7.3 days for the same period during 2019-20.

The following table shows the sickness absence days for the year 2020-21 comparing to the same period during 2019-20.

Days Sickness Absence	2021	2019-20
	12 months	12 months
Short Term (Under 20 days)	2,607	3,020
Long Term (Over 20 days)	2,843	2,876
<b>Total</b>	<b>5,450</b>	<b>5,896</b>

## Policies in Relation to Disabled Persons

The College Equality and Diversity Policy sets the principles and values of equality and diversity for the College. These are implemented through the College's Equality Outcomes and associated action plan which are aligned to the College Regional Outcome Agreement as well as the policies and procedures that guide the way in which people behave. Progress against the Equality Outcomes is reported every two years and is published on the Fife College website.

The policy is also implemented through a number of policies and procedures that concern the experience of staff and students. For staff, these cover the employment cycle:

### Recruitment and Selection

The College does wish to be a good employer and one of choice so that it can attract the best staff. Part of this includes being positive about disability and supporting people with disabilities through the recruitment and selection process including the provision of any additional support to enable all candidates to participate fairly in the process, which promotes an inclusive culture supported through the College's Vision and Values.

The College also commits to ensuring that posts are advertised in a wide variety of places that attract all people and that the way in which external advertisements are worded is inclusive of all the population. The College has continued to have The Disability Confident Committed Employer scheme and has achieved and maintained Level 2. This scheme helps us:

- Draw from the widest possible pool of talent
- Secure high quality staff who are skilled, loyal and hard working
- Improve employee morale and commitment by demonstrating that we treat all employees fairly

It also helps customers and other businesses identify that we are committed to equality in the workplace. It also enables the College to use the Disability Confident Logo on all advertisements.

## **Remuneration and Staff Report (Continued)**

When recruiting the right people for Fife College, it is important we attract people who have these values and behaviours which will complement our workforce and fit in with our organisational culture. Consequently, we are looking at our recruitment policy and processes in line with our new on-line recruitment portal to identify if we advertise in places where people seek out new roles; if we are using the best selection methods and the right on boarding tools to welcome new recruits to the College and reduce induction fatigue. This was scheduled to be completed at the end of the academic year 2020-21, however is not yet complete due to the pandemic. There has been a working group who have finalised a new on-boarding process and the detail will be completed with our Digital colleagues to make this live.

### **Professional Development**

All staff will have the opportunity to participate in development activity that enables them to develop their qualifications and skills. As part of the new staff portal (My Fife), there is a section for My Learning which holds everything related to staff's personal development. The resources will support them in their current role, but also for roles that they may aspire to in the future. Resources are being tagged to allow content to be searched for and in the future, we are looking at tailoring and personalising content for the individual.

Staff are also expected to participate in the Colleges Professional Development Review Scheme (PDR) and undertake any staff development and training necessary for the full performance of their duties. Following feedback from staff, a new on-line PDR process has been developed to make it more user friendly and more linked to the Strategic themes of the College. It is also encouraged that staff use the Career Development Framework (CDF) to identify the behaviours which, combined with their technical or professional skills, enable them to effectively deliver in their role.

### **Equal Pay**

Fife College reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value. The College will ensure that all pay practice applies equally to all staff and is best practice; communicate pay practice to help members of staff develop understanding of how pay is determined; undertake equal pay audits in accordance with any legal obligations and in any case at least once every two years; provide guidance and support to managers where they make decisions on pay and benefits for staff; and work within the National Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme.

### **Work Life Balance**

The College recognises that members of staff have priorities outside of their employment and that it is important for the wellbeing of all staff that there is balance between work and home life. The College also recognises that members of staff will have differing requirements at differing points in their working life and the range of Family Friendly/Flexible Working Policies and Procedures aims to ensure that an appropriate balance between work and home life can be achieved throughout a member of staff's employment at the College.

Following the pandemic, and the working from home for the majority of our colleagues, the college will provide a new Agile Working Guide for Staff and Managers to follow. This will look to modernise who Fife College are as an employer by completely re-setting and thinking where and when staff will work. This will be developed and distributed to all within 2021-22 and full support and training will be provided to management to assist with the implementation.

### **Conduct**

The College promotes and lives up to the principals within its Equality and Diversity Policy of: treating people with respect; encouraging, maintaining and promoting good relations; applying policies, procedures and processes fairly and with due regard to every individual; welcoming the differences between each person and value the contribution that they make to the cultural and social wellbeing of the College's working and learning environment.

## **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.

### **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 effect 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 (Chief Operating Officer) to the role responsible for Health and Safety.

Fife College has introduced a cloud-based Health and Safety Management tool to help implement and manage its legal duties set out in current legislation. The management tool holds all Health and Safety information and is the main forum for staff to undertake risk assessments, accident reports, training compliance, COSHH data and also acts as the main source of data for regular reporting on Health and Safety performance.

Fife College's duty to consult on Health and Safety matters with trade unions and staff is structured through a Health and Safety Committee. The Committee meetings are scheduled three times over the curriculum year. These meetings are chaired by a senior manager and made up of the college management, representatives of each recognised union and staff representatives.

The College Health and Safety team also conducts regular workplace spot inspections jointly with trade union safety representatives as well as conducting health and safety audits of faculties throughout the College. The faculty audits are undertaken throughout March, April and May with audit reports and action logs issued to the Faculty Director for sign off and action. The Health and Safety team then follows up all audit actions in October to make sure all outstanding actions have been completed.

### **Covid-19 Prevention**

The College has full Covid-19 risk assessments in place as per Scottish Government guidance along with Covid-19 risk assessments for activities within the college buildings and Scottish Prison Service learning centres. These are reviewed following any change in Scottish Government guidance and/or changes in tiers.

Scottish Government guidance for colleges is not aligned with other social distancing, meeting and socialising rules which does make it more challenging to maintain. This is being overcome by additional communication.

To protect the health and safety of staff, students and visitors to the College campuses the following procedures have been put in place to minimise the risks of transmitting Covid-19:

## Remuneration and Staff Report (Continued)

- Making lateral flow tests available for all staff and students.
- Blended learning programme in place with only students that require to attend campus being on site.
- Test and protect monitoring in place for staff via college Digital Services and students monitored through class registers and on-line registers.
- Best practice information shared through both College Development Network working groups, local health and safety networks for educational establishments and via College wide Covid-19 groups.

## Employment Issues

The College commits itself to the fundamental conventions of the ILO where they apply to employment in particular with regard to: freedom to join a Trade Union (convention number 87); collective bargaining (convention number 98); equal pay for men and women (convention number 100) and equality of opportunity (convention number 111).

In relation to equality of pay, the Gender Pay Gap Report dated April 2020 highlights the College has a pay gap of overall mean and median pay gap of -12.16% and -15.59% between women and men. There are larger pay gaps in relation to disability and ethnicity, however this is as a result of the few numbers of staff with these protected characteristics.

Comparing this to last year, there is a change and the increase requires further investigation. There has been a number of restructures which have resulted in the introduction of new academic roles and changes to the number of staff in faculties. There has also been movement in Professional Services including Carnegie Conference staff being included in the data. There has also been a harmonisation of academic pay scales in line with national bargaining. These combined factors appear to have widened the pay gap between men and women. In order to assess the impact, the data for next pay gap report will be considered at an earlier stage.

The College has a published commitment to equal pay within this report which reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value. To achieve this, the College commits to:

- Ensure that all pay practice applies equally to all staff and is best practice.
- Communicate pay practice to help members of staff develop understanding of how pay is determined.
- Undertake equal pay audits in accordance with any legal obligations and in any case at least once every two years.
- Provide guidance and support to managers where they make decisions on pay and benefits for staff.
- Work within the National Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme for support staff.

The College has a robust framework of policies and procedures which support the employment lifecycle. These include recruitment, induction, to be family friendly, encourage flexible working, discipline and grievance issues, promote health and wellbeing, absence, capability and exit.

## Diversity and Inclusion

The Board of Governors of Fife College is committed to creating and maintaining a college environment that is open, welcoming and positive in which everyone feels valued and supported.

Fife College follows the principles of:

- Treating people with respect.
- Encouraging, maintaining and promoting good relations.
- Applying policies, procedures and processes fairly and with due regard to every individual.
- Welcoming the differences between each person and value the contribution that they make to the cultural and social wellbeing of the College's working and learning environment.

## Remuneration and Staff Report (Continued)

The Equality and Diversity Policy sets the principles and values of equality and diversity for the College. These are implemented through the College's Equality Outcomes. The new set of outcomes covering the period 2021-25 are contained with our latest [mainstreaming report](#) and have been published on the college's website. As required by the PSED, we also publish gender pay gap information statements on equal pay.

The College uses equality data to understand our workforce profile, enabling us to identify areas of strength and vulnerability and eliminate any adverse impact on equality. It allows us to target and support areas of under-representation, enables positive action interventions and, by compiling trend data, helps inform future planning, and policies.

Effective monitoring and use of the data also signals to staff and potential job applicants that the College is committed to equality and to supporting a diverse workforce, which contributes to the raising of our profile as an inclusive College.

An annual staff report is shared with Senior Management and Board Members and provides longitudinal data regarding the protected characteristics. Below are recommendations from the 2019-20 report:

- Continue to monitor changes in the gender population in the Engineering Technologies and Mathematics Faculty to identify if STEM initiatives are increasing the female population or otherwise.
- As the College migrates from the new HR information system, to review data and processes to ensure they enable and encourage staff to complete relevant information, including their protected characteristics.

The percentage of staff from non-white ethnic groups is lower than the sector average. This can be partially explained by the relatively low ethnic diversity within the region. We implement a blind recruitment process which removes identification details from candidates' resumes and applications. This helps our recruitment panels evaluate people on their skills and experience instead of factors that can lead to biased decisions.

## 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 Director: OD and HR. The recognised Trade Unions and Management also have the opportunity to discuss how the relationships are working with the Health and Safety and Human Resources Committee of the Board and are now part of this committee. 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 no surprises relationship based on openness and transparency from management and the recognised Trade Unions.

## 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 2021:

## Remuneration and Staff Report (Continued)

### 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:	£38,081
Total pay bill:	£36,837,312
Percentage of the total pay bill spent on facility time:	0.10%

### 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 £3.89 million (£3.82 million in 2019-20) and income generated was £4.28 million (£4.51 million in 2019-20).

As a result of the Covid-19 pandemic, Fife College's ability to meet its contractual obligations under the SPS contract have been adversely affected and therefore we agreed with SPS on a reduced monthly payment to cover the College's fixed costs relating to this contract. This is in line with the guidance of the Scottish Procurement Policy Note ("SPPN 5/2020" dated 27 March 20) which sets out information and guidance for public bodies on how they may amend payment provisions in contracts or consider other contractual relief in order to assist Service Providers to combat the impact of Covid-19.

Although full service resumed for October, November and December, the further lockdown restrictions imposed by the Scottish Government from January 2021 meant that the College was unable to deliver on the contract. Full service was resumed from May 2021.

The Corporate Governance Statement on pages 23 – 28 was approved by the Board of Governors on 8 December 2021 and signed on its behalf by:

Hugh Hall  
Principal

David C. Watt  
Chair, Board of Governors



# **Independent auditor's report to the Board of Governors of Fife College, the Auditor General for Scotland and the Scottish Parliament**

## **Report on the audit of the financial statements**

### **Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of Fife College for the year ended 31 July 2021 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

### **Basis of opinion**

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is five years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Conclusions relating to going concern basis of accounting**

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the College's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from when the financial statements are authorised for issue.

### **Risks of material misstatement**

We report in a separate Annual Audit Report, available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

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

### **Responsibilities of the Board of Governors for the financial statements**

As explained more fully in the Statement of the Board of Governor's Responsibilities, the Board of Governors 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 Governors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Governors is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

The extent to which 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 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on regularity of expenditure and income**

#### **Opinion on regularity**

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

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

### **Responsibilities for regularity**

The Board of Governors is responsible for ensuring the regularity of expenditure and income. In addition to our responsibilities to detect material misstatements in the financial statements in respect of irregularities, we are responsible for expressing an opinion on the regularity of income and expenditure in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Report on other requirements**

#### **Opinions on matters prescribed by the Auditor General for Scotland on audited part of the Remuneration and Staff Report**

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

#### **Statutory Other information**

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

Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

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

#### **Opinions prescribed by the Auditor General for Scotland on 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.

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

### **Conclusions on wider scope responsibilities**

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

### **Use of our report**

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Stephen Reid, for and on behalf of Ernst & Young LLP,  
Ernst & Young LLP  
Atria One  
144 Morrison Street  
Edinburgh  
EH3 8EX

Ernst & Young is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

**Fife College**

**College Statement of Comprehensive Income and Expenditure**

	Notes	Year Ended 31 July 2021 College £'000	Year Ended 31 July 2020 College £'000
<b>Income</b>			
SFC Grants	2	44,375	42,047
Tuition fees and education contracts	3	10,382	9,953
Other income	4	2,004	2,609
Investment income	5	45	40
Donations and endowments	6	232	128
Revenue Grant from Arms Length Foundation	4	60	473
<b>Total income</b>		<b>57,098</b>	<b>55,250</b>
<b>Expenditure</b>			
Staff costs	7	42,053	39,863
Restructuring costs	7	34	428
Interest and other finance costs	9	761	724
Other operating expenses	10	15,565	14,132
Depreciation	11	3,023	3,141
Charitable donations		87	62
<b>Total expenditure</b>		<b>61,523</b>	<b>58,350</b>
<b>Surplus/(deficit) before other comprehensive income</b>		<b>(4,425)</b>	<b>(3,100)</b>
Unrealised surplus on revaluation of land and buildings			
<b>Other comprehensive income</b>			
Actuarial (loss)/gain in respect of pension schemes	19	10,753	(12,766)
Unrealised gain/(loss) on revaluation of fixed assets	22	(10)	953
<b>Total comprehensive income/(expenditure) for the year</b>		<b>6,318</b>	<b>(14,913)</b>

Total comprehensive income/ (expenditure) 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 2021 College £'000	Year Ended 31 July 2020 College £'000
<b>Non-current assets</b>			
Tangible assets	11	77,889	78,603
Investments	12	32	32
Investment in joint venture	12	404	404
		<b>78,325</b>	<b>79,039</b>
<b>Current assets</b>			
Stock	13	137	124
Trade and other receivables	14	4,669	3,386
Assets held for sale		195	0
Cash and cash equivalents	16	11,588	8,466
		<b>16,589</b>	<b>11,976</b>
Less: Creditors - amounts falling due within one year	17	(21,777)	(18,865)
<b>Net current (liabilities)/assets</b>		<b>(5,188)</b>	<b>(6,889)</b>
<b>Total assets less current liabilities</b>		<b>73,137</b>	<b>72,150</b>
Creditors: amounts falling due after more than one year	18	(26,296)	(25,655)
<b>Provisions</b>			
Pension provisions	19	(27,578)	(33,311)
Other provisions	20	(3,265)	(3,505)
<b>Total net assets</b>		<b>15,998</b>	<b>9,679</b>
<b>Unrestricted Reserves</b>			
Income and expenditure reserve - unrestricted	21	(21,249)	(27,337)
Revaluation reserve	22	37,247	37,016
<b>Total Reserves</b>		<b>15,998</b>	<b>9,679</b>

The financial statements on pages 1 to 60 were approved by the Board of Management on 8 December 2021 and were signed on its behalf on that date by:

Mr Hugh Hall  
Principal

Mr David C. Watt  
Chair, Board of Governors

**Fife College**  
**Statement of Cash Flow**

	Note	31 July 2021	31 July 2020
		£'000	£'000
<b>Cash flow from operating activities</b>			
(Deficit)/surplus for the year		(4,425)	(3,100)
<b>Adjustment for non-cash items</b>			
Depreciation	11	3,023	3,141
Deferred government grants released to income	2	(933)	(927)
Deferred non-government grants released to income	4	(356)	(403)
Decrease/(increase) in stock	13	(13)	(34)
Decrease/(increase) in debtors	14	(1,283)	(867)
Increase/(decrease) in creditors	17	2,747	2,562
Pension costs	25	4,476	2,416
Increase/(decrease) in other provisions	20	(240)	186
(Decrease)/increase in student funds	24	83	834
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(1)	(13)
Interest payable	9	761	724
<b>Net cash inflow from operating activities</b>		<b>3,839</b>	<b>4,519</b>
<b>Cash flows from investing activities</b>			
Investment income	5	1	13
Payments made to acquire fixed assets	11	(2,514)	0
<b>Cash flows from financing activities</b>			
Interest paid	9	(166)	(198)
Interest element of finance lease	9	(51)	(55)
New Grants		2,495	0
Repayments of amounts borrowed	17/18	(341)	(631)
Capital element of finance lease and service concession payments	17/18	(141)	(137)
<b>Increase/(decrease) in cash and cash equivalents in the period</b>		<b>3,122</b>	<b>3,511</b>
Cash and cash equivalents at beginning of the period		8,466	4,955
Cash and cash equivalents at end of the period		11,588	8,466
<b>Increase/(decrease) in cash</b>		<b>3,122</b>	<b>3,511</b>

Fife College

College Statement of Changes in Reserves

Year ended 31 July 2021

	Income and expenditure account	Revaluation reserve	Total
	Unrestricted		
	£'000	£'000	£'000
<b>Balance at 1 August 2019</b>	<b>(12,516)</b>	<b>37,108</b>	<b>24,592</b>
Surplus/(deficit) from the income and expenditure statement	(3,100)	0	<b>(3,100)</b>
Other comprehensive income	(12,766)	953	<b>(11,813)</b>
Transfers between revaluation and income and expenditure reserve	1,045	(1,045)	<b>0</b>
	<b>(14,821)</b>	<b>(92)</b>	<b>(14,913)</b>
<b>Balance at 1 August 2020</b>	<b>(27,337)</b>	<b>37,016</b>	<b>9,679</b>
Surplus/(deficit) from the income and expenditure statement	(4,425)	0	<b>(4,425)</b>
Other comprehensive income	9,434	1,310	<b>10,744</b>
Transfers between revaluation and income and expenditure reserve	1,079	(1,079)	<b>0</b>
<b>Total comprehensive income for the year</b>	<b>6,088</b>	<b>231</b>	<b>6,319</b>
<b>Balance at 31 July 2021</b>	<b>(21,249)</b>	<b>37,247</b>	<b>15,998</b>



**Fife College**  
**Analysis of Debt Statement**  
**Year ended 31 July 2021**

	<b>Balance at 1 August 2020</b>	<b>Cash flows</b>	<b>Balance at 31 July 2021</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cash and cash equivalents</b>			
Cash	8,466	3,122	11,588
<b>Borrowings</b>			
Loans falling due within one year	(341)	0	(341)
Loans falling due after more than one year	(3,920)	341	(3,579)
Finance Lease obligations	(1,327)	141	(1,186)
<b>Total</b>	<b>2,878</b>	<b>3,604</b>	<b>6,482</b>

## 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 £4.4 million before other gains and losses during the financial year and total comprehensive income of £6.3 million. The College reported an adjusted operating surplus of £1.6 million after accounting for technical pension adjustments of £5 million, net depreciation adjustments of £1.7 million and cash budget for priorities of £0.7 million. Cash increased by £3.1 million during the year to £11.6 million at 31 July 2021. At 31 July 2021, the College held borrowings of £3.9 million in unsecured loans which have no financial covenants. The College is reporting a net asset position in these financial statements of £16 million (2019/20: £9.7 million). This includes a pension liability of £30.8 million for the College's share of the Fife Council Local Government Pension Scheme (LGPS) at 31 July 2021 (2019/20: £36.8 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 2023/24.

The College has recently updated the financial forecast out to 2023/24 in line with the assumptions provided by the Scottish Funding Council which include assuming Colleges taking relevant actions to balance their underlying positions each year. Therefore, based on our latest assumptions the College will breakeven across the forecast period to 2023/24 and sustain the liquidity position with a forecast cash balance of £5.4 million at the end of the period.

Throughout the period to 31 July 2023, the College forecasts holding cash no lower than £4.6 million. The Board of Governors and the Finance, Commercial and Estates Committee have had full sight of the financial forecasts as well as the underlying assumptions and scenarios. These forecast positions will remain fluid and will be regularly reviewed by the College. Mitigating actions underway in support of financial sustainability include:

- Ongoing engagement with SFC and other external agencies within the education landscape to support economic recovery and secure funding sources through the College to provide education and training activities to individuals and businesses.
- Review of staffing structures and the non-staff cost base across the forecast period to align with rising costs and real time funding cuts as indicated within SFC funding assumptions.
- Rigorous budgeting, forecasting and ongoing reporting against budget.
- Ongoing drive for efficiencies and realisation of "invest to save".
- Researching alternative delivery approaches.
- Effective planning and recruitment processes.
- Business Development Team remain in regular contact with the client base offering support when/where appropriate within these uncertain times for our customers.
- Targeted marketing and sales plans. Ongoing engagement with SFC/Scottish Government on the funding requirements for the New Build project activities.
- Ensuring that Fife College continues to deliver remotely to our students regardless of any future college closures as a result of the pandemic and ensuring each student has the necessary resources, i.e. Chromebooks, to continue their studies remotely.

Following review of the updated Financial Forecast and mitigating actions, the Board of Governors considers that the College has adequate resources to continue in operational existence for the foreseeable future. As a result, the financial statements have been prepared on a going concern basis for the period to 31 July 2023.

**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.

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 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.

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 2021. 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.

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 subsidiary company transfers its profits to the College by gift aid in order to minimise their tax liabilities.

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.

#### **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 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

##### **Pensions Liability**

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 yearend valuations on a year to year basis. We have outlined the potential impact of future changes below. The pension liability at 31 July 2021 following the updated actuarial valuation was £30.8million, a decrease of £5.9 million from 31 July 2021.

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 2021 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 changes in valuation in assets in 2021, compared to 2019/20, 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 three financial years. At 31 July 2021, the College had accrued for income and expenditure of £2.8 million. 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 2021	Year Ended 31 July 2020
	Notes	College £'000	College £'000
<b>2 SFC Grants</b>			
FE recurrent grant		36,832	36,030
Childcare funds	24	490	975
Release of deferred capital grants		933	927
Non recurring SFC Grants		1,292	0
Other SFC grants		4,828	4,115
		<b>44,375</b>	<b>42,047</b>
<b>3 Tuition fees and education contracts</b>			
FE fees - UK		139	140
HE fees		3,072	3,016
SDS contracts		682	629
Education contracts		6,489	6,168
		<b>10,382</b>	<b>9,953</b>
<b>4 Other income</b>			
European funds		0	1
Release of deferred capital grants		356	403
Other grants		677	671
Other income-generating activities		305	704
Other income		666	830
		2,004	2,609
Revenue grant from Arms Length Foundation		60	473
		<b>2,064</b>	<b>3,082</b>
The College received £383k from the Government for the Coronavirus Job Retention Scheme (furlough), which is included in other grants.			
<b>5 Investment income</b>			
Other interest receivable		1	13
<b>Total net of pension scheme</b>		<b>1</b>	<b>13</b>
Net return on pension scheme		44	27
		<b>45</b>	<b>40</b>
<b>6 Donations and endowments</b>			
Unrestricted donations		232	128
		<b>232</b>	<b>128</b>

	Year Ended 31 July 2021	Year Ended 31 July 2020
	College £'000	College £'000
<b>7 Staff costs</b>		
Staff costs :		
Salaries	29,163	28,946
Social security costs	2,759	2,707
Other pension costs	5,655	5,794
FRS 102 adjustment	4,476	2,416
Restructuring costs	34	428
<b>Total</b>	<b>42,087</b>	<b>40,291</b>
Academic/teaching departments	18,165	18,041
Academic/teaching services	11,009	11,333
Other support services	1,978	1,629
Administration and central services	3,431	3,489
Premises	1,425	1,396
Full cost activities	1,406	1,419
Other expenditure	163	140
Pension charge less contributions paid	4,476	2,416
<b>Sub-total</b>	<b>42,053</b>	<b>39,863</b>
Restructuring costs	34	428
	<b>42,087</b>	<b>40,291</b>
Employment costs for staff on permanent contracts	36,890	36,681
Employment costs for staff on temporary contracts	687	766
Pension charge less contribution paid	4,476	2,416
Fundamental restructuring costs	34	428
	<b>42,087</b>	<b>40,291</b>

Payroll expenditure has been marginally funded by the government Coronavirus Job Retention Scheme (furlough) to a value of £383k, as noted in other income.

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

	2021	2020
Academic/teaching departments	429	441
Academic/teaching services	220	217
Other support services	49	40
Administration and central services	45	46
Premises	39	38
Full cost activities	40	32
Other staff	5	2
	<b>827</b>	<b>816</b>

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 2021 between staff whose emoluments include a voluntary severance) payment and those that do not include a VS payments.

	2021 VS included	2021 No VS	2021 Total No	2020 Total No
£60,001 to £70,000 per annum	0	9	9	7
£70,001 to £80,000 per annum	0	2	2	2
£80,001 to £90,000 per annum	0	0	0	0
£90,001 to £100,000 per annum	0	3	3	3
£100,001 to £110,000 per annum	0	0	0	0
£110,001 to £120,000 per annum	0	0	0	0
£120,001 to £130,000 per annum	0	0	0	0
£130,001 to £140,000 per annum	0	0	0	0
£140,001 to £150,000 per annum	0	0	0	0
£150,001 to £160,000 per annum	0	0	0	0
£160,001 to £170,000 per annum	0	1	1	1
	<b>0</b>	<b>15</b>	<b>15</b>	<b>13</b>

**8 Senior post-holders' emoluments**

The Principal and Chief Executive's emoluments can be found in page 29 of the Remuneration Report.

	Year Ended 31 July 2021	Year Ended 31 July 2020
	Consolidated £'000	College £'000
<b>9 Interest and other finance costs</b>		
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	7	11
Repayable within five years, by instalments	0	14
Repayable wholly or partly in more than five years	159	173
	<b>166</b>	<b>198</b>
On finance leases	51	55
<b>Total net of pension charge</b>	<b>217</b>	<b>253</b>
Net charge on pension scheme	544	471
	<b>761</b>	<b>724</b>
<b>10 Other operating expenses by activity</b>		
Academic/teaching departments	2,333	1,982
Academic/teaching services	399	370
Other support services	103	70
Administration and central services	3,507	2,977
Student funds overspend	9	0
General education	1,398	1,418
Premises costs	6,879	5,443
Planned maintenance	278	224
Other expenses	602	1,563
Other income generating activities	57	129
Residences and catering	0	(44)
	<b>15,565</b>	<b>14,132</b>
<b>Other operating expenses include:</b>		
Auditors' remuneration		
- external audit of these financial statements	34	38
- internal audit services	42	37
- other internal audit services	2	4

11 Fixed Assets

	Land and Buildings	Equipment	Total Assets	Assets in the Course of Construction	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>					
At 1 August 2020	82,678	2,619	85,297	0	85,297
Additions	0	532	532	1,982	2,514
Revaluation	(2,722)	0	(2,722)	0	(2,722)
Transfers	(195)	0	(195)	0	(195)
At 31 July 2021	<b>79,761</b>	<b>3,151</b>	<b>82,912</b>	<b>1,982</b>	<b>84,894</b>
<b>Depreciation</b>					
At 1 August 2020	4,225	2,469	6,694	0	6,694
Charge for the year	2,893	130	3,023	0	3,023
Revaluation	(2,712)	0	(2,712)	0	(2,712)
Disposals	0	0	0	0	0
At 31 July 2021	<b>4,406</b>	<b>2,599</b>	<b>7,005</b>	<b>0</b>	<b>7,005</b>
<b>Net book value</b>					
At 1 August 2020	<b>78,453</b>	<b>150</b>	<b>78,603</b>	<b>0</b>	<b>78,603</b>
At 31 July 2021	<b>75,355</b>	<b>552</b>	<b>75,907</b>	<b>1,982</b>	<b>77,889</b>

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 2021. Directly attributable acquisition costs have been included and expected selling costs deducted.

The outbreak of Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global pandemic on 11 March 2020, has adversely impacted global financial and property markets. Since then many governments, including both the UK and Scottish Governments, have imposed a series of severe lock-down measures and travel restrictions, and consequently, market activity has been adversely impacted in many sectors.

The arrival of a mass vaccination programme in late 2020 offers potential salvation from the current predicament but its roll out will take time and its effects are unlikely to be fully known for some time yet. Thus as at the valuation date, the College's property consultants consider that while it is considered that there is a degree of market uncertainty, and thus valuation uncertainty, it is also considered that that uncertainty is not material.

Freehold land at Dunfermline, Glenrothes and Kirkcaldy campuses which was inherited on incorporation at a nominal value of £1, was revalued on 31 July 2021 at £3.65m (£3.65m 2020).

Other tangible fixed assets inherited from the local authority at incorporation were revalued on 31 July 2021 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

Included in the College's tangible fixed assets (land and buildings) is a finance lease asset with a net book value of £0.914 million. The finance lease is for a 25-year period commencing October 2003. Under the terms of the lease the amount payable is reviewable every 5 years. The next review is due in October 2023.



	Year Ended 31 July 2021	Year Ended 31 July 2020
	College £'000	College £'000
<b>12 Investments</b>		
Investments in joint venture companies	404	404
Artworks	32	32
<b>Total</b>	<b>436</b>	<b>436</b>
<b>13 Stocks</b>		
Consumables	137	124
	<b>137</b>	<b>124</b>
<b>14 Trade and other receivables</b>		
Trade debtors - net of provision for doubtful debts	782	581
Amounts owed by SFC	158	161
Prepayments and accrued income	3,729	2,644
	<b>4,669</b>	<b>3,386</b>
<b>15 Assets held for sale</b>	195	0
	<b>195</b>	<b>0</b>
Premises at Viewfield are underway for disposal		
<b>16 Cash and cash equivalents</b>		
Cash at bank	11,571	8,446
Cash in hand	17	20
	<b>11,588</b>	<b>8,466</b>
<p>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:</p>		
Bursary funds	189	782
FE Hardship	532	8
HE discretionary	35	135
Childcare	408	256
	<b>1,164</b>	<b>1,181</b>
<b>17 Creditors - amounts falling due within one year</b>		
Bank loans and overdrafts	341	341
Obligations under finance leases	146	141
Trade creditors	1,738	2,065
VAT	(2)	(8)
Pension	688	682
Amounts owed to SFC	5,671	4,908
Other taxation and social security	737	701
Other creditors	46	49
Accruals and deferred income	9,935	7,669
Bursaries and Access funds for future disbursement	1,129	1,046
Government grants	1,348	1,271
	<b>21,777</b>	<b>18,865</b>

	Year Ended 31 July 2021	Year Ended 31 July 2020
	College £'000	College £'000
<b>18 Creditors: amounts falling due after more than one year</b>		
Bank loans	3,579	3,920
Obligations under finance leases	1,040	1,186
Government grants	21,677	20,549
	<u>26,296</u>	<u>25,655</u>
<p>Bank loans refer to a term loan from Santander, with a fixed rate of 2.155%, due to mature in November 2032. Leases include a £40k lease with a maturity date of February 2029, and interest rate of 4.32%, and a second lease of £2.655M, with a maturity date of September 2028, and interest rate of 3.37%.</p>		
<b>19 Pension Provision</b>		
<b>As at 1 August 2020</b>	33,311	17,658
Current service cost	7,344	5,025
Employer contributions	(2,868)	(2,609)
Interest charged	544	471
Transfer to/(from) income & expenditure	5,020	2,887
Actuarial (gains)/losses	(10,753)	12,766
<b>As at 31 July 2021</b>	<u>27,578</u>	<u>33,311</u>
<b>20 Early Retirement Provision</b>		
<b>At 1 August 2020</b>	3,505	3,319
Expenditure in the period	(221)	(221)
Revaluation adjustment	25	433
Interest charged	(44)	(27)
<b>At 31 July 2021</b>	<u>3,265</u>	<u>3,505</u>
<p>The above liability is in respect of future pension liabilities arising from early retirements.</p> <p>A valuation of the existing pension provision was carried out by Hymans Robertson LLP, an independent firm of actuaries, at 31 July 2021</p>		
<b>21 Income &amp; Expenditure Reserve Unrestricted</b>		
<b>At 1 August 2020</b>	(27,337)	(12,516)
Surplus/deficit for the year	(4,425)	(3,100)
Revaluation of asset	(1,319)	0
Transfer from revaluation reserve	1,079	1,045
Actuarial gain/(loss) in pension scheme	10,753	(12,766)
<b>At 31 July 2021</b>	<u>(21,249)</u>	<u>(27,337)</u>
<b>22 Revaluation Reserve</b>		
<b>At 1 August 2020</b>	37,016	37,108
Revaluation	(1,402)	(1,723)
Write back of depreciation on revaluation	2,712	2,676
Transfer to Income & expenditure account in respect of:		
Depreciation on revalued assets	(1,079)	(1,045)
<b>At 31 July 2021</b>	<u>37,247</u>	<u>37,016</u>

23 Lease obligations

Minimum lease payments receivable under non-cancellable finance leases in future years are detailed below:

	Land and Buildings	31 July 2021 Total	31 July 2020 Total
	£'000	£'000	£'000
<b>Payable during the year</b>	146	146	141
<b>Future minimum lease payments due:</b>			
Not later than 1 year	146	146	141
Payable within 2 - 5 years	640	640	618
Payable within 6 - 10 years	400	400	568
Payable within 11 - 15 years	0	0	0
<b>Total lease payments due</b>	<b>1,186</b>	<b>1,186</b>	<b>1,327</b>

24 FE Bursary and other Student Support Funds

					Period ended 31 July 2021	Period ended 31 July 2020
	FE Bursary £000	FE Hardship £000	EMA's £000	Other £000	Total £000	Total £000
Balance brought forward	782	8	0	135	925	302
Allocation received in year	6,429	1,139	431	263	8,262	9,522
	<b>7,211</b>	<b>1,147</b>	<b>431</b>	<b>398</b>	<b>9,187</b>	<b>9,824</b>
Expenditure	(6,326)	(607)	(431)	(248)	(7,612)	(8,683)
Repaid to Scottish Funding Council as Clawback	(696)	(8)	0	(115)	(819)	(216)
<b>Balance carried forward</b>	<b>189</b>	<b>532</b>	<b>0</b>	<b>35</b>	<b>756</b>	<b>925</b>

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.

**Represented by:**

Repayable to Scottish Funding Council as clawback	593	925
Retained by College for Students for 21/22 distribution	163	0
	<b>756</b>	<b>925</b>

**FE Childcare Funds**

Balance brought forward	256	0
Allocation received in year	898	1,232
	<b>1,154</b>	<b>1,232</b>
Expenditure	(490)	(976)
Repaid to Scottish Funding Council as clawback	(256)	0
<b>Balance carried forward</b>	<b>408</b>	<b>256</b>

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 :

	12 months to 31 July 2021	12 months to 31 July 2020
	£000	£000
Contribution to STSS	2,887	2,878
Contribution to LGPS	2,730	2,482
Aviva	0	0
<b>Total pension cost (Note 7)</b>	<b>5,617</b>	<b>5,360</b>
Contribution rates		
STSS	23.0%	17.2%
LGPS	20.5%	19.1%

**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 2021.

The following notes are derived from the actuarial report supplied by Hymans Robertson's LLP dated August 2021 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.

**Lloyds' Ruling**

An allowance for full GMP indexation was included within the 31 March 2020 funding valuation position and therefore the allowance is automatically included within the 31 July 2021 balance sheet at the Accounting Date. The impact of this will again flow through OCI as one part of the above 'remeasurement experience' item, unless instructed otherwise by an employer and its auditor. Please note additional non-trivial calculations would need to be carried out were this to be required. It is of the understanding that the further ruling relating GMP equalisation for historical transfers is unlikely to be significant in terms of impact on the pension obligations of a typical Employer. Further, the historic individual member data in order to assess such an impact at Employer is not readily available. As a result, there has not been any allowance made for this within the calculations at the Accounting Date.

**McCloud Treatment**

An allowance for the estimated impact of the McCloud judgement was included within the 31 March 2020 funding valuation position. The impact was calculated based on the eligibility criteria of being included within the proposed solution for the McCloud judgement (i.e. any active member who was a participant in the Fund as at 1 April 2012 will be given the greater of the final salary pension or CARE pension upon retirement). The McCloud allowance will therefore automatically be included within the 31 July 2021 balance sheet. Any changes to an allowance made at 31 July 2020 would flow through OCI as one part of the above 'remeasurement experience' item, unless instructed otherwise by an employer and its auditor. Please note additional non-trivial calculations would need to be carried out were this to be required.

**Goodwin Treatment**

Whilst there is still uncertainty surrounding the potential remedy to the Goodwin judgement, some approximate analysis has been carried out across the LGPS clients to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits. The approximate impact of this is very small for a typical Fund (c 0.1-0.2% of obligations). Therefore there are insufficient grounds to apply an additional adjustment to account for this in a standard Results Schedule, given the level of additional work and fees that would be involved for the Employer (and indeed the highly approximate nature of applying an unknown remedy).

**Other Court Cases**

The following court cases may also impact LGPS benefits in the future:

- Walker;
- O'Brien;

These are unlikely to be significant judgements in terms of impact on the pension obligations of a typical Employer. As a result, and until further guidance is released from the relevant governing bodies in the LGPS, no allowance has been made for the potential remedies to these judgements or applied any changes to the existing LGPS benefits structure in the calculations at the Accounting Date.

**Reconciliation of defined benefit obligation**

Period ended	31 July 2021	31 July 2020
	£000	£000
Opening position	127,432	107,845
Current service cost	7,067	5,539
Interest cost on defined benefit obligation	1,822	2,311
Plan participants contributions	810	753
Total remeasurements recognised in other comprehensive income	6,293	13,138
Past service costs	37	(328)
Estimated unfunded benefits paid	(223)	(226)
Benefits paid	(2,023)	(1,600)
Closing position	<b>141,215</b>	<b>127,432</b>

**Balance sheet**

Period ended	31 July 2021	31 July 2020
	£000	£000
Fair value of plan assets	110,372	90,616
Present value of funded liabilities	(137,950)	(123,927)
Net liability held in balance sheet	<b>(27,578)</b>	<b>(33,311)</b>

The present value of unfunded obligations is £3,505K (was £3,319k in 18/19) in relation to early retirements agreed in previous years. There are no partly funded obligations.

**Reconciliation of fair value of employer assets**

Period ended	31 July 2021	31 July 2020
	£000	£000
Opening position	90,616	86,868
Interest income on plan assets	1,278	1,840
Return on assets excluding amounts Included in net interest	17,046	372
Plan participants contributions	810	753
Employer contributions	2,645	2,383
Contributions in respect of unfunded benefits	223	226
Unfunded benefits paid	(223)	(226)
Benefits paid	(2,023)	(1,600)
Closing position	<b>110,372</b>	<b>90,616</b>

**Fair value of employer assets**

Period ended	31 July 2021	31 July 2020
	£000	£000
Equities	69,534	64,337
Bonds	28,697	12,686
Property	6,622	6,343
Cash	5,519	7,249
Total	<b>110,372</b>	<b>90,616</b>

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

	31 July 2021	31 July 2020
	£000	£000
Net return/(cost) on pension asset/liability	(544)	(471)
Interest income on plan assets	1,278	1,840
Interest cost on defined benefit obligation	(1,822)	(2,311)
Net interest	<b>(544)</b>	<b>(471)</b>

**Analysis of amounts charged to staff costs (Note 7 )**

	31 July 2021	31 July 2020
	£000	£000
Pension charge less contributions paid	4,476	2,416
Current service costs	7,307	5,353
Past service costs	37	(328)
Total operating charge	7,344	5,025
Less contributions paid	(2,868)	(2,609)
Pension costs less contributions payable	<b>4,476</b>	<b>2,416</b>

**Actuarial assumptions**

The actuaries recommended assumptions are summarised below:

Period ended	31 July 2021	31 July 2020
	% p.a.	% p.a.
Salary increase rate	3.4%	2.6%
Pension increase rate (CPI)	2.9%	2.2%
Discount rate	1.6%	1.4%

**Mortality rates**

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

	Males	Females
Current pensioners	20.3	23.1
Future pensioners	21.5	25.1

**Amounts for the current and previous accounting periods**

Year to 31 July	2021	2020	2019	2018	2017
	£000	£000	£000	£000	£000
Fair value of employer assets	110,372	90,616	86,868	80,591	70,087
Present value of defined benefit obligation	(141,215)	(127,412)	(107,845)	(89,725)	(96,607)
(Deficit)	(30,843)	(36,796)	(20,977)	(9,134)	(26,520)

26 Summary pension note

The analysis of amounts charged to the Statement of Comprehensive Income (SOC1) is as follows:

	Year Ended 31 July 2021 £000	Year Ended 31 July 2020 £000
<b>Charged to staff costs:</b>		
Current service cost	(7,067)	(5,539)
Past service cost	(37)	328
<b>Total charged to staff costs</b>	<b>(7,104)</b>	<b>(5,211)</b>
<b>Credit/charge for net return on pension scheme:</b>		
Interest income on plan assets	1,278	1,840
Interest cost on defined benefit obligation	(1,822)	(2,311)
<b>Net interest charges</b>	<b>(544)</b>	<b>(471)</b>
<b>Credit/charge to other comprehensive income:</b>		
Return on assets excluding amounts Included in net interest	17,046	372
Other experience	(3,974)	265
Gains and losses arising on changes in financial assumptions	(2,319)	(13,403)
<b>Actuarial gain/(loss)</b>	<b>10,753</b>	<b>(12,766)</b>
<b>Total charge to the SOCI</b>	<b>3,105</b>	<b>(18,448)</b>
<b>Analysis of the movement in deficit during the year:</b>		
Deficit in scheme at start of the year	(36,816)	(20,977)
Service cost	(7,104)	(5,211)
Employer contributions	2,868	2,609
Net interest costs	(544)	(471)
Actuarial gain/(loss)	10,753	(12,766)
<b>Deficit in scheme at end of year</b>	<b>(30,843)</b>	<b>(36,816)</b>

27 Related party transaction

Company	Sales	Purchases	As at 31st July Due from	As at 31st July Due to	Name	Position in Company
Colleges Scotland	£122,887	£65,400	£0	£0	DC Watt	Board Member
Business Gateway	£4,885	£0	£0	£0	Gordon Mole	Director
College Development Network	£13,380	£22,240	£0	£0	Hugh Hall	Board Member
Babcock International Group	£44,945	£289,282	£2,425	£2,763	Patrick K Carnie	Director
<b>Totals</b>	<b>£186,097</b>	<b>£376,922</b>	<b>£2,425</b>	<b>£2,763</b>		

28 Non-cash allocation

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

	Year Ended 31 July 2021 £'000	Year Ended 31 July 2020 £'000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(4,425)	(3,100)
Add back: non-cash allocation for depreciation (net of deferred capital grant)	1,734	1,811
<b>Operating surplus/(deficit) on Central Government Accounting basis</b>	<b>(2,691)</b>	<b>(1,289)</b>

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 £4,247,000 for the year ended 31 July 2020. After taking account of the Government non-cash budget, the college shows an "adjusted" deficit of £2,691,000 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 2020.

<b>Operating surplus/(deficit) on Central Government Accounting basis</b>	(2,691)	(1,289)
Non-cash pension adjustments	5,003	3,294
Revenue funding allocated to loan repayments and other capital items	(703)	(989)
<b>Adjusted operating surplus/(deficit)</b>	<b>1,609</b>	<b>1,016</b>

29 Post balance sheet events

**SFC Land Grant for the New Dunfermline Campus**

SFC has confirmed that the condition in their offer of grant for the purchase of land by Fife College (dated 18 October 2018) that relates to progressing firm plans for a new campus on the site purchased has been fulfilled. This condition has been met as a result of the development work delivered to date for a new college campus, as part of the Dunfermline Learning Campus, and approval by the Fife College Board of the new campus full business case, which has been presented to SFC Capital Decision Point Committee and was approved at the SFC Board on the 2nd of September 2021.

The £4.56m land grant will be released to the Statement of Comprehensive Income and Expenditure during 2021/22. This will not affect the adjusted operation position.

**Media Space Finance Lease**

As part of the full business case for the Dunfermline Learning Campus development, the College is awaiting confirmation from SFC on funding to purchase the Media Centre on the existing Dunfermline site to support the future disposal strategy of this site. Following confirmation of this funding, the College will proceed on the negotiations with the current owner to submit an offer to purchase the land and buildings.

## Accounts direction for Scotland's Colleges 2020-21

1. It is the Scottish Funding Council's direction that institutions<sup>1</sup> comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts<sup>2</sup>.
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 2020-21 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2021.
5. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council  
3 June 2021

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<sup>1</sup> The term "institutions" includes colleges and Glasgow Colleges' Regional Board.

<sup>2</sup> 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.