

# **ANNUAL ACCOUNTS**

2021-2022



**Annual Accounts**  
**2021-22**

Scottish Charity Number: SCO21203

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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 2022 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 18,000 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 our students and staff, the College continues to go from strength to strength, with high levels of student and staff satisfaction. We continue to adapt and improve our portfolio and our delivery of learning and teaching, to meet the needs of our learners, our other stakeholders and the economy. Our relationships with schools, universities and businesses continue to grow, building great partnerships and opportunities that will serve us well into the future.

During 2021-22 the College continued to work within government COVID19 guidelines and restrictions and adapted as necessary to the changing situation of the pandemic. Our adaptability, agility and resilience continued to shine through. We provided students with a blend of remote learning and on-campus delivery and ensured that students had access to digital equipment. A significant focus also remained on providing a wide range of support services to our students including financial and health and wellbeing.

I am pleased that the College has returned a modest surplus in 2021-22. This will help support future financial sustainability as it has been indicated by the Scottish Government's Resource Spending Review that the college sector can expect flat-cash until 2026-27 before considering the effects of inflation. The College will work to mitigate these challenges and exploit exciting opportunities to ensure sustainability of our services. Amongst other things we will:

- Continue to play a pivotal role in economic recovery, realigning our portfolio, with closer collaboration with Schools, Universities and external stakeholders to ensure our offering provides opportunity, encouragement and engagement for all our students.
- Continue our investment in digital systems and capability to support flexible and adaptable learning models, with a particular focus on digital learning and digital equality.
- 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.

## Performance Report (Continued)

- Remain committed to the global climate emergency, and will strive to reduce our carbon emissions and embed social responsibility across all our campuses and operations.
- Continue to focus on 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.
- 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.

## Finance

As noted above, the College has returned an underlying surplus in 2021-22 despite continued downward pressure on our core funding from the Scottish Funding Council and the disruption caused by the Covid-19 restrictions particularly in the first half of the year.

Our attention is now turning to the financial outlook for 2022-23 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:

- Flat cash on our SFC core grant.
- Removal of SFC funding for Health & Wellbeing and a reduction Digital inclusion funding.
- Continuing widening access agenda where universities have lowered their entry requirements.
- Commercial income activities.
- Potential cuts in the Flexible Workforce Development Fund.
- Continuing inflationary cost rises.
- Energy cost rises.

We have updated our financial forecast out to 2026-27 in line with the assumptions provided by the Scottish Funding Council as well as alternative assumptions on pay rises and inflationary increases supplied by the Finance Directors Network. Both sets of assumption return significant deficits for the College prior to mitigating actions. The College is required to take actions to balance the underlying positions each year therefore, as part of our financial planning, actions are being implemented and considered which will mitigate the deficits over the planning period and ensure that the College can maintain and deliver its services to our students and wider stakeholders.

## New Campus

Work on delivering the new Dunfermline Learning Campus is progressing. The Full Business Case received approval from the Scottish Funding Council (SFC) by way of an “in principle offer of funding” of £100m (inc vat) on 14 October 2021 to deliver a net zero carbon solution. Balfour Beatty Construction Ltd (BBCL) has been appointed as the main contractor to deliver a circa 20,000 square metre campus. The Pre-Construction Services Agreement (PCSA) commenced in December 2021, in line with our programme. Our Decision Point 4 (Contract Award Report) was submitted to SFC on 6 July 2022 and reflects the RIBA Stage 4 Technical Design, and project development costs. This reflected a revised price of £120m that was submitted by BBCL, which was subject to value engineering and agreement with sub-contractors on inflation allowances. Due to the current market conditions, the collective design team continued to work hard to value engineer costs back to budget, however whilst significant reductions have been made, the final price submission from BBCL was received on 7 October 2022 resulting in total development cost of £131m. Within this overall development cost, we have applied risk allowances to the College direct packages such as FF&E and increased the total project contingency in order to ensure that the overall budget is as robust as possible. An updated DP4 report was submitted to SFC/SG on 30 October 2022 and we await a response to assess the potential impact on the construction contract award approval and planned completion date in 2024.

## **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.

Work is currently underway to develop the new College's strategy from 2023-28 with plans for this to be signed off at the March 2023 College Board.

## Performance Report (Continued)

### Key Risks and Issues Affecting Fife College

The College maintains a strategic risk register which is reviewed regularly by the Executive Team and the Audit and Risk Committee. The risks are categorised by: Estates, Curriculum Design and Development, Health and Safety, Staff, Finance and Commercial Income which are in line with the 5 key priority aims noted above.

The table below notes the key strategic risks considered in 2021-22 and what the remedial and preventative controls are in place to reduce the likelihood/impact of the risk:

Strategic Risk (as noted on Risk Register)	Mitigation
Failure to achieve annual financial targets in line with the five-year financial forecast plan	<ul style="list-style-type: none"> <li>• Work closely with the sector Finance Director group and Colleges Scotland to highlight to Scottish Funding Council (SFC) the impacts and risks facing the sector.</li> <li>• Continual review of curriculum delivery and commercial courses as well as workforce planning across the College.</li> <li>• Close monitoring of annual budget position, seeking actions to recover shortfalls.</li> <li>• Refreshed the 5-year Financial Forecast Review (FFR) based on the SFC assumptions and the sector finance director assumptions. Outlining and progressing actions required to break even for 2022/23 and beyond.</li> <li>• Continue to promote and engage with businesses on the achievement of Flexible Workforce Development Fund (FWDF) and Young Persons Guarantee (YPG) to support businesses accessing funding.</li> <li>• Engage in and access new funding pots to maximise outputs.</li> </ul>
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>• Adapt and adjust College processes and procedures to maintain service operations.</li> <li>• Provide relevant support to students and staff to enable ongoing learning and teaching and support services.</li> <li>• Remain abreast of sectoral/governmental developments, liaising with auditors and response to SFC circulars.</li> <li>• Actively engaging with other government agencies 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>• Engage with SFC to continue to secure FWDF funding.</li> <li>• Medium to long term review of product offering and adjust to support changing needs of clients.</li> <li>• Increase in our leadership focus on increasing our relationships and activities with the private, public and third sectors to understand their future skills needs and to develop strong mutually beneficial relationships.</li> <li>• Work with SDS to introduce new MA programmes as required by employer demand.</li> <li>• Creation of sales plans per faculty area directing focus on target markets.</li> </ul>
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>• Continue to rationalise and maintain existing estate per the Estates Strategy.</li> <li>• Continue to engage with SFC with regards to Glenrothes refurbishment.</li> <li>• Appropriate use of professional expertise.</li> <li>• Maintain dialogue with SFC to obtain additional longer-term estates maintenance funding.</li> <li>• Proactively seek alternative sources of funding to support estates refurbishment.</li> </ul>

Failure to deliver new appropriate accommodation in Dunfermline and deliver outcomes for the College	<ul style="list-style-type: none"> <li>• Work with professional advisors to expedite issues if required.</li> <li>• Monthly update provided to the New Build Project Board on programme, cost, quality, risk and mitigation.</li> <li>• Campus Risk Register reviewed quarterly.</li> <li>• Regular engagement with the Scottish Government (SG), SFC and Scottish Futures Trust (SFT) on Net Zero Pathfinder Project and Decision Point 4 (DP4) Contract Award.</li> <li>• Continue dialogue with SFC/SG in relation to the new campus maintenance and life cycle funding.</li> </ul>
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The College's overall risk management process and internal control review are noted in detail within the Corporate Governance Statement (page 20).

## Performance Summary and Overview

Fife College has been allocated a combined core and ESF activity target of 132,399 credits by the Scottish Funding Council (SFC) for the period August 2021 to July 2022.

Overall, the College has achieved 99.1% of the credit target. The gap has arisen as a result of the under achievement of ESF credits for the year. The College has achieved £8.76 million of commercial training income for 2021-22 (£8.02 million in 2020-21).

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

	2021-22	2020-21
Student Activity (Credits)	131,220	132,897
Performance Against Credits Activity Target	99.1%	100.2%
Credits per Staff FTE	151	161
Early Withdrawal	5.2%	*4.8%
Further Withdrawal	13.8%	*13.1%

\* Restated figures

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 2021-22 compared to the 2020-21 actual and the targets:



## Performance Report (Continued)

KPI No.	KPI	Actual Position 2020-21	Actual Position 2021-22	Status	Five Year Target %
1	Students successfully achieving recognised qualifications	71%	71%	→	80%
2	Students successfully achieving HNC/HND qualifications	68%	63%	↓	75%
3	Full-time college qualifiers in work/training and/or further study 3-6 months after qualifying (CLD)	93%*	Not Yet Available	↑	78%
4	Students from the MD (multiple deprivation) 10 areas participating in college courses	11%	11%	→	12%+
5	Students from the MD (multiple deprivation) 10 areas successfully achieving a recognised qualification	62%	62%	→	73%
6	Volume of credits used for Higher Education programmes	30%	27%	↓	40%
7	Student satisfaction response rate	67%	66%	↓	40%
8	Students satisfied with their college experience	85%	90%	↑	92%
9	Proportion of SFC credits used to provide STEM courses	31%	32%	↑	35%
10	Operating surplus as a % of total income	2.8%	2.3%	↓	3%
11	Total other income as % of total income	22%	20%	↓	24% <sup>++</sup>
12	Reduction of carbon emissions	2,898 tCO <sub>2</sub> e (46% reduction from 2013/14)	2,732 tCO <sub>2</sub> e (49% reduction from 2013/14)	↑	Reduce by 38%

\* Figure to be confirmed mid-December 2022

+ Target readjusted to align with the Fife population

<sup>++</sup> 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 2020-21 and 2021-22 are:

- Students successfully achieving HNC/HND qualifications (KPI 2) has declined due to increased withdrawals on these programmes during the year. Students who remained on their HN programme showed a higher probability of achievement.
- Volume of credits used for Higher Education programmes (KPI 6) has declined due to HE enrolments reducing for 2021-22 and increased withdrawals during the year. There was a large drop in full-time HE enrolments, but part-time HE enrolments increased on the previous year.
- Students satisfied with their college experience (KPI 8) has increased as a result of increased engagement on campus from the previous year. Students also had increased satisfaction with their course as it was meeting their expectations more.
- Operating surplus as a percentage of total income (KPI 10) has decreased due to a smaller adjusted operating surplus being made for 2021-22. The surplus made during 2020-21 was higher partly due to the SFC Financial Sustainability grant which was used to offset costs for the pandemic related drop in income and increased expenditure.
- Total other income as a percentage of total income (KPI 11) has decreased due to SFC grants increasing as a result of the release of the SFC land grant into the income and expenditure account.

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 2021-22 outturn position will be reviewed at the December 2022 Board of Governors meeting.

## **Performance Report (Continued)**

### **Performance Analysis**

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

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

Financial performance is also monitored quarterly at both the Finance 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.

Fife College has recorded a deficit before other gains and losses of £1.141 million (2020-21 £4.425 million). It should be noted that this figure includes the impact of the pension liability movements of £6.098 million (2020-21 £5.003 million) and spend of net depreciation funding on other items. Removing the impact of these returns an underlying surplus of £1.425 million (2020-21 £1.609 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 have achieved our SFC core credit target although we have fallen short of our ESF credit target.
- The College has exceeded its commercial income target of £8.3 million by 5% although there still remains a delay from some employers in prioritising training for their staff especially in the care sector.
- The College has delivered over 850 Modern Apprenticeships under the Skills Development Scotland Modern Apprenticeship contract with 395 new apprentices starting during the year and 141 apprentices achieving their qualifications.
- The College has delivered over 185 Foundation Apprenticeships, 144 of these were year one students who are now SFC funded and 41 were year 2 returners who were funded under the Skills Development Scotland Foundation Apprenticeship contract. Going forward, all Foundation Apprenticeships will be SFC funded.

### **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 2021-22 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.

## Performance Report (Continued)

	2021-22	2020-21
Adjusted Surplus/Deficit as % of Total Income	2.3%	2.8%
Non SFC Income as % of Total Income	20%	21%
Current Assets : Current Liabilities	1.09	0.76
Staff Costs as a % of total turnover	72.9%	73.7%
Ratio of days cash to total expenditure	93.0	72.3
Staff Turnover	12.1%	11.9%

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

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 £1.736 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>2021-22</b>	<b>2020-21</b>
	<b>£'000</b>	<b>£'000</b>
2015-16 pay award	400	400
Voluntary severance	343	34
ICT Equipment	702	1,015
<b>Total impact on operating position</b>	<b>1,445</b>	<b>1,449</b>
<b>Capital Priorities</b>		
Loan repayments	487	482
Unfunded pension payments	220	221
<b>Total Capital</b>	<b>707</b>	<b>703</b>
<b>Total cash budget for priorities spend</b>	<b>2,152</b>	<b>2,152</b>

The college is reporting an adjusted operating surplus of £1.425 million in the table below. This position will support the College going into the next financial year 2022-23.

## Performance Report (Continued)

ADJUSTED OPERATING POSITION	2020-21	2021-22	2022-23 Budget
	£'000	£'000	£'000
<b>Surplus/(deficit) before other gains and losses</b>	<b>(4,425)</b>	<b>(982)</b>	<b>(972)</b>
<b>Add Back:</b>			
- Depreciation (net of deferred capital grant release) (Note 1)	1,734	1,736	1,670
- Non-cash pension adjustments - Net service cost (Note 2)	4,459	5,562	0
- Non-cash pension adjustments - Net interest cost (Note 3)	544	536	0
- Non-cash adjustments - Release of land grant (Note 4)	0	(4,561)	0
- Non-cash adjustments - Profit on disposal (Note 5)	0	(159)	0
<b>Deduct:</b>			
- Cash budget for priorities allocated to loan repayments and other capital items (Note 6)	(703)	(707)	(557)
<b>Adjusted Operating Surplus/(Deficit)</b>	<b>1,609</b>	<b>1,425</b>	<b>141</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 SFC land grant has been released to income as a result of the conditions being met to proceed with the Dunfermline Learning Campus project. This is a non-cash adjustment.

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

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

### Treasury Management

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

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

## Performance Report (Continued)

At 31 July 2022, there was a cash balance of £15.2 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 2022 is higher than would normally be anticipated at the year-end as we have carried the following balances over from 2021-22 to be paid during 2022-23:

- SFC grant clawbacks mainly for student support underspend (£2.1 million).
- Potential liability payments and creditor payments for goods and services received in 2021-22 and paid during 2022-23 (£5.8 million).
- Project funds carried forward due to the timing of spend, i.e. Dunfermline Learning Campus (£1.6 million).

This means that the underlying year end cash balance was £5.7 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 2021-22, the level of creditors in terms of the proportion of year-end creditors to the aggregate invoiced amounts during the year was 57 days (2020-21: 39 days).

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

## Sustainability Report

Fife College confirms compliance with Scottish Government sustainability reporting in line with requirements of the Climate Change (Scotland) Act 2009 which sets out the required content for the report to Scottish Government. 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 2,898 tCO<sub>2</sub>e (2020-21) a 47% reduction, and we expect this trend to continue. During 2021-22 we developed and launched our Climate Change Strategy and supporting Net Zero Action Plan which has set the following targets for GHG emissions:

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

The College also recognises its role in the broader community of Fife, Scotland and the UK. To this effect, 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. Our representative has stood down in March 2022 as their permitted term of office is now over. 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.

## **Performance Report (Continued)**

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.

Fife College Dunfermline Learning Campus is a Net Zero Pathfinder project to pioneer net zero building and operating principles for Further Education establishments. 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.

### **Going Concern**

As detailed within the Financial Statements pages 37-38, 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
P Carnie	23.03.20	31.07.23	06.09.21	Non-Executive	Babcock International Group	Royal Society for the Encouragement of Arts, Manufactures and Commerce Institute of Directors	Finance, Commercial and Estates Committee
S Cochrane	01.08.14 01.08.18	31.07.22	31.07.22	Non-Executive	Bright Red Publishing	N/A	Academic Quality Committee Chair's Committee
D Connelly	22.09.21	31.07.25		Non-Teaching Staff	Fife College	N/A	Finance, Commercial and Estates Committee People and Culture Committee
L Davis	15.09.21	31.07.25	27.11.22	Teaching Staff	Fife College	EIS	Academic Quality Committee People and Culture Committee
G Dickson	01.04.21	31.07.24		Non-Executive	NatWest Group	Chartered Institute of Personnel and Development	People and Culture Committee Chair's Committee
P Dobson	01.08.21	31.07.25		Non-Executive	University of St Andrews	Project Change	Academic Quality Committee People and Culture Committee
B Fisher	01.08.20	31.07.24		Non-Executive	N/A	N/A	Audit and Risk Committee New Build Project Board
N Fisher	01.07.21	30.06.23		Student	Fife College Students' Association	N/A	People and Culture Committee

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
H Hall	01.03.17	Duration of contract of employment		Principal	Fife College	Lauder Learning Ltd College Development Network Historic Environment Scotland	People and Culture Committee Finance, Commercial and Estates Committee Academic Quality Committee New Build Project Board
J Harney	01.08.18	31.07.22	14.9.21	Teaching Staff	Fife College Self-employed Open University	EIS	Academic Quality Committee Finance, Commercial and Estates Committee
T Martin	01.10.16 01.08.20	31.07.24		Non-Executive	N/A	Opportunities Fife	People and Culture Committee Chair's Committee
E McPhail	23.03.20	31.07.23		Non-Executive	NHS Healthcare Improvement Scotland	N/A	Academic Quality Committee Audit and Risk Committee
S Mitchell	01.11.18 01.08.22	31.07.26		Non-Executive	Glasgow Caledonian University	GCU Company Ltd GCU Academy Ltd GCU Nominee Company Ltd	Audit and Risk Committee Chair's Committee New Build Project Board
G Mole	23.03.20	31.07.23		Non-Executive	Fife Council	Business Gateway Fife	Finance, Commercial and Estates Committee
S Mowbray	01.04.21	31.07.24		Non-Executive	Aegon	N/A	Audit and Risk Committee
P Thompson	15.02.22	31.07.25		Non-Executive	Thornton Tomasetti Defence Ltd	Fife Economy Partnership Fife Economy Partnership (Innovation Group) Bank of England Advisory Panel Institute of Physics	Finance, Commercial and Estates Committee
Z Thomson	01.10.16 01.08.20	31.07.24		Non-Executive	Fife Council	N/A	Academic Quality Committee
J Trail OBE	03.03.15 01.08.18	31.07.22	31.07.22	Non-Executive	GIA Business Properties	Scottish Children's Panel	Finance, Commercial and Estates Committee Chair's Committee New Build Project Board



Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
E Wallace	01.07.21	30.06.23		Student	Fife College Students' Association	Education Scotland	Academic Quality Committee Finance, Commercial and Estates Committee
D C Watt	03.03.19	02.03.27		Non-Executive (Regional Chair)	BGR Training Governance Express Merlin Consultancy (Global) Ltd Organising Leisure	Colleges Scotland Goodison Group in Scotland	Chair's Committee New Build Project Board

The Board of Governors formally meets 4 times a year. During 2021/22 there was also a Board Strategy Session and a Board Development Session. The Board also has a number of committees which are formally constituted with terms of reference.

The following table provides a record of attendance of Board members at Board and Committee meetings 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	People and Culture Committee	Chair's	New Build Project Board
P Carnie	0/1								
S Cochrane	4/4	2/2	2/2	3/3				3/4	
D Connelly	3/4	2/2	1/1			2/3	2/3		
L Davis	3/4	2/2	0/1	3/3			2/3		
G Dickson	3/4	1/2	1/2				3/3	3/4	
P Dobson	4/4	2/2	1/2	3/3			3/3		
B Fisher	4/4	2/2	2/2		4/4				9/9
N Fisher	3/4	2/2	2/2				2/3		
H Hall	4/4	1/2	2/2	3/3		4/4	3/3		7/9
J Harney			1/1						
T Martin	4/4	2/2	2/2				3/3	4/4	
E McPhail	3/4	2/2	0/2	2/3	4/4				
S Mitchell	3/4	2/2	1/2		4/4			4/4	8/9
G Mole	4/4	1/2	2/2			4/4			
S Mowbray	4/4	2/2	1/2		4/4				
P Thompson	2/2	1/1	1/1			4/4			
Z Thomson	4/4	1/2	1/2	3/3					
J Trail	4/4	0/2	1/2			2/4		0/4	5/9
E Wallace	4/4	2/2	1/2	3/3		3/4			
D C Watt	4/4	2/2	2/2					4/4	9/9

The members of the Executive Team of Fife College for the period 1 August 2021 to 31 July 2022 were:

- Hugh Hall, Principal and Chief Executive
- Dorothée Leslie, Vice Principal: Academic Strategy
- Susan Dunsmuir, Chief Financial Officer
- Sue Reekie, Chief Operating Officer (Leaving date 16/1/22)
- Iain Hawker, Vice Principal: Quality and Academic Partnerships (Start date 6/1/22)
- Kris Getchell, Chief Information Officer

### **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 2021-22 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
- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- Safeguard the assets of the College and prevent and detect fraud
- Secure the economical, efficient and effective management of the College's resources and expenditure

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

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

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

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

### **Auditor**

The Auditor General for Scotland has appointed Ernst & Young to undertake the audit for the year ended 31 July 2022.

### **Disclosure of Information to Auditors**

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

### **Non-Audit Fees**

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

## Governance Statement

### Introduction

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

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in the College in the year to 31 July 2022 and reports the Board's assessment of the effectiveness of these arrangements.

### Statement of Compliance

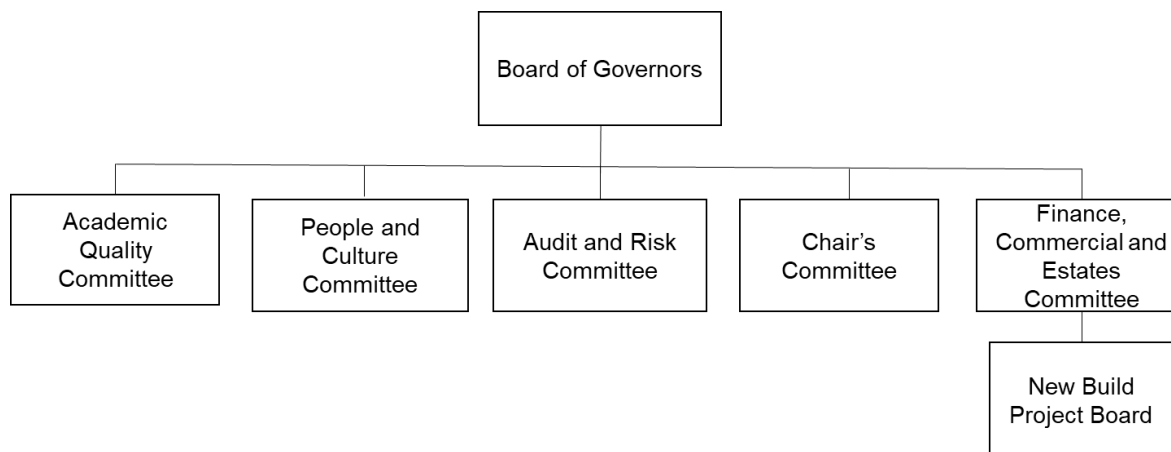
The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the financial year ended 31 July 2022.

### 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:



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

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

## **Governance Statement (Continued)**

The Board of Governors met four times during the year and received minutes and reports from its Committees. One extraordinary meeting was held in 2021-22, in relation to the New Dunfermline Campus project.

### **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 a 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.

### **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.

## **Governance Statement (Continued)**

### **People and Culture Committee**

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

### **Impact of COVID-19**

During 2021-22 there has been a return to Board meetings and Strategy and Development Days taking place in person, and Committee meetings continuing to be held virtually via Microsoft Teams.

### **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, 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.

The Audit and Risk Committee were satisfied that the management of any COVID-19 impacts was embedded satisfactorily in all risks throughout 2021-22.

The following table sets out the fourteen strategic risks for which the underlying risk has been scored as "severe" or "high". It records the residual risk, with two risks shown as "High", eleven as "Moderate" and one as "Low", following the mitigating actions which have been taken.

## Governance Statement (Continued)

No.	Risk	Before Mitigation	After Mitigation
1	Failure to maintain and deliver improvements to college estate and achieve the estate strategy objectives in support of the strategic plan.	High	Moderate
2	Failure to achieve annual financial targets in line with the five-year financial forecast plan.	Severe	High
3	Failure to make use of current and emerging technologies effectively and to ensure continuous enhancement of digital capability and confidence in support of hybrid learning and teaching delivery models as expected by 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
7	Risk of external political/funding/ regulatory changes.	Severe	Moderate
8	Risk that we fail to achieve and grow commercial income in line with the five-year financial forecast plans.	High	Moderate
9	Failure to achieve cohesive culture.	High	Moderate
10	Failure to achieve positive and sustained transitions for students and to create attractive and motivating learning environments and conditions for 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
14	Failure to mutually negotiate agreeable terms for first year extension of 2-year optional uptake for the Scottish Prison Service (SPS) contract impacting on margins and more equitable contract terms and conditions.	Severe	High

### Internal Audit

Internal audit is a key independent source of assurance.

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

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

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

In 2021-22 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:



## Governance Statement (Continued)

Internal Audit	Key Risks
Freedom of Information & Complaints Management	Risk 12
Quality Management	Risks 3, 5 and 10
Health and Safety	Risks 4 and 12
Non-Pay Expenditure and Creditor Payments	Risk 2
Safeguarding and Student Wellbeing	Risk 4
Governance Information Management	Risks 1-13

At the end of 2021-22, of the 10 audit recommendations received, 8 were signed off as fully complete and 2 were not yet due for completion. Implementation of internal audit recommendations is closely monitored by the Executive Team and progress is reported to each meeting of the Audit and Risk Committee. Through the reporting on progress made with audit recommendations, the Audit and Risk Committee receives assurance from the College that it is committed to implementing the recommendations received and maintaining systems of control.

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

### Significant Control Issues/Weaknesses

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

### Personal Data Security

The Principal is the Senior Information Risk Owner (SIRO). Day-to-day management of information risks is the responsibility of all Directors across the College supported by the Data Protection Officer. There have been no reportable breaches of personal data security during 2021-22 (2020-21 nil).

### Going Concern

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

### Conclusion

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

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

The Board of Governors was of the view that there was an on-going process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2022 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 2021-22 Government Financial Reporting Model (FrM) issued by HM Treasury which came into force for the period ending 31 July 2022.

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

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

#### Audit of Remuneration Report

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

#### Remuneration Policy

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

- Determine the remuneration for Principal and Vice Principal level posts on an annual basis.
- Approve the terms of any staff voluntary severance scheme, considering Scottish Funding Council guidance and thresholds; together with limits on funding and payback periods and monitor progress against this.
- Consider voluntary severance scheme applications from Principal and Vice Principal level post holders, 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 Principals, 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 2022				Year ended 31 July 2021			
		Salary £'000	Severance Payment £'000	Pension Benefit £'000	Total £'000	Salary £'000	Severance Payment £'000	Pension Benefit £'000	Total £'000
David C Watt	Chair of Board of Governors	20-25	0	0	20-25	20-25	0	0	20-25
Hugh Hall	Principal and Chief Executive	135-140	0	30-35	165-170	135-140	0	30-35	165-170
Dorothee Leslie	Vice Principal Academic Strategy	95-100	0	0-5	95-100	95-100	0	30-35	125-130
Susan Dunsmuir	Chief Financial Officer	95-100	0	35-40	130-135	95-100	0	35-40	130-135
Sue Reekiez	Chief Operating Officer	45-50	45-50	10-15	105-110	95-100	0	30-35	125-130
Iain Hawkers	Vice Principal Quality and Academic Partnerships	85-90	0	75-80	165-170	0	0	0	0

## Remuneration and Staff Report (Continued)

<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.

<sup>2</sup> The Chief Operating Officer has left the College with effect from 16<sup>th</sup> January 2022. The annual equivalent salary for this position is in the 95-100 band.

<sup>3</sup> The Vice Principal: Quality and Academic Partnerships commenced the role from 6<sup>th</sup> January 2022. The annual equivalent salary for this position is in the 95-100 band.

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 2021-22 was £135-140,000. This was 4.1 times (2020-21 4.2 times) the median remuneration of the workforce which was £32,909 (2020-21 £31,833).

The 2021-22 FReM has introduced new requirements around disclosures of 25<sup>th</sup> and 75<sup>th</sup> percentile pay ratios, their comparison to the remuneration of the College's highest paid official, percentage changes from the previous year and explanations of any changes.

The following table details these new requirements and the ratios between the highest paid official and the total pay and benefits for each category.

There are no significant variances between 2021-22 and 2020-21.

	2021-22 £	2020-21 £	Change %
<b>Range of workforce remuneration</b>			
Highest paid official remuneration	135,867	135,867	0.0%
Median (total pay and benefits)	32,909	31,833	3.4%
Median (salary only)	32,909	31,833	3.4%
Ratio	4.1:1	4.3:1	
25th percentile (total pay and benefits)	25,890	24,814	4.3%
25th percentile (salary only)	25,890	24,814	4.3%
Ratio	5.2:1	5.5:1	
75th percentile (total pay and benefits)	43,271	42,357	2.2%
75th percentile (salary only)	43,271	42,357	2.2%
Ratio	3.1:1	3.2:1	

### Accrued Pension Benefits

Pension benefits for employees are provided through the Scottish Teacher's Superannuation Scheme (STSS), a defined benefit scheme, which is notionally funded and contracted out of State Earnings-Related Pension Scheme and the Local Government Pension Scheme (LGPS).

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

There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

## Remuneration and Staff Report (Continued)

Name	Job Title	Accrued pension at pension age at 31 July 2022 £'000	Accrued lump sum at pension age at 31 July 2022 £'000	Real increase in pension 1 August 2021 to 31 July 2022 £'000	Real increase in lump sum 1 August 2021 to 31 July 2022 £'000	CETV at 31 July 2022 £'000	CETV at 31 July 2021 £'000	Real increase in CETV £'000
Dorothee Leslie	Vice Principal Academic Strategy	35-40	65-70	0-2.5	-2.5-0	658	639	18
Susan Dunsmuir	Chief Financial Officer	15-20	0	0-2.5	0	194	169	15
Sue Reekie	Chief Operating Officer	5-10	0	0-2.5	0	78	65	9
Iain Hawker	Vice Principal Quality and Academic Partnerships	30-35	70-75	2.5-5	7.5-10	610	527	83

### Cash Equivalent Transfer Value (CETV)

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

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

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

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

### 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

17 employees left under Voluntary Severance during the year.

The total cost of the above was £342k including pension strain costs.

The table below summarises the exit packages by cost band.

Exit Package Cost Band	Total Number of Exit Packages by Cost Band
<£10,000	5
£10,000 - £25,000	9
£25,000 - £50,000	2
£50,000 - £100,000	1
<b>Total number of exit packages</b>	<b>17</b>
<b>Total cost (£000)</b>	<b>£342k</b>

## Remuneration and Staff Report (Continued)

### 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:

	2022 Directly employed staff	2022 Seconded and agency staff	2022 Total	2021 Total	Movement
Wages and salaries	29,726	725	30,451	29,163	1,288
Social security costs	2,886	72	2,958	2,759	199
Other pension costs	5,832	164	5,996	5,655	341
<b>Total</b>	<b>38,444</b>	<b>961</b>	<b>39,405</b>	<b>37,577</b>	<b>1,828</b>
Average number of FTE	841	30	870	827	43

There is an increase in staffing of 43 FTE from 2020-21 to 2021-22 due to general increases in various departments of the College, most notably in Student Engagement and Experience where there was an increase of 11 FTE most of which relate to a higher demand for Inclusion Assistants. Temporary staffing also increased by 13 FTE throughout 2021-22.

The college employed 566 females and 355 males as at 31 July 2022, the following table details the breakdown:

Category	2022 Female	2022 Male	2021 Female	2021 Male	Movement Female	Movement Male
Executive	2	3	3	3	(1)	0
Director	6	5	7	4	(1)	1
All Other Employees	558	347	564	380	(6)	(33)
<b>TOTAL</b>	<b>566</b>	<b>355</b>	<b>574</b>	<b>387</b>	<b>(8)</b>	<b>(32)</b>

#### Sickness Absence Data

The average number of days lost per full time equivalent (FTE) to sickness absence during the year 2021-22 was 7.83 days, this compares to 6.59 days for the same period during 2020-21.

The following table shows the sickness absence days for the year 2021-22 comparing to the same period during 2020-21. There has been an increase in sickness absence and this is due to staff returning to normal working patterns and on campus.

Days Sickness Absence	2021-22	2020-21
	12 months	12 months
Short Term (Under 20 days)	4,397	2,607
Long Term (Over 20 days)	2,300	2,843
<b>Total</b>	<b>6,817</b>	<b>5,450</b>

## Remuneration and Staff Report (Continued)

### Promotion of Equality of Delivery of Service to Different Groups

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

For staff, these cover the employment cycle:

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

For students, this covers the learner journey:

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

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

Visitors are required to behave in ways that are consistent with this policy and to seek advice and guidance from a member of the College staff if they are unclear as to what is expected of them.

## Remuneration and Staff Report (Continued)

### Fair Work Practices

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

### Workforce Planning

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

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

### Hybrid Working

- The College set up a working group to start the first phase of organising flexible working and learning spaces across all campuses to support more hybrid working practices and to start to think about migrating to the new college build which will have reduced office capacity built into the design.
- There are guides available for staff and managers to assist with agile working and to ensure all are treated fairly and communicated effectively.

### Health and Wellbeing

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

- Over the last academic year, there have been three Wellbeing Festivals and an end of year Wellbeing Conference with excellent feedback received from staff.
- The work the college has done around wellbeing has been widely recognised and we have been shortlisted for several awards:
  - CIPD People Management Award;
  - Best Health and Wellbeing Initiative - Public/Third sector;
  - Health and Wellbeing Award at the CDN College Awards.
- The college continues to demonstrate a real commitment to wellbeing and the diverse range of activities and support provided to our colleagues, including festivals and a conference, are being planned for the next academic year.

### 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:

## Remuneration and Staff Report (Continued)

- 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 Financial Officer) to the role responsible for Health and Safety.

## Trade Unions

The College recognises three Trade Unions, EIS, UNISON and UNITE. The relationships with each are governed by the appropriate Recognition and Procedure Agreements augmented with regular informal discussions with senior staff including the Principal and Director: OD and HR. This brings open and construction dialogue in both formal and informal settings. The recognised Trade Unions and Management also have the opportunity to discuss how the effective relationships are working with the People and Culture Board Meeting 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.

## 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 2022.

<b>Relevant union officials</b>	
Number of employees who were relevant union officials during the relevant period:	Full time equivalent employee number:
9	9
<b>Percentage of time spent on facility time</b>	
Percentage:	Number of employees:
0%	-
1%-50%	9
51%-99%	-
100%	-
<b>Percentage of pay bill spent on facility time</b>	
Total cost of facility time:	£41,043
Total pay bill:	£38,745,015
Percentage of the total pay bill spent on facility time:	0.11%
<b>Paid trade union activities</b>	
Time spent on trade union activities as a percentage of total paid facility time hours:	4.80%



## **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 £3.92 million (£3.89 million in 2020-21) and income generated was £4.69 million (£4.28 million in 2020-21).

The Corporate Governance Statement on pages 18-22 was approved by the Board of Governors on 8 December 2022 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**

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

### **Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of Fife College for the year ended 31 July 2022 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, Statement of Changes in Reserves, Balance Sheet, and Statement of Cash Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2022 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

### **Basis for opinion**

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

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

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

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

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

### **Risks of material misstatement**

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

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

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

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

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

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

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

#### **Opinion on regularity**

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

## **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 in respect of irregularities explained in the audit of the financial statements section of our report, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

### **Reporting on other requirements**

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

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

#### **Other information**

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

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

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

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

#### **Matters on which we are required to report by exception**

We are required by the Auditor General for Scotland to report to you if, in our opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

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

We have nothing to report in respect of these matters.

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

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

### **Use of our report**

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

Stephen Reid, for and 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 2022 £'000	Year Ended 31 July 2021 £'000
<b>Income</b>			
SFC Grants	2	49,245	44,375
Tuition fees and education contracts	3	10,190	10,382
Other income	4	2,052	2,004
Investment income	5	6	45
Donations and endowments	6	210	232
Revenue Grant from Arms Length Foundation	4	0	60
<b>Total income</b>		<b>61,703</b>	<b>57,098</b>
<b>Expenditure</b>			
Staff costs	7	44,988	42,053
Restructuring costs	7	342	34
Interest and other finance costs	9	720	761
Other operating expenses	10	13,581	15,565
Depreciation	11	3,070	3,023
Charitable donations		143	87
<b>Total expenditure</b>		<b>62,844</b>	<b>61,523</b>
<b>Surplus/(deficit) before other gains losses</b>		<b>(1,141)</b>	<b>(4,425)</b>
Gain/(loss) on disposal of fixed assets		159	0
<b>Surplus/(deficit) before other comprehensive income</b>		<b>(982)</b>	<b>(4,425)</b>
<b>Surplus / (Deficit) for the year</b>		<b>(982)</b>	<b>(4,425)</b>
Unrealised surplus on revaluation of land and buildings			
<b>Other comprehensive income</b>			
Actuarial (loss)/gain in respect of pension schemes	19	34,077	10,753
Unrealised gain/(loss) on revaluation of fixed assets	22	6,778	(10)
<b>Total comprehensive income/(expenditure) for the year</b>		<b>39,873</b>	<b>6,318</b>

Total comprehensive income/ (expenditure) for the year is wholly represented by unrestricted income and is full

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 2022	Year Ended 31 July 2021
		£'000	£'000
<b>Non-current assets</b>			
Tangible assets	11	89,858	77,889
Investments	12	32	32
Investment in joint venture	12	404	404
		<b>90,294</b>	<b>78,325</b>
<b>Current assets</b>			
Stock	13	106	137
Trade and other receivables	14	6,618	4,669
Assets held for sale		0	195
Cash and cash equivalents	16	15,234	11,588
		<b>21,958</b>	<b>16,589</b>
Less: Creditors - amounts falling due within one year	17	(20,101)	(21,777)
		<b>1,857</b>	<b>(5,188)</b>
<b>Total assets less current liabilities</b>		<b>92,151</b>	<b>73,137</b>
Creditors: amounts falling due after more than one year	18	(33,636)	(26,296)
<b>Provisions</b>			
Pension provisions	19	0	(27,578)
Other provisions	20	(2,644)	(3,265)
		<b>55,871</b>	<b>15,998</b>
<b>Total net assets</b>		<b>55,871</b>	<b>15,998</b>
<b>Unrestricted Reserves</b>			
Income and expenditure reserve - unrestricted	21	11,476	(21,249)
Revaluation reserve	22	44,395	37,247
<b>Total Reserves</b>		<b>55,871</b>	<b>15,998</b>

The financial statements on pages 1 to 53 were approved by the Board of Management on 8 December 2022 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 2022	31 July 2021
		£'000	£'000
<b>Cash flow from operating activities</b>			
(Deficit)/surplus for the year		(982)	(4,425)
<b>Adjustment for non-cash items</b>			
Depreciation	11	3,070	3,023
Deferred government grants released to income	2	(995)	(933)
Deferred non-government grants released to income	4	(339)	(356)
Decrease/(increase) in stock	13	31	(13)
Decrease/(increase) in debtors	14	(1,949)	(1,283)
Increase/(decrease) in creditors	17	461	2,747
Pension costs	25	5,582	4,476
Increase/(decrease) in other provisions	20	(196)	(240)
(Decrease)/increase in student funds	24	235	83
<b>Adjustment for investing or financing activities</b>			
Investment income	5	(6)	(1)
Interest payable	9/20	744	761
<b>Net cash inflow from operating activities</b>		<b>5,657</b>	<b>3,839</b>
<b>Cash flows from investing activities</b>			
Investment income	5	6	1
Payments made to acquire fixed assets	11	(11,733)	(2,514)
Payments received for disposal of fixed assets	11	2,343	0
<b>Cash flows from financing activities</b>			
Interest paid	9	(153)	(166)
Interest element of finance lease	9	(31)	(51)
New Grants		6,784	2,495
New SFC loans		2,300	0
Repayments of amounts borrowed	17/18	(341)	(341)
Capital element of finance lease and service concession payments	17/18	(1,186)	(141)
<b>Increase/(decrease) in cash and cash equivalents in the period</b>		<b>3,646</b>	<b>3,122</b>
Cash and cash equivalents at beginning of the period		11,588	8,466
Cash and cash equivalents at end of the period		15,234	11,588
<b>Increase/(decrease) in cash</b>		<b>3,646</b>	<b>3,122</b>



**Fife College**  
**College Statement of Changes in Reserves**  
**Year ended 31 July 2022**

	Income and expenditure account	Revaluation reserve	Total
	Unrestricted		
	£'000	£'000	£'000
<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>6,088</b>	<b>231</b>	<b>6,319</b>
<b>Balance at 1 August 2021</b>	<b>(21,249)</b>	<b>37,247</b>	<b>15,998</b>
Surplus/(deficit) from the income and expenditure statement	(982)	0	<b>(982)</b>
Other comprehensive income	33,702	8,333	<b>42,035</b>
Transfers between revaluation and income and expenditure reserve	1,185	(1,185)	<b>0</b>
<b>Total comprehensive income for the year</b>	<b>33,905</b>	<b>7,148</b>	<b>41,053</b>
<b>Balance at 31 July 2022</b>	<b>12,656</b>	<b>44,395</b>	<b>57,051</b>

**Fife College**  
**Analysis of Debt Statement**  
**Year ended 31 July 2022**

	<b>Balance at 1 August 2021 £'000</b>	<b>Cash flows £'000</b>	<b>Balance at 31 July 2022 £'000</b>
<b>Cash and cash equivalents</b>			
Cash	11,588	3,646	15,234
<b>Borrowings</b>			
Loans falling due within one year	(341)	0	(341)
Loans falling due after more than one year	(3,579)	341	(3,238)
Finance Lease obligations	(1,186)	1,186	0
<b>Total</b>	<b>6,482</b>	<b>5,173</b>	<b>11,655</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 £1.141 million before other gains and losses during the financial year and total comprehensive income of £39.873 million. The College reported an adjusted operating surplus of £1.425 million after accounting for technical pension adjustments of £6.098 million, net depreciation adjustments of £1.736 million, non-cash adjustments for the release of the SFC land grant of £4.561 million and profit on disposal of £0.159 million and cash budget for priorities of £0.707 million. Cash increased by £3.646 million during the year to £15.234 million at 31 July 2022. At 31 July 2022, the College held borrowings of £5.804 million in unsecured loans which have no financial covenants. The College is reporting a net asset position in these financial statements of £55.871 million (2020-21: £15.998 million net asset position). This includes a pension liability of £2.644 million for the College's share of the Fife Council Local Government Pension Scheme (LGPS) at 31 July 2022 (2020-21: £30.843 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 2026-27.

The Board of Fife College have assessed the financial position of the College for the year ended 31 July 2022 and its future financial position to support the going concern basis of preparation in the financial statements, and ensure completeness and accuracy of related disclosures. The assessment period considered is at 12 months from the date of signing the accounts and concluded on 7th December 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

**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 2022. 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

**Service Concession Arrangements**

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

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

**Investments**

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value, or at a fair estimate of value placed on such assets by an independent valuer for insurance purposes. Artwork investments are subject to an independent valuation every five years.

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

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

**Stocks**

Stocks held are valued at cost.

**Cash**

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

#### **Taxation**

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

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

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

#### **Provisions**

Provisions are recognised when the College has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be

#### **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 2022 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 year end valuations on a year to year basis. We have outlined the potential impact of future changes below. The pension liability at 31 July 2022 following the updated actuarial valuation was £2.644 million, a decrease of £28.199 million from 31 July 2021.

Where the calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds through the scheme.

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 2022 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 2021-22, compared to 2020-21, 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 2022, the College had accrued for income and expenditure of £3.8 million as well as a further expenditure accrual of £0.3 million to take account of inflationary rises over the period. Payment of both the grant income and costs will not be made until the exercise has fully concluded.

		Year Ended 31 July 2022	Year Ended 31 July 2021
	Notes	College £'000	College £'000
<b>2 SFC Grants</b>			
FE recurrent grant		37,518	36,832
Childcare funds	24	473	490
Release of deferred capital grants		995	933
Non recurring SFC Grants		5,380	1,292
Other SFC grants		4,879	4,828
		<b>49,245</b>	<b>44,375</b>
The increase in the non recurring SFC grants is due to the release of the Dunfermine Learning Campus land grant of £4,561k.			
<b>3 Tuition fees and education contracts</b>			
FE fees - UK		157	139
HE fees		2,639	3,072
SDS contracts		955	682
Education contracts		6,438	6,489
		<b>10,189</b>	<b>10,382</b>
<b>4 Other income</b>			
European funds		10	0
Release of deferred capital grants		339	356
Other grants		461	677
Other income-generating activities		505	305
Other income		737	666
		2,052	2,004
Revenue grant from Arms Length Foundation		0	60
		<b>2,052</b>	<b>2,064</b>
The College received £8k from the Government for the Coronavirus Job Retention Scheme (furlough), which is included in other grants.			
<b>5 Investment income</b>			
Other interest receivable		6	1
<b>Total net of pension scheme</b>		<b>6</b>	<b>1</b>
Net return on pension scheme		0	44
		<b>6</b>	<b>45</b>
<b>6 Donations and endowments</b>			
Unrestricted donations		210	232
		<b>210</b>	<b>232</b>

	Year Ended 31 July 2022 College £'000	Year Ended 31 July 2021 College £'000
<b>7 Staff costs</b>		
Staff costs :		
Salaries	30,452	29,163
Social security costs	2,958	2,759
Other pension costs	5,996	5,655
FRS 102 adjustment	5,582	4,476
Restructuring costs	342	34
<b>Total</b>	<b>45,330</b>	<b>42,087</b>
Academic/teaching departments	18,234	18,165
Academic/teaching services	11,892	11,009
Other support services	2,065	1,978
Administration and central services	3,794	3,431
Premises	1,500	1,425
Full cost activities	1,642	1,406
Other expenditure	279	163
Pension charge less contributions paid	5,582	4,476
<b>Sub-total</b>	<b>44,988</b>	<b>42,053</b>
Restructuring costs	342	34
	<b>45,330</b>	<b>42,087</b>
Employment costs for staff on permanent contracts	38,445	36,890
Employment costs for staff on temporary contracts	961	687
Pension charge less contribution paid	5,582	4,476
Restructuring costs	342	34
	<b>45,330</b>	<b>42,087</b>

Payroll expenditure has been marginally funded by the government Coronavirus Job Retention Scheme (furlough) to a value of £8k, (2021: £383k) as noted in other income.

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

	2022	2021
Academic/teaching departments	404	429
Academic/teaching services	240	220
Other support services	49	49
Administration and central services	46	45
Premises	41	39
Full cost activities	82	40
Other staff	8	5
	<b>870</b>	<b>827</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 2022 between staff whose emoluments include a voluntary severance) payment and those that do not include a VS payments.

	2022 VS included	2022 No VS	2022 Total No	2021 Total No
£60,001 to £70,000 per annum	0	10	10	9
£70,001 to £80,000 per annum	0	2	2	2
£80,001 to £90,000 per annum	0	1	1	0
£90,001 to £100,000 per annum	1	2	3	3
£160,001 to £170,000 per annum	0	1	1	1
	<b>1</b>	<b>16</b>	<b>17</b>	<b>15</b>

**8 Senior post-holders' emoluments**

The Principal and Chief Executive's emoluments can be found in page 23 of the Remuneration Report.

**9 Interest and other finance costs**

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

On finance leases

**Total net of pension charge**

Net charge on pension scheme

Year Ended 31 July 2022      Year Ended 31 July 2021

Consolidated      College  
£'000      £'000

	7	7
	146	159
	<b>153</b>	<b>166</b>
	31	51
	<b>184</b>	<b>217</b>
	536	544
	<b>720</b>	<b>761</b>

**10 Other operating expenses by activity**

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

2,145	2,333
529	399
105	103
3,454	3,507
3	9
1,404	1,398
4,935	6,879
219	278
24	0
652	602
111	57
<b>13,581</b>	<b>15,565</b>

**Other operating expenses include:**

Auditors' remuneration

- external audit of these financial statements

- internal audit services

- other internal audit services

38	34
39	42
2	2



11 Fixed Assets

	Land and Buildings £'000	Equipment £'000	Total Assets £'000	Assets in the Course of Construction £'000	Total £'000
<b>Cost or valuation</b>					
At 1 August 2021	79,761	3,151	82,912	1,982	84,894
Additions	3,705	0	3,705	8,028	11,733
Revaluation	3,982	0	3,982	0	3,982
Disposals	(5,571)	(88)	(5,658)	0	(5,658)
At 31 July 2022	<b>81,877</b>	<b>3,064</b>	<b>84,941</b>	<b>10,010</b>	<b>94,951</b>
<b>Depreciation</b>					
At 1 August 2021	4,406	2,599	7,005	0	7,005
Charge for the year	2,900	170	3,070	0	3,070
Revaluation	(2,795)	0	(2,795)	0	(2,795)
Disposals	(2,099)	(88)	(2,187)	0	(2,187)
At 31 July 2022	<b>2,412</b>	<b>2,681</b>	<b>5,093</b>	<b>0</b>	<b>5,093</b>
<b>Net book value</b>					
At 1 August 2021	<b>75,355</b>	<b>552</b>	<b>75,907</b>	<b>1,982</b>	<b>77,889</b>
At 31 July 2022	<b>79,465</b>	<b>383</b>	<b>79,848</b>	<b>10,010</b>	<b>89,858</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 2022. Directly attributable acquisition costs have been included and expected selling costs deducted.

Freehold land at Dunfermline, Glenrothes and Kirkcaldy campuses which was inherited on incorporation at a nominal value of £1, was revalued on 31 July 2022 at £3.85m (£3.65m 2021).

Other tangible fixed assets inherited from the local authority at incorporation were revalued on 31 July 2022 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

As part of the full business case for the Dunfermline Learning Campus development, the College received loan funding of £2.225m to purchase the Media Centre on the existing site. Included in the College's tangible fixed assets (land and buildings) additions and disposals is the derecognition of this Media Centre leased asset, with a gain of £360k recognised in the income statement. The College also entered into a transaction with Fife Council to sell land owned by Fife College of 18.16 acres, and purchase land owned by Fife Council of 11.485 acres at the new campus site, with a loss of £201k also recognised in the income statement.

	Year Ended 31 July 2022	Year Ended 31 July 2021
	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	106	137
	<b>106</b>	<b>137</b>
<b>14 Trade and other receivables</b>		
Trade debtors - net of provision for doubtful debts	841	782
Amounts owed by SFC	0	158
Prepayments and accrued income	5,777	3,729
	<b>6,618</b>	<b>4,669</b>
<b>15 Assets held for sale</b>		
	0	195
	<b>0</b>	<b>195</b>
<b>16 Cash and cash equivalents</b>		
Cash at bank	15,226	11,571
Cash in hand	8	17
	<b>15,234</b>	<b>11,588</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	347	189
FE Hardship	258	532
HE Discretionary	187	35
Childcare	759	408
	<b>1,551</b>	<b>1,164</b>
<b>17 Creditors - amounts falling due within one year</b>		
Bank loans and overdrafts	341	341
Obligations under finance leases	0	146
Trade creditors	2,216	1,738
VAT	(11)	(2)
Pension	798	688
Amounts owed to SFC	1,126	5,671
Other taxation and social security	867	737
Other creditors	51	46
Accruals and deferred income	12,001	9,935
Bursaries and Access funds for future disbursement	1,364	1,129
Government grants	1,348	1,348
	<b>20,101</b>	<b>21,777</b>

	Year Ended 31 July 2022 College £'000	Year Ended 31 July 2021 College £'000
<b>18 Creditors: amounts falling due after more than one year</b>		
Bank loans	3,238	3,579
Obligations under finance leases	0	1,040
Amounts owed to SFC	2,225	0
Government grants	28,173	21,677
	<b>33,636</b>	<b>26,296</b>

Bank loans refer to a term loan from Santander, with a fixed rate of 2.155%, due to mature in November 2032. Leases were derecognised in March, with the Media Space building and garages subsequently being purchased by the College.

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

**19 Pension Provision**

<b>As at 1 August 2021</b>	27,578	33,311
Current service cost	9,193	7,344
Employer contributions	(3,230)	(2,868)
Interest charged	536	544
Transfer to/(from) income & expenditure	6,499	5,020
Actuarial (gains)/losses	(34,077)	(10,753)
<b>As at 31 July 2022</b>	<b>0</b>	<b>27,578</b>

The actuarial valuation of the Fife College funded Local Government Pension Scheme has resulted in the provision moving to an asset provision.

**20 Early Retirement Provision**

<b>At 1 August 2021</b>	3,265	3,505
Expenditure in the period	(220)	(221)
Revaluation adjustment	(425)	25
Interest charged	24	(44)
<b>At 31 July 2022</b>	<b>2,644</b>	<b>3,265</b>

The above liability is in respect of future pension liabilities arising from early retirees.

A valuation of the existing pension provision was carried out by Hymans Robertson LLP, an independent firm of actuaries, at 31 July 2022

**21 Income & Expenditure Reserve Unrestricted**

<b>At 1 August 2021</b>	(21,249)	(27,337)
Surplus/deficit for the year	(982)	(4,425)
Revaluation of asset	(1,555)	(1,319)
Transfer from revaluation reserve	1,185	1,079
Actuarial gain/(loss) in pension scheme	34,077	10,753
<b>At 31 July 2022</b>	<b>11,476</b>	<b>(21,249)</b>

**22 Revaluation Reserve**

<b>At 1 August 2021</b>	37,247	37,016
Revaluation	5,537	(1,402)
Write back of depreciation on revaluation	2,796	2,712
Transfer to Income & expenditure account in respect of:		
Depreciation on revalued assets	(1,185)	(1,079)
<b>At 31 July 2022</b>	<b>44,395</b>	<b>37,247</b>

23 Lease obligations

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

24 FE Bursary and other Student Support Funds

					Period ended	Period ended
					31 July	31 July
					2022	2021
	FE	FE	EMA's	Other	Total	Total
	Bursary	Hardship				
	£000	£000	£000	£000	£000	£000
Balance brought forward	189	532	0	35	756	925
Allocation received in year	6,599	1,110	416	252	8,377	8,262
	<b>6,788</b>	<b>1,642</b>	<b>416</b>	<b>287</b>	<b>9,133</b>	<b>9,187</b>
Expenditure	(6,338)	(852)	(416)	(228)	(7,834)	(7,612)
Repaid to Scottish Funding Council as Clawback	(103)	(369)	0	(35)	(507)	(819)
Virements	0	(163)	0	163	0	0
<b>Balance carried forward</b>	<b>347</b>	<b>258</b>	<b>0</b>	<b>187</b>	<b>792</b>	<b>756</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	784	756
Retained by College for Students for 22/23 distribution	8	0
	<b>792</b>	<b>756</b>

FE Childcare Funds

Balance brought forward	408	256
Allocation received in year	1,232	898
	<b>1,640</b>	<b>1,154</b>
Expenditure	(473)	(490)
Repaid to Scottish Funding Council as clawback	(408)	(256)
<b>Balance carried forward</b>	<b>759</b>	<b>408</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 2022	12 months to 31 July 2021
	£000	£000
Contribution to STSS	2,876	2,887
Contribution to LGPS	3,152	2,730
<b>Total pension cost (Note 7)</b>	<b>6,028</b>	<b>5,617</b>
Contribution rates		
STSS	23.0%	23.0%
LGPS	21.9%	20.5%

**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 2022.

The following notes are derived from the actuarial report supplied by Hymans Robertson's LLP dated August 2022 to comply with the reporting requirements of FRS102, as amended.

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

The above movements in plan assets and liabilities result in a net asset of £7.1 million at 31 July 2022 (2021: net liability of £27.5 million). In 2022, as outlined in the accounting policies, where the calculation results in a net asset, recognition of the asset is limited to the extent to which the College is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. The College assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus in 2022 was not recognised in line with the requirements of FRS 102.

GMP/McCloud have been included within the valuation and the position continues to be reviewed.

**Reconciliation of defined benefit obligation**

Period ended	31 July 2022	31 July 2021
	£000	£000
Opening position	141,215	127,432
Current service cost	8,538	7,067
Interest cost on defined benefit obligation	2,316	1,822
Plan participants contributions	860	810
Total remeasurements recognised in other comprehensive income	(53,508)	6,293
Past service costs	34	37
Estimated unfunded benefits paid	(222)	(223)
Benefits paid	(1,928)	(2,023)
Closing position	<b>97,305</b>	<b>141,215</b>

**Balance sheet**

Period ended	31 July 2022	31 July 2021
	£000	£000
Fair value of plan assets	110,047	110,372
Present value of funded liabilities	(102,966)	(137,950)
Net asset per actuarial valuation	<b>7,081</b>	<b>(27,578)</b>
Less share of assets not recognised under FRS 102	(7,081)	0
Net asset/liability held in balance sheet	<b>0</b>	<b>(27,578)</b>

The present value of unfunded obligations is £2,644K (was £3,265k in 2021-22) in relation to early retirements agreed in previous years. There are no partly funded obligations.

The year-end liability is calculated to include an estimated uprating of current and deferred pension benefits in relation to the 2023 pension increase order for the scheme. This is based on RPI and CPI rates at 31 July 2022, equating to 9.9%. The actual increase will be agreed in March 2023 and may be subject to change on finalisation. Any changes from the assumed rate will be accounted for as actuarial adjustments in future years.

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

**Reconciliation of fair value of employer assets**

Period ended	31 July 2022	31 July 2021
	£000	£000
Opening position	110,372	90,616
Interest income on plan assets	1,780	1,278
Return on assets excluding amounts Included in net interest	(4,045)	17,046
Plan participants contributions	860	810
Employer contributions	3,008	2,645
Contributions in respect of unfunded benefits	222	223
Unfunded benefits paid	(222)	(223)
Benefits paid	(1,928)	(2,023)
Closing position	<u>110,047</u>	<u>110,372</u>

**Fair value of employer assets**

Period ended	31 July 2022	31 July 2021
	£000	£000
Equities	74,832	69,534
Bonds	25,311	28,697
Property	7,703	6,622
Cash	2,201	5,519
Total	<u>110,047</u>	<u>110,372</u>

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

	31 July 2022	31 July 2021
	£000	£000
Net return/(cost) on pension asset/liability	(536)	(544)
Interest income on plan assets	1,780	1,278
Interest cost on defined benefit obligation	(2,316)	(1,822)
Net interest	<u>(536)</u>	<u>(544)</u>

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

	31 July 2022	31 July 2021
	£000	£000
Pension charge less contributions paid	5,963	4,476
Current service costs	9,159	7,307
Past service costs	34	37
Total operating charge	9,193	7,344
Less contributions paid	(3,230)	(2,868)
Pension costs less contributions payable	<u>5,963</u>	<u>4,476</u>

**Actuarial assumptions**

The actuaries recommended assumptions are summarised below:

Period ended	31 July 2022	31 July 2021
	% p.a.	% p.a.
Salary increase rate	3.25%	3.35%
Pension increase rate (CPI)	2.75%	2.85%
Discount rate	3.50%	1.60%

**Mortality rates**

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

	Males	Females
Current pensioners	20.1	22.9
Future pensioners	21.2	24.9

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

Year to 31 July 2022	2022	2021	2020	2019	2018
	£000	£000	£000	£000	£000
Fair value of employer assets	110,047	110,372	90,616	86,868	80,591
Present value of defined benefit obligation	(102,966)	(141,215)	(127,412)	(107,845)	(89,725)
Adjustment to de-recognise funded pension asset	(7,081)	0	0	0	0
Gain/(Deficit)	0	(30,843)	(36,796)	(20,977)	(9,134)

26 Summary pension note

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

	Year Ended 31 July 2022 £000	Year Ended 31 July 2021 £000
<b>Charged to staff costs:</b>		
Current service cost	(8,538)	(7,067)
Past service cost	(34)	(37)
<b>Total charged to staff costs</b>	<b>(8,572)</b>	<b>(7,104)</b>
<b>Credit/charge for net return on pension scheme:</b>		
Interest income on plan assets	1,780	1,278
Interest cost on defined benefit obligation	(2,316)	(1,822)
<b>Net interest charges</b>	<b>(536)</b>	<b>(544)</b>
<b>Credit/charge to other comprehensive income:</b>		
Return on assets excluding amounts Included in net interest	(4,045)	17,046
Other experience	102	(3,974)
Gains and losses arising on changes in financial assumptions	53,406	(2,319)
<b>Actuarial gain/(loss)</b>	<b>49,463</b>	<b>10,753</b>
<b>Total charge to the SOCI</b>	<b>40,355</b>	<b>3,105</b>
<b>Analysis of the movement in deficit during the year:</b>		
Deficit in scheme at start of the year	(30,843)	(36,816)
Service cost	(8,572)	(7,104)
Employer contributions	3,230	2,868
Net interest costs	(536)	(544)
Actuarial gain/(loss)	49,463	10,753
<b>Deficit in scheme at end of year</b>	<b>12,742</b>	<b>(30,843)</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	£58,387	£69,392	£755	£0	DC Watt	Board Member
Fife Chamber of Commerce & Enterprise	£1,395	£10,433	£0	£3,600	Susan Dunsmuir	Board Member
College Development Network	£0	£9,060	£0	£0	Hugh Hall	Board Member
Babcock International Group	£34,335	£510,462	£1,175	£0	Patrick K Carnie	Director
<b>Totals</b>	<b>£94,117</b>	<b>£599,347</b>	<b>£1,930</b>	<b>£3,600</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 2022 £'000	Year Ended 31 July 2021 College £'000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(1,141)	(4,425)
Add back: non-cash allocation for depreciation (net of deferred capital grant)	1,736	1,734
<b>Operating surplus/(deficit) on Central Government Accounting basis</b>	<b>595</b>	<b>(2,691)</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 £1,141,000 for the year ended 31 July 2022. After taking account of the Government non-cash budget, the college shows an "adjusted" surplus of £595,000 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 2022.

<b>Operating surplus/(deficit) on Central Government Accounting basis</b>	595	(2,691)
Non-cash pension adjustments	6,098	5,001
Revenue funding allocated to loan repayments and other capital items	(707)	(703)
Release of SFC land grant	(4,561)	0
<b>Adjusted operating surplus/(deficit)</b>	<b>1,425</b>	<b>1,607</b>

### **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.