



University of the
Highlands and Islands
Perth College

Report and Financial Statements for the Year Ended 31 July 2020

Also available in large print (16pt)
and electronic format.

Ask Student Services for details.

www.perth.uhi.ac.uk

Perth College is a registered Scottish charity, number SC021209.

Perth College – for the year ended 31 July 2020

Key Management Personnel and Professional Advisers

Key Management personnel

Key management personnel are defined as members of the Senior Management Team and were represented by the following in the year ended 31 July 2020:

Dr Margaret Cook, Principal and Chief Executive; Accounting Officer
Lorenz Cairns, Depute Principal
Veronica Lynch, Vice Principal, External Engagement
Catherine Etri, Associate Principal
Iain Wishart, Director of Finance (appointed 20 July 2020)

External Auditor:

Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EB

Internal Auditor:

Henderson Loggie
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

Bankers:

Royal Bank of Scotland
12 Dunkeld Road
Perth
PH1 5RB

Bank of Scotland
10-16 King Edward Street
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PH1 5UT

Solicitors:

Thorntons Solicitors
17-21 George Street
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Performance Report

Overview

The Performance Report provides an overview of the Perth College UHI (“the College”) performance in the academic year to 31 July 2020 covering:

- a statement from the Principal providing her perspective on the performance of the College over the period;
- a statement of the purposes and activities of the College;
- the key issues and risks that could affect the College in delivering its strategic plan 2016-2021; and
- a performance analysis, financial review for the year, key risks affecting the College and social matters.

Statement from Perth College UHI Principal and Chief Executive, Dr Margaret Cook

Academic year 2019/20 has been a year like no other and despite facing a global pandemic and resulting financial challenges, it has been a successful one academically for Perth College as a result of the continued hard work and dedication of our staff and students.

Perth College UHI is an anchor institution within Perth and Kinross and as a key partner within both the Tay Cities Region and across the Highlands and Islands as the largest higher education partner within the University of the Highlands and Islands (UHI).

This has been recognised through external endorsement of the impact that Perth College UHI has on the regional and national economy. The independent [Economic Impact Assessment](#) report by Biggar Economics quantified that the College generated £113m and supported 1,250 jobs across Perth and Kinross in 2019.

This report highlights that Perth College UHI plays an extremely important role within our community, and beyond. As well as providing educational opportunities, we can demonstrate our additional impact in creating local employment opportunities, supporting local businesses, and attracting new businesses to invest in the region.

The pandemic has exacerbated the financial challenges facing the College, particularly as our reliance on non SFC funding levels are typically lower than the rest of the college sector. This is as a result of our commercial subsidiary, strong levels of international delivery, our research activities and the revenues associated with our engagement with businesses. The pandemic has had a disproportionate impact on our commercial revenues, increasing our reliance on SFC funding from 59% in 2018/19 to 64% in 2019/20. This, coupled with having limited opportunities to reduce the cost base, has resulted in an adjusted operating deficit for 2019/20 of £642,000.

While the resilience of our staff and students was tested during the year, our student achievement and satisfaction levels at 81% remained strong.

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During the pandemic, despite 2 full lockdowns, the College has managed to maintain its international partnerships and international student recruitment, particularly within China and for the first half of the year Japan, as well as targeting other new international markets including India, Brunei, Hong Kong and the EU post Covid-19. The majority of our international activity being delivered on a Transnational Education basis, in market meant that international travel restrictions did not reduce the activity level. This has ensured a strong continuity of service for our international university partners and students and enabled us to retain the majority of our international revenue streams.

Our language school achieved success as the top-rated British Council Accredited language school within Scotland. Continued and increased engagement online with the senior and academic staff within our Chinese partners has meant that we have managed to largely maintain international revenues while continuing to nurture our new partnerships until customer visits are possible again.

Earlier in the year, and in conjunction with our UHI partners, November 2019 saw the opening of the UHI Micro Campus in China at Hunan Institute of Engineering. This was the culmination of several years of successful delivery of degrees in Electrical and Mechanical Engineering. This partnership will flourish with recruitment projected to double from 2021 onwards and will be a key part of our future growth in international recruitment.

The Flexible Workforce Development Fund has become even more important for our regional business base and enabled the College to support customers' economic recovery across the Perth and Kinross Region. Our continued engagement with regional businesses delivering Foundation, Modern and Graduate Apprenticeships along with a responsive and flexible curriculum to support in-work progression enables us to play a vital role to support regional workforce development needs and increased productivity which will be even more crucial over the next 12 months.

Sport is a key strength of the College with the Academy of Sport and Wellbeing (ASW) integrating the curriculum across a range of health and wellbeing areas. The commercial strand of ASW has seen good growth since it opened in 2016.

Despite Covid-19, memberships have grown to over 1,400 gym members, around 3,500 registered climbers and over 40 commercial partners. Taking the decision to freeze membership fees during lockdown has enabled us to maintain a loyal customer base. This is testimony to the hard work and dedication of the ASW staff who continued to run online fitness classes for staff, students and the community for free during the pandemic. What is most pleasing is the impact ASW has been able to have on the health and wellbeing of our students, staff and the community of Perth which has been rewarded through the retention of our loyal members.

Pre-Covid-19, ASW was hosting 10,000 visits per month using ASW commercial facilities, together with supporting over 40 students through work placements and employment opportunities. With 20 students/graduates being employed across the gym, sports hall, Sports Therapy Clinic, reception and climbing departments, means the balance of curriculum and commercial is strong.

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Future development plans for ASW include a proposed investment in a 5-a-side Football Complex and a Wellness Garden which will be supported through the College's Horticulture department and funded through Perth College Development Trust. These will be reviewed to reflect their viability post Covid-19 with any investments of this nature likely to be either postponed or the development timeframes extended over a longer period of time.

The Development Trust has continued its links with individual donors, charitable trusts, and businesses, locally and in the wider world, and during lockdown, these connections have enabled the Trust to support our students with Covid-19 relief funding, support to address digital poverty as well as opportunities for scholarships within regional and national businesses. An increased focus on raising funds for upcoming projects such as the Aviation Academy for Scotland and the Wellness Garden can only help the College to deliver economic and social causes during continuing financial stringency.

This is further cemented through the provision of scholarships for our students supported by regional and national businesses. These included scholarships in the highly regarded École Hôtelière de Lausanne (EHL) school in Switzerland, courtesy of the Hospitality Industry Trust (HIT) Scotland and within the Balmoral Hotel supported by the Lord Forte Scholarship. In excess of 40 scholarships were offered with some of these opportunities being deferred into 2020/21 due to the pandemic.

The Development Trust will be instrumental in raising external funding to support the Aviation Academy for Scotland. This planned future investment which is Perth College led will be funded through the Tay Cities Deal fund. This will provide a forecasted £5.96m capital funding for the development of a new facility to deliver Aircraft Engineering skills and qualifications through the College and from our subsidiary company, Air Service Training (Engineering) Limited ("AST"). In partnership with Dundee based Tayside Aviation who will address the skills demand for pilots and air traffic management professionals, this will be a key national and international project as the aviation industry recovers from the global impact of the pandemic. While Covid-19 has significantly impacted the aviation industry, the Boeing Industry Outlook remains strong as a result of an aging workforce that will still require a replacement demand for those skills. Industry estimates are that it will be 5 years before the industry fully returns to pre- Covid-19 levels.


AST continues to adapt its business model to address what for them has been an extremely challenging year. With a refreshed board, AST had successfully navigated the loss of income for 3 months plus a 2nd lockdown which is still ongoing. Despite this, with furloughing of staff and maintaining revenues from international customers delivered in market, it is projected to retain a stable position to resume its progress towards the diversification of its customer base into new markets. The BSc degree in Aircraft Maintenance Engineering and Management has completed its first full year. This enables students to achieve the Part 66 qualification offered by AST within the BSc Degree in collaboration with the College's Aircraft Engineering team.

Towards the end of this year, we have successfully appointed a new Finance Director. Iain Wishart joins us from the Energy industry to address the financial sustainability of the college and to implement an ongoing programme of improvements within the college's finance and business processes.

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I am proud of what the staff and students have achieved during an extremely challenging year. We have maintained a strong focus on delivering an excellent student experience while adapting to new delivery approaches, issues of financial sustainability, concerns over the health and wellbeing of our community along with heightened work pressures. Our staff and students have demonstrated flexibility, tenacity, dedication and resilience to ensure we managed to complete the year safely and successfully.

The members present their report and the audited financial statements for the year ended 31 July 2020.



Dr Margaret Cook
Principal & Chief Executive

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Purposes and Activities

Legal Status

The Board of Management was established under the Further and Higher Education (Scotland) Act 1992 for the purposes of managing and conducting Perth College.

The Office for National Statistics reclassified colleges as part of Central Government for National Accounts purposes since 1st April 2014.

The College is correctly registered with the Office of the Scottish Charity Regulator (“OSCR”) for charity status and is recognised by HM Revenue & Customs as a charity for tax purposes.

The College is one of the 13 Academic Partners within the University of the Highlands and Islands (“UHI”) and forms part of the UHI FE Regional Strategic Body for reporting purposes to Scottish Funding Council (“SFC”).

Vision, Mission and Activities

Our Vision for the Future

In June 2016 the Board of Management adopted Vision 2021: Strategic Plan 2016-21.

Our Vision is...

To be an inspirational partner in economic and social transformation

Our Mission is...

To change lives through excellence in education, research and innovation, developing knowledge and skills and the experience to succeed.

Our Values are...

Ambition, Integrity and Respect.

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Implementation of Strategic Plan

The College Strategic Plan 2016-21 aligns to the University of the Highlands & Islands (UHI) Regional Outcome Agreement to ensure a strong and ambitious contribution to the success of Perth and Kinross, our wider region and University, and beyond. Vision 2021 is the outcome of extensive consultation with students, staff, partners and community groups and is designed to take the college forward in the future as tertiary institution and recognises the contribution of all areas of the College to the five underlying aims to:

- Inspire and empower our students, regardless of background, to recognise and achieve their potential;
- Work in partnership to foster and drive positive change and growth in local, regional, national and international economies;
- Provide dynamic learning and research experiences within a curriculum that meets economic and societal needs and aspirations;
- Optimise the sustainable use of our systems, processes and resources to provide the best possible student experience and outcomes;
- Have a talented, confident and inspirational staff who contribute to and make a vital difference to the success of students, the life of the College, the University and our communities.

Each underlying aim is supported with specific aspirational targets to be achieved by July 2021 in line with the College's Vision 2021, Strategic Plan 2016-21.

Performance Summary

The targets set for the year ended 31 July 2020 in the College Strategic Plan were set in the context of national, regional and local priorities and form part of the overall UHI Regional Outcome Agreement. This integration ensures that we contribute fully to the outcomes of the region as a whole and College performance against these targets is monitored using the balanced scorecard of key performance indicators. Perth College KPI's are set out in Performance Analysis below.

The performance of the College is regularly reviewed by the College Board, the FE Regional Board and the University of the Highlands and Islands as well as a range of external bodies and agencies, including the SFC and Skills Development Scotland.

The Board monitors the performance of the College using a balanced scorecard supplemented by a narrative which reports on four cross-cutting themes:

- Students and staff achieving their potential;
- Sustainability;
- Student activity measures; and
- Student Satisfaction.

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These perspectives are reviewed by the Board of Management who have also delegated the responsibility for individual targets to relevant sub-committees. The balanced scorecard records and reports past trends and thus includes performance, actual and forecast, over the period until 31 July 2020.

Operating Context

The College is a successful and thriving tertiary education institution providing a wide range of learning opportunities to local, regional, national and international learners: from access courses to opportunities for study at postgraduate level, encompassing vocational and professional training and skills development opportunities. The College delivers courses at the main campus in Perth, at community centres and in secondary schools across Perth and Kinross. We support work-based learning across a wide area, as well as contributing to the University's innovative and progressive use of video conferencing, providing access to expertise and curriculum across the Highlands and Islands and beyond.

As both a College and a University, the College is uniquely placed to support the strategic opportunities and challenges within the Perth and Kinross region, while impacting the Scottish economy in key industry areas including Aviation, Engineering, the Rural Environment, Health, Hospitality, Teaching, Business Management and the Creative Economy. This is due to a combination of teaching and research expertise as well as our location being within 50 miles of 90% of Scotland's population.

In a highly challenging recruitment environment, Perth College has largely maintained its footprint and reach of total tertiary student numbers against an increasing cost base and a Covid-19 environment, resulting in financial challenges.

Perth College has again achieved the core Further Education credit target and delivered 85% of the ESIF credit. Perth College saw a small shortfall in Undergraduate FTE's but once again over delivered on Post Graduate FTE's. The credits are set out in more detail below:

	Year ended 31 July 2020			Year ended 31 July 2019		
	Actual	Target	Variance	Actual	Target	Variance
Further Education credits	23,655	23,655	-	23,655	23,655	-
Further Education ESIF credits	1,033	1,200	(167)	972	1,200	(228)
Total Further education credits	24,688	24,855	(167)	24,627	24,855	(228)
Undergraduate HE FTE's	1,927.7	1,967	(39.3)	1,986.4	1,958	28.4
Postgraduate FTE's	51.9	39.8	12.8	38.7	32	6.7

This overall delivery was significantly impacted by Covid-19 with part time HE and credits funded programmes that had been scheduled for face-to-face delivery in semester 2, unable to be delivered as a result of lockdown. In the Covid-19 environment which equated to just

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under half of the academic year, the College's performance against targets was strong, despite this setback.

Key Risks & Uncertainties

Outlined below is a description of the principal risk factors that may affect the College achieving its strategic objectives. Not all factors are within the College's control. Other factors besides those listed below may also adversely affect the College.

a. Brexit

The College has approximately £3m (7%) of its funding from European Union ("EU") sources, including EU student nationals undertaking their learning at the College. Following the UK's official departure from the European Union and transition period, there remain ongoing uncertainties, and therefore risks, associated with the UK's future relationship with the EU.

These risks are mitigated in a number of ways:

- The College seeks to maximise income from non-Exchequer sources through a number of direct and indirect commercial contractual arrangements;
- By realigning EU revenue sources through increasing international partnerships and on campus student recruitment, this is particularly relevant to broaden the revenue streams through the College's Language School as the key feeder of students into broader academic programmes;
- Working within the UHI partnership to review the potential for scholarship-based incentives on fees for EU national prospective students;
- By delivering consistently dynamic and excellent learning and training throughout the College, including with our international partnerships;
- Maintaining and managing key relationships with the various funding bodies;
- Regular interaction and dialogue with funding bodies; and
- Identifying areas where the College can reduce recurrent costs in order to maintain financial sustainability.

AST is facing challenges as a result of Brexit. The majority of AST students are from outside the EU but there is likely to be a small impact on EU students. AST is facing greater challenges including additional costs from EASA and demonstrating its qualifications remain EASA compliant. This is an issue that is expected to be resolved.

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b. Unfunded Pension Liabilities

The financial statements report the provision made for pension costs arising from past early retirements in line with the valuation carried out by an independent firm of actuaries. The College's share of the Local Government Pension Scheme deficit is reported in the College's balance sheet in line with the requirements of FRS 102.

Unfunded pension liabilities means the extent to which the pension scheme does not have the assets to cover its liabilities to members. The risk to the College is that the College may not be able to generate sufficient funds in the future to cover such liabilities as they fall due.

The Board of Management consider that the likelihood of this liability arising in the short or medium term is remote.

c. Overseas Students

The experienced and dedicated team in our International Centre looks after our overseas student population. The strategic and operational risks associated with overseas students are actively monitored by the international team and our management and academic teams.

The risks associated with overseas students are that if restrictions (including those currently in place around the Coronavirus) continue to limit student travel to the UK, and the College's travel overseas, then that will materially impact the income that the College can earn in relation to those students. The College will ensure that any new or returning students travelling to Scotland will comply with quarantine regulations prior to joining the College. All recruitment will be undertaken only where it is safe to do so.

Given the College's commitment to staff wellbeing, College Staff are not travelling overseas to jurisdictions which may not have the same protection standards as the UK. This may have longer term impacts on partnership engagement as digital tools do not always provide the best platform for building customer relationships.

This could have a significant impact on the College with, in excess of, 300 students per annum being taught by the College in China. The College has undertaken a significant amount of work with its partners in China during the pandemic to maintain delivery through digital approaches, adapting materials, increasing engagement with university staff in China and offering different interaction opportunities with students to ensure strong levels of engagement. This maintained achievement rates within those student groups.

The College has built up a network of international partnerships with an increasing number of well-established educational establishments in China and Japan with newer partnerships being developed in India, North America and SE Asian markets which is being supplemented by a number of overseas agents. These relationships have been maintained throughout the pandemic to ensure that these can be further developed once health and travel restrictions are lifted.

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We continue to successfully retain our Student Recruitment licence through UK Visas and Immigration. It is expected that the reintroduction of the Post Study Work visa will generate interest from previously dormant markets for international student recruitment.

A large proportion of AST's income comes from overseas students and overseas sites. For those students that travel to Perth to study there are continued challenges being faced as a result of the Covid-19 lockdown. However, it is not expected that there will be a long-term impact on the ability of these students to travel to Perth.

For students where AST staff travel to deliver courses, or for second sites, the ability to travel has been severely curtailed but this is also not expected to represent a long-term issue.

As an ancillary supplier to the airline industry, AST will be reliant on the recovery of that industry. Different industry bodies, from airlines to manufacturers are forecasting different pace of recovery. To a certain extent, AST is shielded from this because it takes a number of years to fully train an aircraft engineer and due to this lead time it can be expected that demand for training should reflect the labour market that is forecast for a future period.

d. Income

In addition to the risks noted above there are further income risks to consider.

SFC funding allocations to colleges have been flat over the last few years (with the exception of increased allocations to cover national bargaining and pensions). Furthermore, overall funding reductions of an estimated 4% per annum had been planned for future years although early indications are that the College sector will receive an additional 5.6% in 2021/22 as a result of Covid-19 pressures. However, details are not yet clear and likely to focus on additional activity rather than any increases in the per credit fee.

The College developed various non-SFC funded income streams over a number of years which had reduced our reliance on SFC funding to 59% in 18/19. However, Covid-19 reduced these income streams by £2.2m between 18/19 and 19/20. It could take some time for the College to recover this level of income. Areas impacted include AST, ASW, Nursery, Residences and Canteen. Many of these areas recorded a deficit in 19/20.

e. Financial Sustainability

The risks highlighted above will make Financial recovery very challenging.

In 20/21 cash will come under significant pressure and the College's current forecast may require the College to draw down cash (relating to FE funding for future years) in advance from the SFC. This would defer the cash pressure on the College into future years.

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The risks above highlight that income will continue to be lower than prior years while economies recover from Covid-19. With cash also under pressure it will be difficult to develop new income opportunities. During this period, we expect staff costs to increase in line with National bargaining and staff moving through the pay scale.

All of the risks and uncertainties above will mean that the steps we have to take to ensure sustainability will likely have an impact on our core mission as a College. In the absence of a real funding increase it will be extremely challenging for the College to return to a breakeven position in the short or medium term as a result of the impact of the pandemic on key financial strategies. This will impact the student experience in relation to staff ratios per student and on the range of courses the College can offer.

However, we are not alone, these financial risks have been highlighted on a sector wide basis by Audit Scotland – Scotland's Colleges 2019 Report published in June 2019 and this has been exacerbated by the adverse financial impact of Covid-19 on the College.

The College is planning to mitigate these future financial risks in a number of ways:

- The College curriculum was reviewed during 2019/20 to ensure it continues to deliver an excellent student experience while continually adapting to regional and national labour market needs;
- A further adaptation to delivery approaches have been implemented in year to accelerate updated online and distance learning methods to maintain continuity during Covid-19. Many of these approaches are providing opportunities for longer term efficiencies as well as in supporting the College to capitalise upon new and diverse opportunities to create new or replacement income streams;
- Introducing process improvement approaches across the College to seek to drive further efficiencies;
- Working across the UHI partnership and with other regional partners to identify opportunities for shared service delivery;
- Engaging with staff and trade unions regarding efficiencies to ensure the College can achieve a balanced budget for current and future years; and
- Post Covid-19, increasing the proportion of non-government income to counter the College's increased cost base will be necessary. Widening and deepening relationships with regional businesses to generate commercial income streams will be crucial for the longer-term sustainability of the College.
- The College's International and Business Development Strategies have focussed on the retention of existing customers by providing support and reassurance during lockdown as possible to ensure relationships are maintained until those businesses and international university partners can re-engage to further develop a longer-term strategic relationship with the College.

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- Delivery of all international and commercial training was refocused online where possible to ensure continuity of service for our partners, staff and students.
- Government sources of Covid-19 funding have been accessed where appropriate and will be offered to Perth College customers.
- Reviewing all non-core and surplus assets and evaluating alternative options for generating cash.

Performance Analysis

The following key performance measures were reported in the Board of Management's final report on the College's performance for the academic year 2019/20 with a comparison against 2018/19:

Key Performance Measure	2019/20	2018/19	Movement
HE Recruitment FTEs	1,927.7	1,986.4	Down by 58.7 credits
FE Recruitment Credits	24,688	24,627	Up by 61 Credits
NSS Overall Satisfaction	81%	85%	Down 4%
SSES Overall Satisfaction	N/A	94.8%	
Positive Destinations - FE	86%	84%	Up by 2%
National Student Survey Result: My time at college has helped me develop skills for the workplace	N/A	91.7%	Question not asked
Staff turnover	28%	15.4%	Up by 12.6%
Staff absences days per head	7.8	5.19	Up by 2.61 days
Staff CPD days per employee	7.6	5.3	Better by 2.3 days
Percentage of permanent teaching staff with Teaching Qualification in Further Education (TQFE)	61%	84%	Down by 23%
Number of staff delivering papers to conferences	8	19	Down by 11 papers
No of staff publications	10	8	up by 2 publications

During the year ended 31 July 2020, significant work has been undertaken to improve the information held in the College's HR system. As a result, staff on fixed term contracts that ended at the end of the academic year were cleansed from the data. Inactive hourly paid staff were also removed from the HR system. As a result of this data cleanse, the staff

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turnover figure shown above has increased significantly in the year ended 31 July 2020. It is expected to return to a more consistent figure next year.

The increased trend in staff absences was monitored throughout the year and it was identified early in the year that absence levels would be more likely to be comparable to 2017/2018. Figures have been impacted by a number of staff on long term sickness absence, then the Covid-19 lockdown and an increasing number of staff reporting mental health related absences.

The reduction in staff with TQFE is related to a financial sustainability decision taken by senior management to defer the qualification for a period of 12 months.

The number of staff delivering papers at conferences has reduced as a result of Covid-19 travel and event restrictions.

Financial Results

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 2019 (“SORP”): ‘Accounting for Further and Higher Education’; the Financial Reporting Standards FRS 102 and the 2019/20 Government Financial Reporting Manual (FReM) and in accordance with applicable Accounting Standards.

They conform to the 2019/20 Accounts Direction for Scotland’s Colleges (“the 2019/20 Accounts Direction”) and other guidance issued by the SFC.

Perth College has achieved an operating deficit of £2m (2018/19 a deficit of £0.2m) for the year ended 31 July 2020. This is an adverse variance compared to prior year.

	Year ended 31 July 2020	Year ended 31 July 2019
	£'000	£'000
Operating deficit	(2,028)	(243)
Variance from prior year	(1,785)	1,207
Adjusted operating position	(642)	1,274
Variance from prior year	(1,916)	1,273

Perth College had already prepared budgets suggesting that financial performance in the year ended 31 July 2020 would fall behind prior year, leading to an increased deficit, due to the ever-increasing financial pressures and this was significantly impacted by the Covid-19 lockdown which resulted in significant loss of income in key areas with limited ability to reduce costs in those same areas. Perth College was able to make use of the Coronavirus Job Retention Scheme to mitigate some of these losses but that did not have a material impact that would have allowed it to meet its budgeted financial performance.

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The College recognises the risks posed by an increasing cost base, particularly staff costs, against changing demand and reduced central funding.

The current operating and funding model in place across the UHI partnership places a material risk on financial sustainability. The complexities of delivery across the region and accounting for this create a sizeable challenge in terms of efficient delivery and management.

Financial Performance

Our goal is to optimise financial stability through innovative and careful management. Every effort will be made to maximise the efficient and effective use of funds to support the academic aims and objectives of the College within the constraints of central government accounting rules. Scottish Government budgeting and accounting requirements require the College to at least break even on both an operational and resource basis in each fiscal year and to minimise cash balances.

The following table gives a summary of key financial and other operating ratios:

	2019/20	2018/19 (restated)
Operating Surplus/Deficit as % of Total Income	(7.99%)	(0.88%)
Non SFC Income as % of Total Income	35.55%	40.75%
Current Assets: Current Liabilities	0.85	1.01
Staff Costs as a % of Total Income	80.64%	70.08%
Ratio of days cash to total expenditure	21.2 days	37.5 days
Trade creditor days	19 days	30 days

There has been a deterioration in a number of ratios set out above. This is primarily due to the substantial reduction of the College's commercial income during lockdown without at the same time receiving the benefit of an equivalent reduction in expenditure.

This is demonstrated by the fact that the College's SFC income has remained consistent and so the percentage of that income as a percentage of total income has increased.

The primary areas where the College has seen a loss of income is the catering provision, ASW, international teaching, education contracts and other commercial teaching which equates to a loss of income of approximately £1,071,000 with little associated reduction in expenditure. Furthermore, the College Subsidiary, AST, suffered a loss of £6,773 in 2019/20 compared to a profit of £226,000 in the year ended 31 July 2019.

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Following their reclassification as central government bodies from 1 April 2014, colleges are also required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities. The College's spend of its cash budget for priorities, and the impact on the operating position for the academic year, is set out in the tables below.

Table of cash budget for priorities spend	2019/20 £'000	2018/19 £'000
Revenue Priorities		
2015-16 pay award	117	117
Estates capital development	298	-
Total impact on operating position	414	117
Capital Priorities		
Loan repayments	-	300
Unfunded pension payments	114	112
Total Capital	114	412
Total cash budget for priorities spend	529	529

The Statement of Comprehensive Income ("SOCl") presents the financial performance during the accounting period in accordance with the SORP.

The Adjusted Operating Position ("AOP") is intended to reflect the underlying operating performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the institution.

The AOP is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the institution. All adjustments should be cross-referenced to the relevant note in the financial statements.

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The adjusted operating position of Perth College, as set out below, has deteriorated from a surplus of £1.3m to a deficit of £0.6m. The reasons for this are discussed in more detail in the Financial Performance section.

Adjusted Operating Position	2019/20	2018/19
	£000	£000
Surplus/(deficit) before other gains and losses	(2,025)	(243)
Add Back:		
Depreciation - net of deferred capital grant release (Note 1)	490	855
Pension adjustment – Net Service Cost (Note 2)	897	1,010
Pension adjustment – Net Interest Cost (Note 3)	110	64
Deduct:		
CBP allocated to loan repayments and other capital items (Note 4)	(114)	(412)
Adjusted Operating Surplus/(Deficit)	(642)	1,274

Note 1: Depreciation does not have an immediate cash impact on the institution and, in any case, capital expenditure will largely be funded by government or ALF grants so the charge is taken out.

Note 2: The adjustments to the pensions charge represent the net service cost (i.e. 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.

Note 4: Cash Budget for Priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted. Loan repayments should only be adjusted where CBP has been used to fund them.

Treasury Policies and Objectives

The College has a separate treasury management policy in place and defines treasury management as the management of the organisation's cash flows, its banking and investment transactions; the effective control of the risks associated with those activities, and the pursuit of optimum performance consistent with those risks.

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Cash Flows and Liquidity

As set out in the table of key financial ratios above, the College maintained a positive cash flow during the year and also repaid its loan. At 31 July 2020 the liquidity and cash flow ratios are:

	2019/20	2018/19 (restated)
Liquidity (Current assets ÷ Current liabilities)	0.86	1.01
Days cash to total expenditure	21.2 days	37.5 days

Payment Performance

The College has a policy of paying its suppliers within 30 days of invoice unless other separate terms are in place, and excluding invoices held in dispute. Creditor days (trade creditors divided by other operating expenditure) 19 days (2018/19; 30 days).

No interest was paid under the Late Payment of Commercial Debts (Interest) Act 1998.

Estates Strategy

The College continued to monitor and maintain the estate in line with the College's Strategic Plan 2016-21. In year ended 31 July 2020 Perth College continued to develop and improve its energy efficiency by carrying out upgrades to our mechanical and electrical equipment, such as boiler replacements and LED lighting, thus continuing to reduce our carbon footprint.

As the current strategic plan is coming to an end the Estates function is carrying out a review to develop a forward strategy to ensure that the estate is fit for purpose in the 21st century. As part of this, future developments within the College estates programme include:

- Continuing to find ways to improve our carbon footprint.
- The development of the Perth based element of the Aviation Academy for Scotland on the College's Crieff Road Campus;
- Expansion and enhancement of the Academy of Sport and Wellbeing facilities to capitalise upon the increasing membership of the gym, sports facilities and climbing wall. These developments will be funded through sponsorship and donations raised through the College's Development Trust and Committee;
- The development of a mezzanine floor within the Construction workshops to capitalise upon a growth in demand for skills in this discipline;
- Improving and re-purposing existing facilities to provide an integrated approach to the development and delivery of curriculum, research and wider stakeholder engagement

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within all areas, Examples include the delivery of a Sports Injury Clinic as well as a Beauty Therapy service, both run as student enterprises.

A key future industry development project is the Aviation Academy for Scotland, supported by the Tay Cities Deal. This is an industry partnership focussing on addressing the growth demand for skills required within the Aviation industry. The project is led by Perth College UHI in partnership with Tayside Aviation and Air Service Training. Should this project proceed from its current Outline Business Case stage towards being funded through the Tay Cities Deal, this capital investment of £5.96 million would be received, over a number of years, from 2021/22.

Non-Financial Issues

Human Rights

The College has published a Slavery and Human Trafficking Policy Statement as required by the Modern Slavery Act 2015. This statement is reviewed annually and the actions from it implemented in all purchasing activity by requiring all new suppliers to confirm that they have “effective procedures in place to comply with the Modern Slavery Act 2015” before any transaction can take place.

Details of our requirements have been incorporated into the College’s Standard Terms and Conditions upon which all purchase orders and local contracts are based. These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as Advance Procurement for Universities and Colleges (“APUC”), Scottish Procurement and Crown Commercial Service (“CCS”).

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

As a Scottish Living Wage Foundation accredited employer we also endeavour that all on-site contractors are paid at least the Real Living Wage, as set annually by the Living Wage Foundation. This has also applied to our catering contract.

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

Anti-Corruption and Bribery Matters

For regulated procurement, all suppliers are required to confirm that they are “in full compliance with and support the Bribery Act 2010” before any transaction can take place. Details of our anti-corruption requirements are stated in the College’s Standard Terms and Conditions upon which all purchase orders and local contracts are based.

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These requirements are also included in the many frameworks we utilise, awarded by centres of expertise such as Advance Procurement for Universities and Colleges (“APUC”), Scottish Procurement and Crown Commercial Service (“CCS”).

The College has a Fraud Prevention Policy and Response Plan which is included in our review plan and clearly details the requirements for staff members to adhere to as well as advising on how to report suspected breaches.

Perth College also participates in the National Fraud Initiative and has recently submitted datasets for the 20/21 Exercise. Results of this exercise will be reviewed when provided.

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

We acknowledge the weaknesses arising from our use of the purchase order system and have already implemented improvements to the process. In spite of these weaknesses the finance processes still require approval limits and segregation of duties which mitigate the risks as described above.

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

Climate Change (Scotland) Act 2009

One of the College’s Strategic priorities within its Regional Outcome Agreement is to deliver against the SFC National Performance Measures reduction in our gross carbon footprint. The College has reduced its carbon emissions from 1,864 tonnes of carbon dioxide equivalent (“tCO₂e”) in 2015/16 to 1,205 tCO₂e in 2019/20. The closure of the College campuses for a period of 12 weeks as a result of Covid-19 will have contributed in a small way towards that saving.

In addition, investment has been made in carbon and energy use monitoring, waste management monitoring, increasing environmental awareness with staff and students and engaging with stakeholders on sustainable development initiatives. During 2019/20, examples have included:

- Investment in electric vehicles on campus;
- Installation of more energy efficiency services including LED Lighting, energy efficient boilers and waste minimisation efforts;
- The College engaged a Cycling Officer via funding from Cycling Scotland in 2019 to promote active travel and cycling awareness across the sustainable travel agenda;
- The College was shortlisted for two sustainability EAUC Green Gown Awards in 2019 with activities relating to the Sports and Fitness department. The projects were

Perth College – for the year ended 31 July 2020

"Increasing employability in outdoor activities", and "Intergenerational Physical Activity in Care Homes";

- The College's Highlands and Islands Students Association ("HISA") participated in Green Week in September 2019 and in Climate Week in October 2019 with various activities e.g. litter picking, and climate awareness raising;
- The College influences emissions beyond its corporate boundaries through educating its students and staff in sustainability and climate change issues. Education on sustainability issues is included within the curriculum.

The College also confirms compliance with the Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009 which sets out the required content for the report to Scottish Government.

The College has reported every year since the 2015 Schedule became active, including the initial voluntary year in 2015/16. Perth College UHI is also an active participant in the Environmental Association of Universities and Colleges (EAUC).

Reputation

The College has a good reputation locally, nationally and internationally. Maintaining a quality brand is essential for the College's success in attracting students and developing and maintaining external relationships.

The College has invested significantly in developing its reputation nationally with a particular focus on influencing policy and internationally by delivering quality programmes and by broadening the reach and strength of international partnerships.

Stakeholder Relationships

In line with other colleges and universities, the College has many stakeholders.

The College actively engages with Scottish Government ministers, senior civil servants and the SFC both independently and through Colleges Scotland to update progress on delivery against key national priorities as well as influencing future policy. This would include within policy areas of Skills Alignment Strategy, the Learner Journey Review and Developing the Young Workforce.

In order to ensure our curriculum continues to meet current and future regional and national industry needs, continued engagement with Skills Development Scotland and industry bodies across our curriculum teams and directly into businesses. The College's Foundation, Modern and Graduate apprenticeship delivery relies on these strong industry relationships to ensure skills demands are met and delivery compliance is achieved. The College had strong performance in these areas during the year ended 31 July 2020.

The College's relationship with Perth and Kinross Council and its other Tay Cities regional partners through the Tay Cities Deal HE/ FE Forum and the Tay Cities Skills Board, Perth

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Development Board, Perth and Kinross Community Planning Partnership and the Strategic Education Group has been crucial to ensuring the College continues to be well regarded for its influence in economic and social transformation.

This includes the role the College plays in ensuring there are suitable progression routes for all learners from the Senior Phase pathways through to vocational, degree and postgraduate provision.

The College's role as one of the largest partners within UHI ensures that influence impacts the full Highland's region with the range of Networked provision delivered by the College or hosted in Perth campus.

In partnership with our staff, trade unions and HISA, a greater focus on the student experience continues to be extremely important to the College. The external student satisfaction survey results show positive feedback.

Continued investment in this area has been made during 2019/20 to improve student attainment and retention, particularly during Covid-19. This has included greater engagement of class representatives to support all students, particularly with care experienced students and those experiencing anxiety and mental health issues. The investment of additional counsellors from 2019-20 will provide a welcome boost to address the growing demand for these services. Investment from the College in supporting the Digital Poverty agenda of students has enabled continued access to classes and increased connectivity between staff and students during that difficult period.

Alongside this, continued discussions have taken place with Trade Unions to ensure the health and safety and wellbeing of all staff groups. This included those staff working from home as well as those staff undertaking essential on campus services to students. Discussions with Trade Unions in relation to non-filling of vacancies or realigning roles where vacancies arise, as well as the identification of areas for savings within the College's 2020/21 budget.

Equality & Diversity

Equality and Diversity Vision

At Perth College UHI we have a passion for achieving more, a passion to become the most inclusive college in Scotland.

Perth College UHI is currently working towards meeting the following general duties:

- Eliminating discrimination and other unlawful conduct;
- Advancing equality of opportunity.
- Fostering good relations.

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Perth College is also working towards meeting the following organisational equality outcomes:

- The people who manage the college will work with the staff and students to make sure that everyone is treated fairly.
- Staff will be trained to understand about people from different backgrounds and groups and the support they might need.
- The College will get to know their staff and students better by gathering more information about them.
- Students will have the opportunity to get to know people from different backgrounds, will be treated fairly and will be encouraged to be all that they can be.
- Staff will be treated fairly and will have the same chances to be promoted and to learn more about their job.

Equality Reporting

We continue on our journey of ensuring the student and staff experience at the College is excellent. We continue to mainstream equality and diversity into all aspects of our operations and in doing so provide a learning and working environment which is founded on key principles of fairness, opportunities and respect for everyone.

Central to mainstreaming has been the gathering and consideration of further relevant data. This has involved assessing existing available evidence and also considering what other evidence may be available to help us make progress in further meeting the general equality duties.

Reporting on this work will help us to demonstrate to our staff, students and other stakeholders that we are taking steps to further mainstream equality across the organisation and the progress that has been made.

Perth College has complied with its numerous statutory reporting requirements for the year ended 31 July 2020.

Perth College has published two reports (available on our website):

- Integrated mainstreaming, equality outcomes and staff and student profile report of 2019;¹
- an equal pay and occupational segregation report of 2019.²

These reports are intended to fulfil the following purposes for Perth College:

- our core equalities intelligence;

¹ <https://www.perth.uhi.ac.uk/t4-media/one-web/perth/about-us/policies-regulations-and-guidelines/equality-reports/mainstreaming-report-2019.pdf>

² <https://www.perth.uhi.ac.uk/t4-media/one-web/perth/about-us/policies-regulations-and-guidelines/equality-reports/equal-pay-statement-2019.pdf>

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- equalities performance reports; and
- visionary guides for the future to accompany strategic and operational equality plans.

Statutory reporting is required every four years with subsequent reports on progress required two years after publishing of the original four yearly reports. Perth College will new four yearly reports in April 2021 with an update on progress to be published 2 years later.

The four yearly reports published in April 2021 will address equality outcomes, mainstreaming equalities, equal pay and occupational segregation. They will be published alongside a staff and students profile. The associated two yearly progress reports will be published by April 2023.

Disclosure of Information to Auditor

The 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 auditor is unaware; and each 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 auditor is aware of the information.

Senior Team Restructuring

There were a number of changes in the College management team during the year ended 31 July 2019 which caused disruption to some of our control processes. As a result, we identified and disclosed a number of weaknesses within the Governance Statement of the financial statements for the year ended 31 July 2019.

An action plan was developed to address these weaknesses and significant progress has been made against these actions and this progress is required to be reported to the relevant board committees. Further details on the progress that has been made are set out in the Governance report.

Perth College intends to continue to identify and improve areas of weakness by adopting a principal of continuous improvement and working alongside internal and external auditors. As part of this process Perth College has already appointed Iain Wishart as its new Finance Director and member of the Senior Management Team.

Approved by order of the member of the Board of Management on 8 March 2021 and signed on its behalf by:



Dr Margaret Cook
Principal & Chief Executive

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Accountability Report

The Accountability Report has three sections:

- The Remuneration and Staff report;
- The Corporate Governance report; and
- The Parliamentary Accountability report

Remuneration and Staff Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2019/20 Government Financial Reporting Model (FReM) issued by HM Treasury.

The report sets out the remuneration and accrued pension benefits of the Senior Management Team members of the College. Other than the Principal, no other member of the Board is remunerated.

The report also provides information on the number of College employees (including Senior Management Team members) whose total actual remuneration was £60,000 or more. This information is disclosed in salary bandings of £10,000 above £60,000. The following report has been prepared in accordance with the aforementioned Regulations.

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

Remuneration arrangements

Senior Management Team

The Remuneration Committee makes recommendations to the Board of Management on the service arrangements and remuneration of the Principal and determines the service arrangements and remuneration of the other senior post holders.

Perth College – for the year ended 31 July 2020

Remuneration of the Senior Management Team is as set out in Note 8 to the financial statements. In addition, the following table provides details of the remuneration and pension interests of senior management.

Name	Role	12 months ended 31 July 2020			12 months ended 31 July 2019		
		Salary £000	Pension Benefit £000	Total £000	Salary £000	Pension Benefit £000	Total £000
M Cook	Principal	105-110	20-25	130-135	105-110	20-25	130-135
L Cairns	Deputy	75-80	5-10	85-90	75-80	95-100	170-175
C Etri	Associate Principal	65-70	5-10	70-75	60-65	80-85	140-145
V Lynch	VP	75-80	30-35	110-115	75-80	85-90	165-170
I Wishart	Director of Finance	0-5	-	0-5	-	-	-

- I Wishart was appointed on 20 July 2020. Full year equivalent salary would have been £68,000
- Staff members above are enrolled in either the STSS or LGPS pension schemes. These are both defined benefit schemes.
- The pension benefits set out in the table above reflect the change in value of pension for each individual (less contributions paid by the individual). These pension benefits include additional pension accrued within the year, and any changes to the value of pension earned in all previous years as a result of salary increases. The pension amounts were higher in the year to 31 July 2019 due to salary increases related to staff promotions.
- The pension amounts in the table above do not represent the pension contributions paid for the staff listed. The actual amount of pension contribution paid for senior post holders is shown in Note 8 of these financial statements.

Higher Paid Employees

The following table shows the salary bandings of staff above £60k. These numbers do not include Iain Wishart.

Salary Band £000	2019/20 Number of staff	2018/19 Number of staff
60-70	4	5
70-80	2	2
80-90	0	0
100-110	1	1

Perth College – for the year ended 31 July 2020

Compensation for loss of office

Six employees left under compulsory redundancies during the year. In total they received a compensation payment of £53,394. No employees left under voluntary redundancy terms.

One other member of staff left the College as an other agreed departure. The case was discussed with, and approved by, the Regional Strategic body.

The table below summarises the exit packages by cost band.

Exit package cost band	Number of voluntary redundancies	Number of other departures agreed (including any compulsory redundancies)	Total number of exit packages by cost band
<£10,000	-	5	5
£10,000 to £25,000	-	2	2
Total number of exit packages	-	7	7
Total cost (£'000)	-	60	60

Pay Multiples

The College is required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce. During 2019/20, the mid-point of the banded remuneration of the highest paid official was 3.7 times (2018/19; 4.2 times) the median remuneration of the workforce.

	2019/20	2018/19
	£	£
Median Remuneration	28,971	25,460
Mid-Point of Banded Remuneration of Highest Paid Official	108,000	108,000
Pay multiple	3.7	4.2

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Accrued pension benefits

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

Prior to 1 April 2015 both STSS and LGPS were final salary pension schemes. This meant that pension benefits were based on the final year's pay and the number of years that the person had been a member of the scheme. From 1 April 2015 both pension schemes became Career Average Revalued Earnings (CARE) schemes.

A CARE scheme means that pension benefits are now built up using an accrual rate of 1/57th of annual pensionable pay for STSS and 1/49th of annual pensionable pay for LGPS. Benefits built up prior to April 2015 will be protected and continue to be calculated on final pensionable pay.

The scheme's normal retirement age is now linked to the members own State Pension Age.

Contribution rates are set annually for all employees and are based on salary bandings. 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.

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 within the relevant scheme and may not be reflective of their total Local Government service or current appointment.

In considering the accrued pension benefits figures the following contextual information should be taken into account:

- i. 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. accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

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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.

Senior Management Team Pension

Pension benefits are provided to Senior Management Team on the same basis as all other staff. The accrued pension benefits for Senior Management Team members are set out in the table below, together with the pension contributions made by the College:

Name	Accrued pension at pension age at 31 July 2020	Accrued lump sum at pension age at 31 July 2020	Real increase in pension 1 August 2019 to 31 July 2020	Real increase in lump sum 1 August 2019 to 31 July 2020	CETV at 31 July 2019	CETV at 31 July 2020	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
M Cook	5-10	0	0-2.5	0-2.5	58	85	28
L Cairns	25-30	80-85	0-2.5	0-2.5	626	645	18
C Etri	25-30	70-75	0-2.5	0-2.5	582	597	15
V Lynch	25-30	30-35	0-2.5	0-2.5	389	411	22

Gender Split for Perth College Board of Management and Senior Management Team

The table below sets out the gender split of the Board of Management of Perth College based on all members who sat on the board during the year ended 31 July 2020.

Margaret Cook (Principal of Perth College) is the only member of the Senior Management Team who also sits on the Board. As such, Margaret is included in the Gender Split of both the Senior Management Team and Staff Board Members.

Non-Executive Board Members are comprised of Independent and Student members.

Board of Management				Senior Management Team	
Non-Executive Board Members		Staff Board Members			
Male	Female	Male	Female	Male	Female
38%	68%	67%	33%	40%	60%

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Staff Numbers and Costs

The table below sets out for Perth College. The below figures do not include staff costs for the subsidiary, Air Service Training (Engineering) Limited which has 27 employees on permanent contracts. A full breakdown of staff numbers is set out in Note 7 of these accounts.

	2020	2020	2020	2019
	Permanent Staff	Other staff	Total	Total
Wages & Salaries (£'000)	11,217	3,116	14,333	13,614
Social Security Costs (£'000)	970	270	1,240	1,511
Other Pension Costs (£'000)	2,972	826	3,798	3,178
Total staff costs (£'000)	15,159	4,211	19,370	18,303
Average number of FTE	288	80	368	398

Based on headcount, the College employed 293 females (57%) and 210 males (43%) as at 31 July 2020. As explained in relation to Key Performance indicators, there has been a cleanse of the HR data during the year and the removal of fixed term lecturer contracts before calculation of the FTE's figures means that the FTE numbers have reduced by 30. As is shown in Note 7 to these accounts, the reduction relates to academic staff.

Sickness Absence Rates

The following table provides the total sick days lost, average sick days per head and percentage of working time lost for the years ended 31 July 2020 and 2019:

	Year ended 31 July 2020			Year ended 31 July 2019		
	Total sick days	Average sick days per head	% working time lost	Total sick days	Average sick days per head	% working time lost
Total	4,049	7.88	4.95%	2,934	5.19	3.1%

The cumulative sickness absence rates for the College for 2019/2020 have increased compared to the year ended 31 Jul 2019 from 3.1% of working time lost to 4.95% of working time lost. This increase was identified early during the year ended 31 July 2020 and it was felt that the total number of sickness days would be more in line with the year ended 31 July 2018.

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Average sick days per head have improved for academic staff from 4.5 days to 3.46 days but performance has declined for support staff from 5.9 days to 12.65 days.

The increase in average sick days per head is more than was expected. Part of the increase is due to a removal of fixed term staff from the HR System earlier than previously which has resulted in the reduction of the total staff numbers against which the average has been calculated.

Policies in relation to disabled persons

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

<https://www.perth.uhi.ac.uk/about-us/policies-regulations-and-guidelines/equality-diversity-and-inclusion/>

The policy is also implemented through a number of policies and procedures that concern the experience of staff and students. These include:

[Equalities Mainstreaming Report 2019](#)

[Equal Pay Statement 2019](#)

[Gender Action Plan](#)

[Equality Outcomes 2017-2020](#)

[LGBT Charter of Rights](#)

Recruitment and Selection

Perth College strives to be an excellent employer by adopting a principle of diversity and inclusivity in order to attract the highest calibre of staff in pursuance of Perth College's overall Vision and Values.

This principle includes a positive approach towards disability and ensuring that people with disabilities receive the necessary support through the recruitment and selection process. This includes the provision of any additional support required by candidates to ensure fair and equal participation throughout the process.

Applicants are also asked during the recruitment process if they require Perth College to make any reasonable adjustments to support them in the recruitment process giving due regard to their particular aptitudes and abilities.

Perth College also commits to ensuring that vacancies are advertised in a wide variety of digital and other outlets and are worded in such a way as to attract candidates from as wide a cross section of society as possible.

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Professional Development

All employees are encouraged to participate in development activity to develop their qualifications and skills.

Employees are also expected to participate in the Colleges Professional Review Scheme and undertake any staff development and training necessary for the full performance of their duties. The College also provides financial support for a number of employees to undertake qualifications relevant to their roles.

Perth College continues to aim to meet the requirement to ensure a minimum entitlement of six days (pro rata) continuing professional development (CPD) to all employees. This is to be provided in manner which is meaningful to all staff and ensures CPD adds value to the individual, team and Perth College.

Redeployment and Occupational Health

Perth College is committed to ensuring that if employees become disabled during their employment with the College that we look at redeployment and training opportunities to retain their services within the College.

Employees make regular use of the Occupational Health service provided by Perth College through management referrals to allow Perth College, and employees, to make informed decisions about any reasonable adjustments that Perth College may be able to support.

Perth College has also worked with Access to Work to ensure adaptive equipment and training are provided to support employees who have a disability as defined by the Equality Act 2010.

Other employee matters

Equal Pay

The College reaffirms the principle that all members of staff receive equal pay for the same or broadly similar work, for work rated as equivalent and for work of equal value.

The College will ensure that all pay practice applies equally to all staff and is best practice. The College will communicate pay practice to help members of staff develop understanding of how pay is determined; undertake equal pay audits in accordance with any legal obligations; provide guidance and support to managers where they make decisions on pay and benefits for staff; and work within the National Bargaining Framework for colleges in Scotland including implementation of any agreed job evaluation scheme.

During the year support staff roles were being evaluated as part of the National Job Evaluation scheme for Colleges. The outcome has not yet been published.

Perth College – for the year ended 31 July 2020

A number of staff were furloughed during the Covid-19 national lockdown. Perth College continued to pay the salaries of those employees in full during the lockdown period.

Work Life Balance

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

Further, the Covid-19 lockdown and ongoing restrictions have resulted in a large number of employees working from home. This has proved challenging and required additional support from the College in terms of equipment and training to allow employees to work in this way.

The Senior Management team, working with [trade unions and other employee groups] agreed to additional holiday entitlement for all employees during the year.

A number of employees were unable to work during the period of lockdown due to caring responsibilities or had to be furloughed due to not being able to undertake their role from home. Perth College continued to pay these employees their full salary during the relevant period.

There were 22 flexible working requests during the year ended 31 July 2020 and 18 of these requests were agreed to.

Conduct

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

Exit

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

Health and Safety

The Board of Management of Perth College attaches the greatest importance to safeguarding the health, safety and welfare of staff, students, visitors and others who use the premises, and regards the promotion of health and safety measures as a mutual obligation for management and employees at all levels.

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It is the commitment of the College to act within the requirements of the Health and Safety at Work etc Act 1974 and subsequent legislation, and to ensure that the health, safety and welfare of all staff, students, visitors and others who may be affected by our undertakings is safeguarded, so far as it reasonably practicable.

To meet these criteria, the College will:

- Regard legal compliance as the lowest acceptable standard of management with regard to health and safety;
- Identify hazards, assess risks and manage those risks;
- Provide appropriate information, instruction, training and supervision;
- Provide and maintain equipment and a working environment that are, so far as is reasonably practicable, without risks to health and safety;
- Consult with employee representatives on health and safety matters; and
- Provide adequate funding and resources to meet Policy needs.

In order to effectively manage Health and Safety, the College Board of Management devolves policies and procedures through the Principal and Chief Executive to the Senior Management Team, to the Directors and Managers of Curriculum and Professional Services Managers, and their staff, all of whom are responsible for managing Health and Safety.

The College requires that all staff, students and visitors co-operated in regarding safe working as a prime objective, by working within established procedures.

Overall responsibility for the practical implementation of this Policy lies with the College Principal and Chief Executive.

The College holds the Gold Award standard for Healthy Working Lives, evidencing our commitment to our staff.

The College's duty to consult on Health and Safety matters with trade unions and staff is structured through a Health and Safety Committee. The Committee meetings are scheduled four times over the curriculum year. These meetings are chaired by a Head of HR & Organisational Development and made up of the College Management, representatives of each recognised union and staff representatives.

Typical Health and Safety performance topics being discussed would include accident trends, training compliance, inspection reports and issues raised over the period covered.

The Health, Safety and Welfare Advisor ensures there are regular departmental audits with associated actions plans and these are all brought for review to the Health and Safety Committee.

Perth College – for the year ended 31 July 2020

During the year the Senior Management Team reviewed the minimum level of Health and Safety Training required for the Corporate Management Team and employees whose roles have a greater focus on health and safety.

Training plans have been put in place to ensure that all Corporate Management Team members have a minimum level of IOSH Managing Safety training. The implementation of the training plans has been delayed by Covid-19 but will be completed during the year ended 31 July 2021.

Covid-19 has had a significant impact on the importance of Health and Safety procedures. From the start of the Covid-19 outbreak, Perth College formed a Covid-19 response team as part of its pandemic planning needs in the business continuity plan.

The Covid-19 response team group has been meeting weekly to review the actions needed and to ensure effective communication of information. All staff working from home have provided a risk assessment of their home working environment along with a DSE Assessment for those undertaking work online for prolonged periods of time.

During the period that Perth College buildings were closed to employees and students, weekly checks were undertaken on fire alarms, legionella flushing and other critical issues. To enable the partial return to Perth College of employees and students a deep clean was undertaken across the entire Perth College estate.

In all areas where there was a proposed return to campus, team based plus individual risk assessments were undertaken. The risk assessments were undertaken in consultation with the recognised trade unions.

Weekly updates have been issued by the Senior Management Team to ensure effective communication as government guidance developed. On-line training took place to allow staff to undertake individual and team based risk assessments.

Trade Unions

The College recognises two Trade Unions, EIS-FELA and UNISON. The relationships with each are governed by the appropriate Recognition and Procedure Agreements augmented with regular informal discussions with senior staff including the Head of HR & Organisational Development.

The Trade Unions were, during the year ended 31 July 2020, invited to take part in the Audit and F&GP committee of the Board. We are an active member of the Employer's Association to support National Bargaining dialogue, discussion and agreement. All of this highlights our commitment to partnership working and a no surprises relationship based on openness and transparency from management and the recognised Trade Unions.

Perth College – for the year ended 31 July 2020

Trade union officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
9	8.2

Percentage of time spent on facility time

Percentage	Number of employees
0%	
1-50%	9
51-99%	
100%	

Percentage of pay bill spent on facility time

Total cost of facility time:	£17,074
Total pay bill:	£17,599,446
Percentage of the total pay bill spent on facility time:	0.09%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	83%
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Employment Issues

Perth College commits itself to continue to offer opportunities for staff whether this is through training, career development opportunities including secondments and ensuring there is transparency in relation to equal pay and equality of opportunity.

A new Equality, Diversity and Inclusion Advisor was appointed during the year ended 31 July 2018 with a remit to bridge the gap in the area of equality and diversity. Her focus was to ensure all statutory reporting requirements are delivered and this has now been achieved. As a result the focus has now moved to continue ensuring the statutory reporting remains up to date and implementing further improvements.

Perth College – for the year ended 31 July 2020

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

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

Perth College also has a commitment to equality and diversity as demonstrated in the principles adopted by it which are:

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

Perth College also has an Equality, Diversity and Inclusivity Team Committee which monitors progress on equality matters and is a forum for consultation about matters which affect staff and students.

The majority of the Perth College's staff are female (57%) with men representing 43% of the workforce.

The College has a Professional Review process which includes a Career Long Professional Learning (CLPL) element to support the development of both Academic and Professional services staff, and an allocated CPD budget to support other professional development activities. The College has a robust framework of policies and procedures which support the employment lifecycle. These include recruitment, induction, to be family friendly, encourage flexible working, discipline and grievance issues, promote health and wellbeing, absence, capability and exit.

Perth College – for the year ended 31 July 2020

Corporate Governance Report

The purpose of the Corporate Governance report is to explain the composition and organisation of the institution's governance structures and how they support the achievement of institutional objectives.

The Corporate Governance report includes:

- a Directors' Report
- a Statement of Responsibilities of the Members of the Board of Management
- a Governance Statement

Directors Report

The Board of Management

The members who served on the Board of Management during the year and up to the date of signing the financial statements were as follows:

Name	Date of Appointment	Date of Resignation	Status of Appointment	Committees Served
Brian Crichton	15 June 2016 Appointed as Chair 20 August 2018		Independent Member	Chairs' (chair); Finance & General Purposes; Remuneration;
Andrew Comrie	24 September 2018		Independent Member	Academic Affairs; Audit
Jim Crooks*	15 June 2016		Independent Member	Audit (chair);
Sheena Devlin	14 January 2019		Independent Member	Academic Affairs;
Sharon Hammell	15 June 2016	31 July 2020	Independent Member	Air Service Training (Engineering) Limited; Chairs' Engagement (chair);
Deborah Hutchison	1 November 2017		Independent Member	Engagement; Finance and General Purposes
Ann Irvine	15 June 2017		Independent Member	Audit; (Deputised as Chair of Audit for 2 meetings)
David Littlejohn	18 December 2013	30 June 2020	Independent Member	Engagement; Chairs'; Finance & General Purposes (chair); Remuneration (chair)
Lynn Oswald	1 November 2017	07 April 2020	Independent Member	Audit; Engagement
Craig Ritchie	24 September 2018		Independent Member	Air Service Training (Engineering) Limited Finance & General Purposes

Perth College – for the year ended 31 July 2020

Name	Date of Appointment	Date of Resignation	Status of Appointment	Committees Served
Charlie Shentall	15 June 2017		Independent Member	Air Service Training (Engineering) Limited (chair); Chairs'
Anna Zvarikova	1 November 2017	23 December 2019	Independent Member	Audit
John Dare	14 June 2018		Staff Member	Engagement Finance & General Purposes
Declan Gaughan	21 September 2018	13 January 2020	Staff Member	Academic Affairs
Dr Margaret Cook	1 August 2017		Principal and Chief Executive	Academic Affairs (chair); Air Service Training (Engineering) Limited; Chairs'; Engagement; Finance & General Purposes
Amy Studders	1 July 2019	30 June 2020	Student Member	Engagement; Academic Affairs; Finance & General Purposes
Debbie Das Chaudhury	1 July 2019	30 June 2020	Student Member	Audit
Alex Wilson	1 July 2020		Student Member	Engagement; Academic Affairs; Finance & General Purposes
Michaela Asisten	1 July 2020		Student Member	Audit
Heather Cormack	7 August 2020		Independent Member	Finance & General Purposes
Katrina Hodgson	20 August 2019		Independent Member	Engagement (from 17 August 2020); Finance and General Purposes
Fiona Martin	7 August 2020		Independent Member	Audit
Linton Scarborough	7 August 2020		Independent Member	Air Service Training (Engineering) Limited; Finance & General Purposes
Graham Watson	7 August 2020		Independent Member	Audit
Patrick O'Donnell	10 November 2020		Staff Member	Academic Affairs

* leave of absence from Board duties taken from December 2019 to June 2020

Perth College – for the year ended 31 July 2020

Board Member – Committee Attendance

Name	Board	Academic Affairs	AST	Audit	Chairs	Engagement	F&GP
Brian Crichton	6/6				4/4		5/5
Andrew Comrie	5/6	2/3		4/5			
Jim Crooks	2/6			1/5	1/2		
Sheena Devlin	5/6	1/3					
Sharon Hammell	4/6		3/7		4/4	4/4	
Deborah Hutchison	6/6					3/4	4/5
Katrina Hodgson	4/6						5/5
Ann Irvine	4/6			5/5	2/2		
David Littlejohn	3/5				3/4	3/4	5/5
Lynn Oswald	1/4			4/5		3/3	
Craig Ritchie	4/6		7/7				5/5
Charlie Shentall	6/6		7/7		3/4		
Anna Zvarikova	1/2			2/2			
John Dare	6/6					3 / 4	2/3
Declan Gaughan	2/2	0/1					
Amy Studders	4/5	0/3				2/4	0/4
Debbie Das Chaudhury	5/5			3/4			
Margaret Cook	6/6	3/3	7/7		4/4	4/4	4/5
Alex Wilson	1/1						
Michaela Asisten	1/1						

Perth College – for the year ended 31 July 2020

It is the Board of Management's responsibility to bring independent judgement to bear on issues of strategy, performance, resources and standards of conduct. The Board of Management complies with the internal control guidance published by the Turnbull Committee and the good practice in the Guide for Board Members in the College Sector 2015 issued by Scotland's Colleges.

The Board of Management is provided with regular information on the overall financial performance of the College together with other information such as performance against funding targets, proposed capital expenditure, quality matters and personnel-related matters such as health and safety and environmental issues. The Board of Management meets at least four times a year.

Full minutes of all Board and Board sub-Committee meetings, except those deemed to be confidential by the Board, are available on the College website or from the Clerk to the Board at:

Perth College UHI
Crieff Road
Perth PH1 2NX

Register of Members Interest

The Clerk to the Board maintains a register of financial and personal interests of the Board members and Senior Management Team. The Register is available for inspection at the above address or on the College website:

<https://www.perth.uhi.ac.uk/about-us/college-management-structure/meet-the-board/register-of-interests/>

All Board members are able to take independent professional advice in furtherance of their duties at the College's expense and have access to an independent Clerk, who is responsible to the Board for ensuring that all applicable procedures and regulations are complied with. The appointment, evaluation and removal of the Clerk are matters for the Board as a whole.

Formal agendas, papers and reports are supplied to Board members in a timely manner, prior to meetings. Briefings are also provided on an ad hoc basis.

The Board of Management has a strong and independent non-executive element and no individual or group dominates its decision-making process. The Board of Management considers that each of its non-executive members is independent of management and free from any business or other relationship which could materially interfere with the exercise of independent judgment.

Board members are required to self-evaluate collectively as Board and as individually as Board members. The self-evaluation process includes consideration of the performance of the Chair and individual Committee Chairs and of the collective effectiveness of the Board of Management, and individual reflection on their adherence to the Nine Principles' of Public Life.

Perth College – for the year ended 31 July 2020

There is a clear division of responsibility in that the roles of the Chair and Principal are separate.

Information Management

There were no significant data breaches during the year.

Appointments to the Board of Management

From 1 August 2014, the authority for appointments to the Board of Management of Perth College resides with the University of the Highlands and Islands and must be made in accordance with Ministerial Guidance on Board Appointments.

The Board of Management ensures that a process is in place to provide appropriate induction training to new Board of Management members and new Board members are expected to undertake induction training.

Members of the Board of Management are appointed for an initial term of office not exceeding four years and may be reappointed.

Perth College – for the year ended 31 July 2020

Statement of Responsibilities of the Members of the Board of Management

The Board of Management are required to present audited financial statements for each financial year.

In accordance with the Further and Higher Education (Scotland) Act 1992 the Board of Management 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 Management is responsible for ensuring that proper accounting records are maintained 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 Further and Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the relevant Government Financial Reporting Model (FReM) and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the SFC and the College's Board of Management, the Board, through its Chief Executive, the 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.

In preparing the financial statements, the Board of Management is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on a going concern basis, unless it is inappropriate to presume that the College will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future and for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- ensure that funds from the SFC, including those derived through the Regional Strategic Board, are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council 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; and
- secure the economical, efficient and effective management of the College's resources and expenditure.

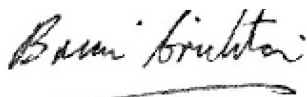
Perth College – for the year ended 31 July 2020

The key elements of the College's system of internal financial control, which is designed to discharge the responsibilities set out above, include the following:

- clear definitions of the responsibilities of, and the authority delegated to, heads of academic and administrative areas;
- a comprehensive medium and short-term planning process, supplemented by detailed annual income, expenditure, capital and cash flow budgets;
- regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns;
- 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 of Management;
- Financial Regulations, detailing financial controls and procedures, approved by the Audit Committee and the Finance Committee. In line with future improvements these need to be reviewed; and
- a professional Internal Audit team whose annual programme is approved by the Audit Committee and endorsed by the Board of Management, and whose head provides the Board of Management with a report on internal audit activity within the College and an opinion on the adequacy and effectiveness of the College's system of internal control, including internal financial control.

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

Approved by order of the member of the Board of Management on 8 March 2021 and signed on its behalf by:



Dr Brian Crichton
Chair

Perth College – for the year ended 31 July 2020

Governance Statement

Statement of Corporate Governance and Internal Control

Perth College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the year ended 31 July 2020.

From 1 August 2014, Perth College was assigned to the University of the Highlands and Islands (UHI) as its Regional Strategic Body (RSB) and the provisions of the Post-16 Education (Scotland) Act 2013 commenced for the College. As an assigned college, the Board is accountable to the RSB.

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

The Board conducts its business through a number of committees. Each committee has formally constituted terms of reference. These committees include:

- Audit Committee;
- Finance and General Purposes Committee;
- Remuneration Committee.
- Academic Affairs Committee;
- Engagement Committee; and
- Chairs' Committee.

In addition, the Board of Management holds development planning days and training evenings during the course of the year for the purposes of training, self-evaluation and development. The Board is supported by an Independent Clerk.

Audit Committee

The Audit Committee comprises at least four non-executive members of the Board of Management (excluding the Principal and Chair). The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Audit Committee meets four times a year and provides a forum for reporting by the College's external and internal auditors, who have access to the Committee for independent discussion, without the presence of College management.

The Audit Committee advises the College on the appointment of the internal auditor and the auditor's remuneration. The Audit Committee establishes the College's risk tolerance and monitors risk.

The College's internal auditor monitors the systems of internal control, risk management controls and governance processes in accordance with an agreed plan of input. They report their findings to management and the Audit Committee.

Perth College – for the year ended 31 July 2020

Management is responsible for the implementation of agreed audit recommendations and the internal auditor undertakes periodic follow-up reviews which are reported to the Audit Committee to ensure such recommendations have been implemented.

The Audit Committee considers detailed reports together with recommendations for the improvement of the College's systems of internal control and management's responses and implementation plans. It also receives and considers reports from the SFC and Audit Scotland as they affect the College's business and monitors adherence to the regulatory requirements.

Finance and General Purposes Committee (“the Finance Committee”)

The Finance Committee comprises four non-executive members of the Board of Management and the Principal. The Committee operates in accordance with written terms of reference approved by the Board of Management.

The Finance Committee meets at least four times a year and, among other matters, recommends to the Board of Management the College's annual revenue and capital budgets and monitors performance in relation to approved budgets.

The Finance Committee monitors the College's financial and business perspectives. It approves all key financial decisions, approves the annual budget, considers the financial statements and recommends for approval, oversees the system of financial control and delegated authority. It also considers any other matters relevant to the financial duties of the Board including estates strategy.

Remuneration Committee

The Remuneration Committee comprises of the Chair, the Vice Chair and the Chair of each of the Standing Committees. The committee is responsible for making recommendations to the Board on the remuneration and benefits of the Principal and Senior Management Team.

The details of the remuneration of senior post-holders for the year ended 31 July 2020 are set out in Note 8 of these Financial Statements.

Corporate Strategy

The Board of Management is responsible for the overall strategic development of the College and is the guardian of its vision and values. Strategic development takes place annually with the Board of Management and College Senior Management Team at a full day to consider strategic direction and challenges. This is supported by horizon scanning and futures work and has led to the development of strategic plans underpinned by operational plans. Progress against the agreed strategic priorities in the plan is monitored through a balanced scorecard approach by the appropriate Board committees on a regular basis.

Perth College – for the year ended 31 July 2020

Scope of Responsibility

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

The Board of Management has delegated the day-to-day responsibility to the Principal, as Chief Executive Officer, for maintaining a sound system of internal control that supports the achievement of the College's policies, aims and objectives, whilst safeguarding the public funds and assets of Perth College including those derived from the Regional Strategic Body. The Principal is also responsible for reporting to the Board of Management any material weaknesses or breakdowns in internal control.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Perth College for the year ended 31 July 2020 and up to the date of approval of the annual report and financial statements.

Impact of Covid-19 on Internal Control

The college has faced challenges due to the loss of face to face meetings as a result of Covid-19. However due to the swift roll out of video meeting software staff and members have been able to continue their work effectively.

As a result all board meetings (and sub committees) of the College and AST have been able to continue with a reasonable element of normality.

Further, the College and AST have been able to meet the internal and external audit needs whilst working remotely. This relates not just to the overall internal and external audits but also to the audit of such areas as research claims and student funding claims. Whilst there have been some delays to being able to sign off on such areas, these have still been completed within a reasonable timeframe.

Lastly, staff have adapted with resilience to the need to continue have the meetings remotely that they would have in the normal course of business. This included being able to move from a system of paper-based approvals of purchases to an electronic process.

Principal Risks and Uncertainties

The College's Board of Management is ultimately responsible for the College's system of internal control and for reviewing its effectiveness. Such a system is designed to manage

Perth College – for the year ended 31 July 2020

rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Senior Management Team monitors key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms embedded within the operational units and reinforced by risk awareness in operational planning.

The Senior Management Team and the Audit Committee also receive regular reports from Internal Audit and Health, Safety and Environmental monitoring functions that include recommendations for improvement. Internal Audit concentrates on areas of key activities determined by a risk analysis and in accordance with the annual internal audit plan approved and amended by the Audit Committee.

The internal auditor has direct access to the Chair of the Audit Committee and issues an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

The Audit Committee considers risk at each Committee Meeting and receives a copy of the College Strategic Risk Register which is updated quarterly by the College Senior Management Team.

The Board of Management receive reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2020 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and accords with the Turnbull guidance on internal control, as applicable to the further education sector.

The Risk and Control Framework

The system of internal control is based on a framework of regular management information, administrative procedures including the segregation of duties, and a system of delegation and accountability. In particular, it includes:

- Comprehensive budgeting systems with an annual budget, which is reviewed and agreed by the Board of Management;
- Regular reviews by the Board of Management of periodic and annual financial reports which indicate financial performance against forecasts;
- Setting targets to measure financial and other performance;
- Clearly defined capital investment control guidelines; and
- The adoption of formal project management disciplines, where appropriate.

Perth College appoints an Internal Audit Service, which operates in accordance with the requirements of the SFC's mandatory requirements.

Perth College – for the year ended 31 July 2020

The work of the Internal Audit Service is informed by an analysis of the risks to which the College is exposed, and internal audit plans are based on this analysis.

The analysis of risks and the internal audit plans are endorsed by the Board of Management on the recommendation of the Audit Committee.

The Internal Auditor provides the Audit Committee with a report on internal audit activity within the College. These reports include the Internal Auditor's independent opinion on the adequacy and effectiveness of the College's system of risk management, controls and governance processes.

The internal auditor has direct access to the Chair of the Audit Committee and issues an annual report with an opinion of the adequacy, reliability and effectiveness of the College's internal control system.

Perth College's Internal Auditors gave the following opinion in their Annual Report to the Board of Management and Principal on the Provision of Internal Audit Services for 2019/20 (the Internal Audit Report).

“In our opinion, with the exception of the issues highlighted in paragraphs 1.11 to 1.15 above, the College has adequate and effective arrangements for risk management, control and governance. Proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2019/20 and in prior years”.

We summarise, below, the control issues and weaknesses which are set out in the table below. An action plan is in place to address all areas of concern:

- Payroll – Pension Contributions. These errors were identified by the College in January 2019 and were addressed.
- Health and Safety - Compliance has improved during the year with further improvement being required and monitored.
- Procurement - Use of Purchase Orders continues to improve with further focus on compliance.
- AST Financial Controls- This has been marked for review by both AST and College Boards.
- There were no other major internal control weaknesses identified. In general, procedures were operating well in the areas selected, but several areas for further strengthening were identified and action plans have been agreed to address these issues.

The Internal Audit report found that the College has made good progress in implementing the recommendations followed-up as part of this review with 22 (76%) of the 29 recommendations fully implemented by their completion date. A further seven (24%) of

Perth College – for the year ended 31 July 2020

recommendations were assessed as 'partially implemented'. A further three recommendations were not due for completion at the time of the Internal Audit Report our review. This is a significant improvement on the position reported in the 2018/19 Annual Internal Audit Report.

Review of Effectiveness

As Accounting Officer, the Principal has responsibility for reviewing the effectiveness of the system of internal control. Her review of the effectiveness of the system of internal control is informed by:

- The work of the internal auditor.
- The work of the executive managers within the College who have responsibility for the development and maintenance of the internal control framework.
- The comments made by the College's external auditor in their management letters and other reports.

The Board of Management has been advised on the implications of the review of the effectiveness of internal control by the Audit Committee, which oversees the work of the internal auditor.

The Senior Management Team receives reports setting out key performance and risk indicators and considers possible control issues brought to their attention by early warning mechanisms, which are embedded within the departments.

The Senior Management Team and the Audit Committee also receive regular reports from internal audit, which include recommendations for improvement. The Audit Committee's role in this area is confined to a high-level review of the arrangements for internal control.

The Audit Committee considers risk at each Committee meeting and receives a copy of the College Strategic Risk Register which is updated quarterly by the College Senior Management Team. The Board of Management receives reports thereon from the Audit Committee, the emphasis being on obtaining the relevant degree of assurance and not merely reporting by exception.

At its 14 December 2020 meeting, the Board of Management carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Management Team and internal auditor and taking account of events since 31 July 2019.

Significant Control Issues/Weaknesses

A number of significant control failings or weaknesses were identified in the year ending 31 July 2019 and were addressed during 2019/20. The areas are identified in the table below and the action plan has been monitored by the Audit Committee to ensure that each issue was addressed as a matter of urgency.

Perth College – for the year ended 31 July 2020

Area	Issue identified in 2018/19	Update on Status
Payroll	During the year ended 31 July 2019, Perth College identified the underpayment of National Insurance contributions.	<p>The College has rectified the anomalies and has worked with impacted staff.</p> <p>This was voluntarily disclosed to HMRC and that disclosure has been settled. A second disclosure was made to cover the tax year that had not ended at the time of the first disclosure. This is currently with HMRC for consideration. The amount of this disclosure is provided for in the financial statements.</p>
Payroll	During the year ended 31 July 2019, the potential underpayment of pension contributions was identified in the payroll system.	<p>The last three years were investigated and found to be very low in value.</p> <p>The three years prior to that are still being investigated but findings of low value are expected.</p> <p>Resolution of any remaining errors will be discussed with affected employees and the pension scheme.</p>
Procurement	During the year ended 31 July 2019, Perth College identified a number of procurement weaknesses in relation to tendering of contracts and the use of Purchase orders.	<p>A revised Procurement Strategy and Policy were approved at the Board of Management on 18 March 2020.</p> <p>Non-compliant contracts have been identified by APUC and are being retendered. This process is being slowed by the Covid-19 and is ongoing.</p> <p>Perth College continues to work with APUC to ensure best practice is followed at all times.</p> <p>The use of Purchase orders for all purchasing has been implemented as mandatory. Compliance and progress are being monitored and reported.</p>
Deferred Income	During the year ended 31 July 2019, Perth College identified that record keeping and communication across departments has been ineffective. In some cases this had led to errors in accounting for the release of income.	There has been greater communication with departments around income reporting during the year and this has now been extended to having a specific job holder to deal with income and set procedures around income reporting. Further work continues throughout 20/21.

Perth College – for the year ended 31 July 2020

Area	Issue identified in 2018/19	Update on Status
<p>Code of Governance for Scotland's Colleges</p>	<p>As part of its self-assessment during the year ended 31 July 2019, Perth College noted that it had not fully complied with all aspects of the 2016 Code of Good Governance for Scottish Colleges.</p>	<p>Complete - The College has implemented a Code of Good Governance checklist to ensure compliance with all aspects of the Code of Good College Governance.</p> <p>This checklist is provided the Board of Management for discussion and to ensure adequate evidence is maintained to support the assessment of continued compliance. The checklist was first presented to the board in May 2020 and was subsequently scrutinised by other sub-committees before being brought to the board.</p> <p>In the opinion of the Board of Management, the College continues to comply with the provisions of the 2016 Code of Good Governance for Scotland's Colleges.</p>
<p>Financial reporting</p>	<p>During the year ended 31 July 2019 the Board noted weaknesses in the timely provision of key financial information, including future financial forecasts, which prevented them from fully discharging their responsibilities</p>	<p>The College appointed a Finance Director in July 2020.</p> <p>Management accounts were provided on a timely basis for both Perth College and its subsidiary throughout 19/20.</p> <p>Further, work has now started to improve the finance reporting structure to align it with Perth College's strategic vision. This will ensure higher quality financial and other information will be available to management and the Board which matches the need of Perth College and its subsidiary.</p>

Perth College – for the year ended 31 July 2020

In the year ending 31 July 2020, a number of control weaknesses were identified as requiring action during 2020/21. The areas are identified in the table below and will be monitored in an action plan reported through the Audit Committee.

Area	Issue	Action
Payroll	Incorrect calculation of employer and Employee pension contributions	Resolved with further testing during 2020/21
Health and Safety	Incomplete levels of mandatory training undertaken by staff as well as risk assessments without signatures or dates with insufficient evidence of follow up reviews.	Progress will be monitored within action plan.
Procurement and Creditors/ Purchasing	Purchases processed without a purchase order with insufficient coverage of PECOS training	Progress will be monitored within action plan.
AST Financial Controls	College financial regulations insufficient to enable AST financial controls.	Progress will be monitored within action plan.

Going Concern

The Board of Management confirms that they consider the College to be a going concern as described in the Code of Good Governance for Scotland's Colleges 2016 (section C.1.3) and that the financial statements have been prepared on this basis. Further detail on this assessment is included within Note 1 of the financial statements.

Impact of Covid-19

Since lockdown in the UK in March 2020, all Board and Committee meetings have continued as scheduled, using Microsoft Teams to meet virtually rather than in College. All Board business has progressed as planned. Two additional informal update meetings were arranged for Board members to focus specifically on the College's response to the ongoing situation, and to brief members on additional work being undertaken within the sector. Throughout this time, the Board has been reassured by the approaches taken by staff and their enthusiasm to provide alternative solutions to our students.

Additional support was also put in place from an early stage to support staff working from home. One additional Finance, Commercial and Estates Committee was also arranged in order to approve the 5-year financial forecast due to changes in deadlines as a result of the uncertainty caused by the closure of College buildings and the impact that had on the financial position overall and commercial income in particular.

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

Prior to lockdown, five new Board members had been appointed and they have since completed their Board induction on Microsoft Teams.

Perth College – for the year ended 31 July 2020

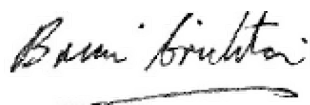
During 2020/21, Board and Committee meetings will continue via Teams, with a return to on campus meetings only when Scottish Government guidance suggests it is safe for larger numbers to return to campus and we are confident that it is safe to hold face-to-face meetings.

The Board's External Effectiveness Review took place in December 2020 and continues to inform changes in how the Board meets moving forward.

Parliamentary Accountability Report

We have no matters to report.

Approved by order of the members of the Board of Management on 8 March 2021 and signed on its behalf by:



Dr Brian Crichton
Chair



Dr Margaret Cook
Principal and Chief Executive

Independent auditor's report to the members of the Board of Management of Perth College, the Auditor General for Scotland and the Scottish Parliament

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Perth College and its group for the year ended 31 July 2020 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 Consolidated and College Statement of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheet, and the Consolidated Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2020 and of the deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is four years. We are independent of the college and its group in accordance

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

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 board. 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 nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the board has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

We have reported in a separate Annual Audit Report, which is available from the Audit Scotland website, the most significant assessed risks of material misstatement that we identified and our conclusions thereon.

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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 skillfulness 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. 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 matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge

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

obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. 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.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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.

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.

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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



Stephen Reid, for and on behalf of Ernst & Young LLP

Ernst & Young LLP

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

8 March 2021

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

Perth College
Consolidated and College Statements of Comprehensive Income for the year ended
31 July 2020

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group £000	College £000	Group £000	College £000
Income					
Funding council grants	2	16,350	16,350	16,361	16,361
Tuition fees and education contracts	3	5,134	3,817	6,521	4,566
Other grants and contracts	4	271	271	652	652
Other income	5	3,602	3,545	4,066	4,346
Investment income	6	12	10	13	13
Total Income		25,369	23,993	27,613	25,938
Expenditure					
Staff costs	7	20,457	19,370	19,352	18,303
Other operating expenses	9	5,815	5,576	7,436	6,840
Depreciation	13	1,120	1,071	1,058	1,031
Interest and other finance costs	10	2	-	10	5
Total Expenditure		27,394	26,017	27,856	26,179
Surplus/(Deficit) before tax		(2,025)	(2,024)	(243)	(241)
Taxation	11	3	-	-	-
Surplus/(Deficit) for the year	12	(2,028)	(2,024)	(243)	(241)
Unrealised surplus on revaluation of land and buildings and Assets held for resale	32	7,163	7,163	55	55
Actuarial gain/(loss) in respect of pension schemes	23	(5,914)	(5,911)	(1,712)	(1,712)
Total Comprehensive Income / (Expenditure) for the year		(779)	(772)	(1,900)	(1,898)

The Statement of Comprehensive Income is in respect of 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 31 provides detail of the adjusted operating position on a central government accounting basis and presents the underlying surplus for the year.

Perth College

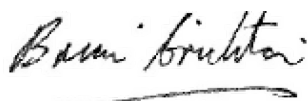
Consolidated and College Statement of Changes in Reserves for the year ended 31 July 2020

Group	Income and expenditure reserve £000	Revaluation reserve £000	Total £000
Balance at 1st August 2018	8,305	17,949	26,254
Surplus from the income and expenditure account	(241)	-	(241)
Impact of Revaluation	-	55	55
Other comprehensive (expenditure) / income	(1,712)	-	(1,712)
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>(1,594)</u>	<u>(304)</u>	<u>(1,898)</u>
Balance at 31st July 2019	<u>6,711</u>	<u>17,645</u>	<u>24,356</u>
Surplus from the income and expenditure account	(2 028)		(2 028)
Impact of Revaluation		7,163	7,163
Other comprehensive (expenditure) / income	(4 701)	(39)	(4 740)
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>(6 370)</u>	<u>6,765</u>	<u>395</u>
Balance at 31 July 2020	<u>341</u>	<u>24,410</u>	<u>24,751</u>
College	£000	£000	£000
Balance at 1st August 2018	8,304	17,951	26,255
Deficit from the income and expenditure account	(241)	-	(241)
Impact of Revaluation	-	55	55
Other comprehensive (expenditure) / income	(1 712)	-	(1 712)
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>(1 594)</u>	<u>(304)</u>	<u>(1 898)</u>
Balance at 31st July 2019	<u>6,710</u>	<u>17,647</u>	<u>24,357</u>
Deficit from the income and expenditure account	(2,024)		(2,024)
Impact of Revaluation		7,161	7,161
Other comprehensive (expenditure) / income	(5,914)	(39)	(5,953)
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>(7 579)</u>	<u>6,763</u>	<u>(816)</u>
Balance at 31 July 2020	<u>(869)</u>	<u>24,410</u>	<u>23,541</u>

Perth College
Consolidated and College Balance Sheets as at 31 July 2020

	Notes	Year ended 31 July 2020		Year ended 31 July 2019	
		Group £000	College £000	Group £000	College £000
Non current assets					
Tangible fixed assets	13	41,774	41,692	35,617	35,485
Investments	14	-	20	-	20
		41,774	41,712	35,617	35,505
Current assets					
Stock		17	16	16	13
Trade and other receivables	15	2,086	1,744	2,127	2,101
Assets held for sale	16	125	125	230	230
Cash and cash equivalents	17	1,529	1,316	2,756	2,033
		3,757	3,201	5,129	4,377
Less: Creditors - amounts falling due within one year	18	(4,449)	(3,830)	(5,084)	(4,223)
Net current (liabilities)		(692)	(629)	45	154
Total assets less current liabilities		41,082	41,083	35,662	35,659
Creditors - amounts falling due after more than one year	19	(4,845)	(4,845)	(5,374)	(5,374)
Provisions					
Pension provision	20	(12,612)	(12,612)	(5,683)	(5,683)
Other Provisions	21	(84)	(84)	(250)	(250)
Total net assets		23,541	23,542	24,355	24,352
Unrestricted Reserves					
Revaluation reserve	32	24,410	24,410	17,645	17,645
Pension Reserve	20	(12,612)	(12,612)	(5,683)	(5,683)
Income and expenditure reserve	33	11,743	11,744	12,393	12,390
Total unrestricted reserves		23,541	23,542	24,355	24,352

The financial statements on pages 59 to 90 were approved by the Board of Management on 8 March 2021 and were signed on its behalf by:



B Crichton - Chair



Dr M Cook - Principal and Chief Executive

Perth College
Consolidated Statement of Cash Flows for the year ended 31 July 2020

	Notes	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Cash flow from operating activities			
Surplus / (Deficit) for the year		(2,028)	(243)
Adjustment for non-cash items			
Depreciation	13	1,120	1,058
Deferred capital grants released to income	2	(630)	(203)
(Increase) / Decrease in stocks		(1)	3
Decrease / (Increase) in debtors	15	41	(932)
(Decrease) / Increase in creditors	18, 19	(665)	(150)
(Decrease)/ Increase in provisions		(166)	250
Pension costs less contribution payable		1,019	1,088
Taxation		3	0
Gain on sale of fixed assets included in SOCI		(36)	
Adjustment for investing or financing activities			
Interest receivable	6	(12)	(13)
Interest payable	10	2	10
Taxation paid		(3)	0
Net cash flow from operating activities		<u>(1,356)</u>	<u>868</u>
Cash flows from investing activities			
Deferred capital grant	22	(119)	(318)
Payments made to acquire fixed assets	13	119	318
Sale of fixed assets		110	
		<u>110</u>	<u>0</u>
Cash flows from financing activities			
Interest received	6	12	13
Interest paid	10	(2)	(10)
Amounts borrowed		12	
Repayments of amounts borrowed	20	0	(300)
		<u>22</u>	<u>(297)</u>
Increase in cash and cash equivalents in the year	17	<u>(1,227)</u>	<u>568</u>
Cash and cash equivalents at beginning of the year		2,756	2,188
Cash and cash equivalents at end of the year		1,529	2,756

Notes to the Accounts for the year ended 31 July 2020

1. Statement of Accounting Policies and estimation techniques

Basis of preparation

The College's financial statements for 2019/20 have been prepared on a going concern basis. The uncertainty as to the future impact on the financial performance and cashflows of the College, as a result of the Covid-19 pandemic, has been considered as part of the College's adoption of the going concern basis in these financial statements and in developing a financially sustainable financial plan. These financial statements have been prepared on a going concern basis which the Board of Management believe to be appropriate for the reasons outlined below.

The activities of Perth College are over 65% funded by the Scottish Government through the Scottish Funding Council (SFC) to provide Higher and Further Education. The Board of Governors and the SMT 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.

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 Perth and Kinross.

The College recorded a deficit of £2 million before other gains and losses during the financial year and total comprehensive expenditure of £0.8 million. The College reported an adjusted operating deficit of £0.6 million after accounting for technical pension adjustments of £1 million, net depreciation adjustments of £0.5 million and cash budget for priorities of £0.1 million. Cash decreased by £1.3 million during the year.

At 31 July 2020, the College held no borrowings. The College is reporting a net asset position in these financial statements of £23.5 million. This includes a pension liability of £12.6 million for the College's share of the Tayside Local Government Pension Scheme (LGPS).

Following the coronavirus outbreak, the College has updated the financial forecast for the next 12 months in line with the assumptions provided by the Scottish Funding Council which included assuming Colleges taking relevant actions to balance their underlying positions each year. Whilst Covid-19 has reduced our income to the point that we cannot breakeven in 2020/21, the College will be taking actions to return to breakeven position the next FFR period.

The 2020/21 deficit will put pressure on the college's cash position and, based on the continued level of Covid-19 impacts, the College currently forecasts that it will move into a position of having to draw down funds in advance from the SFC in July 2021. The SFC have confirmed in a letter that this support will be available in the form of the College being able draw down FE main grant funding relating to the year ended 31 July 2022 in advance of the standard timetable.

Notes to the Accounts for the year ended 31 July 2020

College management have considered various scenarios in assessing the impact of Covid-19 on future financial performance and cashflows. The ability to deliver dual-mode teaching mitigates risk in this respect against any further government enforced restrictions.

The Board of Management and the Finance Committee have had full sight of the financial forecasts as well as the underlying assumptions and scenarios. These forecast positions will remain fluid and will be regularly reviewed by the College. Mitigating actions underway in support of financial sustainability and effects of Covid-19 include:

- Ongoing engagement with SFC and other external agencies within the education landscape to support economic recovery and secure funding sources through the College to provide education and training activities to individuals and businesses.
- Review of the non-staff cost base to identify areas where savings can be achieved.
- Ongoing drive for efficiencies and realisation of "invest to save".
- Researching alternative delivery approaches.
- Tight management of payroll costs.

The financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the Accounts Directions issued thereunder by the Scottish Funding Council, which requires compliance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 (the 2019 FE HE SORP), and the relevant Government Financial Reporting Model (FReM).

The statements have also been prepared in accordance with Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (FRS102).

Perth College has taken advantage of the exemptions provided in Paragraph 1.12 of FRS 102 and Paragraph 3.3 of the 2019 FE HE SORP and has not included a separate statement of its own cash flows. These cash flows are included within the Consolidated Statement of Cash Flows, and the Perth College balance sheet discloses cash at both the current and preceding reporting dates.

Basis of accounting

The financial statements have been prepared under the historic cost convention modified by the revaluation of fixed assets.

Notes to the Accounts for the year ended 31 July 2020

Basis of consolidation

The consolidated accounts include the financial statements of Perth College and its subsidiary undertaking made up to 31 July 2020. Intra group sales and profits are eliminated fully on consolidation.

Non-current assets - Tangible fixed assets

Land and buildings

Land and buildings are measured using the revaluation model and 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.

Perth College has a policy of ensuring a full revaluation takes place at least every five years with an interim valuation in year three of each five year cycle 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 in years when a full or interim valuation do not take place. Depreciation and impairment losses are subsequently charged on the revalued amount.

Where land and buildings are acquired with the aid of specific grants they are capitalised and depreciated as above. Government grants are credited to a deferred capital grant account and are released to the Statement of Comprehensive Income over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.

Non-government grants are released to income when performance related conditions have been met. The deferred income is allocated between creditors due within one year and those due after more than one year.

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

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred to 31 July 2020. They are not depreciated until they are brought into use.

Assets held for sale

Assets held for sale are accounted for at fair value less costs of disposal and disclosed separately within current assets. They are not depreciated.

Equipment

Equipment purchased as part of a capital building project is capitalised and depreciated over its useful economic life. Individual items of equipment purchased

Notes to the Accounts for the year ended 31 July 2020

with values greater than £5,000 are capitalised at cost if deemed to have a minimum economic useful life of 3 years and not regarded as a repair to existing assets. Capitalised equipment is depreciated on a straight line basis over its useful economic life as follows:

Motor vehicles and general equipment	Between 3 and 10 years
Computer equipment	Between 4 and 5 years

Where equipment is acquired with the aid of specific government grants it is capitalised and depreciated in accordance with the above policy, with the related grant being credited to a deferred capital grant account and released to the Statement of Comprehensive Income over the expected useful economic life of the related equipment.

Subsequent expenditure on existing fixed assets

Where significant expenditure is incurred on tangible fixed assets after initial purchase it is charged to income in the period it is incurred, unless it increases the future benefits to the College, in which case it is capitalised and depreciated on the relevant basis.

Borrowing costs

Borrowing costs are recognised as expenditure in the period in which they are incurred.

Leased assets

Rental costs in respect of operating leases are charged to expenditure at the cost incurred during the year. Leasing arrangements 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 elements of the leasing commitments are shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the Statement of Comprehensive Income in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term or the useful economic lives of equivalent owned assets. Assets held under hire purchase contracts, which have the characteristics of finance leases, are depreciated over their useful economic lives.

Investments

Fixed asset investments are carried at historical cost less any provision for a permanent diminution in their value.

Recognition of Income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to

Notes to the Accounts for the year ended 31 July 2020

the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income from tuition fees is recognised in the period to which it relates. Income from donations is included to the extent of the relevant expenditure incurred during the year. Recurrent grants from the SFC are recognised in the period to which they relate.

Capital grants from SFC or other government bodies received in respect of the acquisition or construction of fixed assets are treated as deferred capital grants and amortised in line with depreciation over the life of the assets, under the accrual method as permitted by FRS102.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Accounting for post-employment benefits

The College participates in 2 multi-employer defined benefit pension schemes.

Teaching staff may join the Scottish Teachers' Superannuation Scheme (STSS), which is administered by the Scottish Public Pensions Agency (SPPA). Perth College is unable to identify its share of the underlying assets and liabilities of the STSS on a consistent and reasonable basis and therefore, as permitted by FRS102, applies multi-employer exemption and accounts for its participation in the STSS as if it were a defined contribution scheme. The contributions are determined by qualified actuaries on the basis of periodic valuations and are recognised in the accounting periods in which they arise.

Professional Services staff may join the Local Government Pension Scheme (LGPS) which is administered by Dundee City Council. The fund is a defined benefit scheme, providing benefits based on a career average revalued earnings (CARE) basis, which is contracted out of the State Earnings-Related Pension Fund.

The assets of the LGPS are measured using closing fair values. LGPS liabilities are measured using the projected unit credit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liabilities. Qualified actuarial valuations are obtained annually and are updated at each balance sheet date.

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and comprises the interest cost on the defined benefit obligation and interest income on the scheme assets, calculated by multiplying the fair value of the scheme assets at the beginning of the period by the rate used to discount the benefit obligations. The

Notes to the Accounts for the year ended 31 July 2020

difference between the interest income on the scheme assets and the actual return on the scheme assets is recognised in other recognised gains and losses.

Actuarial gains and losses are recognised immediately in other comprehensive income.

Short term employment benefits

Short term employment benefits such as salaries and compensated absences (holiday pay) 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.

Stocks

Stocks are items held for resale and are stated at the lower of their cost or net realisable value. Where necessary provision is made for obsolete, slow moving and defective stocks.

Cash and Cash Equivalents

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.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value. An investment qualifies as a cash equivalent when it has maturity of 3 months or less from the date of acquisition.

Financial Liabilities and Equity

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

All loans, investments and short term deposits held by the Group are classified as basic financial instruments in accordance with FRS 102. These instruments are initially recorded at the transaction price less any transaction costs (historical cost). FRS 102 requires that basic financial instruments are subsequently measured at amortised cost, however the Group has calculated that the difference between the historical cost and amortised cost basis is not material and so these financial instruments are stated on the balance sheet at historical cost. Loans and investments that are payable or receivable within one year are not discounted.

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are

Notes to the Accounts for the year ended 31 July 2020

related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the year.

Taxation

The College is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the College is potentially exempt from taxation in respect of income or capital gains received within categories covered by Chapter 3 Part 11 Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

The College is partially exempt in respect of Value Added Tax, so that it can only recover a minor element of VAT charged on its inputs. Irrecoverable VAT on inputs is included in the costs of such inputs and added to the cost of tangible fixed assets as appropriate, where the inputs themselves are tangible fixed assets by nature.

The College's subsidiary company, Air Service Training (Engineering) Limited is subject to corporation tax and VAT in the same way as any other commercial organisation. Air Service Training (Engineering) is part of the Perth College VAT group.

Tax relief is available on Air Service Training (Engineering) Limited's profits that are gift aided to the College.

Deferred Taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more or a right to pay less tax in the future have occurred by the balance sheet date with certain limited exceptions.

Deferred tax is calculated on an undiscounted basis at the tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Provisions

Provisions are recognised when the institution has a present legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefit will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

Notes to the Accounts for the year ended 31 July 2020

Revaluation reserve

Surpluses arising on the revaluation of the College's properties are transferred to the revaluation reserve. Additional depreciation charged on the revalued amount of these assets is transferred from revaluation reserve to the Income and Expenditure reserve together with any surplus or deficit on disposal.

Agency arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Statement of Comprehensive Income, 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 these funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College's Statement of Comprehensive Income.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, management have made the following judgements:

Other key sources of estimation uncertainty

- Tangible fixed assets

Tangible fixed assets are depreciated over their useful lives considering residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation and maintenance programmes are considered. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

Land & Buildings are subject a quinquennial valuation supplemented by an interim professional valuation in year three in line with the requirements of the FReM. Furthermore, an annual review of land & buildings is undertaken by estates with reference to the condition and ongoing use Land & Buildings.

- Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2017 has been used by the actuary in valuing the pensions liability at 31 July 2020. Any differences between

Notes to the Accounts for the year ended 31 July 2020

the figures derived from the roll forward approach and a full actuarial valuation would impact on the carrying amount of the pension liability.

- Post Balance Sheet Events

There are no Post Balance Sheet Events.

Perth College
Notes to the Accounts for the year ended 31 July 2020

2 Funding Council grants

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
SFC FE recurrent grant (including fee waiver)	8,660	8,660	8,072	8,072
Funding for increased STSS contributions	-	-	-	-
University of the Highlands and Islands recurrent grant	5,717	5,717	6,301	6,301
FE Childcare funds (note 32)	395	395	433	433
Release of government capital grants	630	630	203	203
Other SFC grants	562	562	520	520
Other University of the Highlands and Islands grants	386	386	832	832
	16,350	16,350	16,361	16,361

3 Tuition fees and education contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
UK Higher Education students	3,140	3,140	3,205	3,205
UK Further Education students	290	290	452	452
	3,430	3,430	3,657	3,657
Management of Skills Development Scotland contract	387	387	910	910
Other contracts				
Tuition fees of subsidiary	1,317	-	1,954	-
	5,134	3,817	6,521	4,567

4 Other grants and contracts

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Research grants	271	271	652	652
	271	271	652	652

Perth College
Notes to the Accounts for the year ended 31 July 2020

5 Other income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Residences and catering	937	937	1,104	1,104
Other income generating activities	1,252	1,267	1,463	1,463
Other income	1,116	1,154	1,499	1,779
Furlough income	297	187	-	-
	3,602	3,545	4,066	4,346

6 Investment income

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Interest receivable	12	10	13	13
	12	10	13	13

7 Staff costs

The average monthly number of persons (including senior post-holders) employed by the College during the year, expressed as full-time equivalents, was:

	Number of Staff Year ended 31 July 2020		Number of Staff Year ended 31 July 2019	
	Group	College	Group	College
Teaching departments - teaching staff	163	163	159	159
Teaching departments - other staff	24	24	48	48
Teaching support services	26	26	32	32
Administration and central services	104	104	101	101
Premises	25	25	29	29
Subsidiary (AST) staff	27	-	27	-
Other	26	26	29	29
	395	368	425	398

Analysed as:

Staff on indefinite contracts	315	288	330	303
Staff on temporary contracts	80	80	95	95
	395	368	425	398

Perth College
Notes to the Accounts for the year ended 31 July 2020

7 Staff costs (continued)

Staff costs for these persons:

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Wages and salaries	15,284	14,332	14,531	13,614
Social security costs	1,336	1,240	1,606	1,511
Other pension costs	3,837	3,798	3,215	3,178
	20,457	19,370	19,352	18,303
Teaching departments - teaching staff	10,618	10,618	9,529	9,529
Teaching departments - other staff	1,579	1,579	1,421	1,421
Teaching departments - AST staff	649	-	601	-
Teaching support services	1,833	1,395	1,916	1,468
Administration and central services	2,751	2,751	2,655	2,655
Premises	788	788	853	853
Other income generating activities	773	773	829	829
Other income	447	447	460	460
Charge in relation to defined benefit pension	1,019	1,019	1,088	1,088
	20,457	19,370	19,352	18,303
Analysed as:				
Staff on indefinite contracts	15,501		14,182	
Staff on temporary contracts	3,937		4,082	
Charge in relation to defined benefit pension	1,019		1,088	
	20,457		19,352	

The number of staff, including senior post-holders and the principal, who received emoluments in the following ranges was:

£'000	Year ended 31 July 2020		Year ended 31 July 2019	
	Number of Senior post- holders	Number of Other staff	Number of Senior post- holders	Number of Other staff
60-70	1	3	1	4
70-80	2	-	2	-
80-90	-	-	-	-
100-110	1	-	1	-
	4	3	4	4

Perth College
Notes to the Accounts for the year ended 31 July 2020

8 Senior post-holders' emoluments

Senior post-holders are defined as the principal (or chief executive) and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the institution relating to the appointment and promotion of staff who are appointed by the board of governors

	Year ended 31 July 2020 Number	Year ended 31 July 2019 Number
The number of senior post-holders including the Principal was:	5	5
	College £000	College £000
Senior post-holders' emoluments are made up as follows:		
Salaries	331	380
Pension contributions	71	60
	402	440

The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Salary	108	108
	108	108
Pension contributions	23	18

The pension contributions in respect of the Principal and senior post-holders are in respect of employer's contributions to the Scottish Teachers Superannuation Scheme or Tayside Superannuation Scheme and are paid at the same rate as for other employees.

The members of the Board of Management other than the Principal and the staff members did not receive any payment from the institution other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

No pay award was paid during the year to senior post holders, including the Principal and other senior management staff. No bonuses were paid or payable to senior post holders for 2019/20.

Perth College
Notes to the Accounts for the year ended 31 July 2020

9 Other operating expenses

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Teaching departments	537	612	1,157	934
Teaching support services	506	506	674	674
Administration and central services	1,474	1,474	1,620	1,620
Premises costs	1,502	1,307	1,527	1,300
Other income generating activities	337	218	539	394
Catering and residence operations	885	885	1,156	1,156
Other income	179	179	330	330
Other expenses - Childcare Grant	395	395	433	433
	5,815	5,576	7,436	6,842

Other operating expenses include:

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Auditors' remuneration:				
external audit	87	70	25	20
internal audit	14	14	17	12
other services from external audit	14	8	5	-
other services from internal audit	-	-	-	-
Hire of plant and machinery - operating leases	145	145	281	281
Hire of other assets - operating leases	101	-	160	54

10 Interest payable

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
On bank loans, overdrafts and other loans: Repayable within 5 years, not by instalments	2	-	10	5

11 Taxation

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Taxation of subsidiary	3	-	-	-

The College is not liable for any corporation tax arising out of its activities during the year (2019 - £nil). The taxation charge relates to the activities of AST

12 (Deficit)/Surplus on continuing operations for the year

The (Deficit)/Surplus on continuing operations for the year is made up as follows:

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
College's (Deficit)/Surplus for the year	(1,970)	(566)
(Deficit)/Surplus generated by subsidiary undertaking	(4)	241
	(1,974)	(325)

Perth College
Notes to the Accounts for the year ended 31 July 2020

13 Tangible Fixed Assets (Group only)

	Freehold Land and Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2019	37,000	5,348	42,348
Additions	-	119	119
Disposals	-	(4)	(4)
Revaluation	4,216	-	4,216
At 31 July 2020	41,216	5,463	46,679
Depreciation			
At 1 August 2019	1,957	4,774	6,730
Charge for year	985	135	1,120
Disposals	-	(3)	(3)
Revaluation	(2 942)		(2 942)
At 31 July 2020	-	4,906	4,905
Net book value			
At 31 July 2020	41,216	557	41,774

Land and buildings were revalued during the year ended 31 July 2020 by Faithfull & Gould (Chartered Surveyors). Other tangible fixed assets inherited from the Local authority at incorporation have not been valued.

Inherited Land and buildings with a net book value of £5.7M have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.

Perth College
Notes to the Accounts for the year ended 31 July 2020

13 Tangible Fixed Assets (College only)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2019	37,000	4,726	41,726
Additions	-	118	118
Disposals	-	(4)	(4)
Revaluation	4,216	-	4,216
At 31 July 2020	41,216	4,840	46,056
Depreciation			
At 1 August 2019	1,957	4,284	6,239
Charge for year	985	85	1,071
Disposals	-	(4)	(4)
Revaluation	(2 942)	-	(2 942)
At 31 July 2020	-	4,365	4,364
Net book value			
At 31 July 2020	41,216	476	41,692

Land and buildings were revalued during the year ended 31 July 2020 by Faithfull & Gould (Chartered Surveyors). Other tangible fixed assets inherited from the Local authority at incorporation have not been valued.

Inherited Land and buildings with a net book value of £5.7M have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.

Perth College
Notes to the Accounts for the year ended 31 July 2020

14 Investments

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Investments in subsidiary company	20	20

The college owns 100% of the issued ordinary £1 shares of Air Service Training (Engineering) Limited, a company incorporated in Great Britain and registered in Scotland.

The principal business activity of Air Service Training (Engineering) Limited is the provision of training and education in the field of aeronautical engineering.

In the year to 31st July 2020, the Company made a loss after taxation of £6,773 which resulted in a net asset position of £19,339 at 31 July 2020. As a result of the loss, no gift aid donation was made to Perth College.

15 Debtors

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Amounts falling due within one year				
Trade Debtors	443	291	548	383
Amounts owed by group undertakings:				
Subsidiary undertaking	-	48	-	254
Prepayments and accrued income	1,642	1,405	1,579	1,464
Deferred Taxation	1	-		
	<u>2,086</u>	<u>1,744</u>	<u>2,127</u>	<u>2,101</u>

16 Current Assets - Held for Sale

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
28 Morris Court	-	-	110	110
Kinross Learning Centre	125	125	120	120
	<u>125</u>	<u>125</u>	<u>230</u>	<u>230</u>

Morris Court was sold in September 2019 for £108,000. A sale has been agreed for Kinross Learning Centre for £125,000 and that sale completed on 19 November 2020

17 Cash and cash equivalents

	At 31 July 2019 £000	Cash flows £000	At 31 July 2020 £000
Cash and cash equivalents	2,756	(1,227)	1,529
Total	<u>2,756</u>	<u>(1,227)</u>	<u>1,529</u>

Perth College**Notes to the Accounts for the year ended 31 July 2020****18 Creditors - amounts falling due within one year**

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Trade creditors	215	177	567	524
Amounts owed to group undertakings:				
Other creditors	-	-	-	-
Other creditors	309	300	371	364
Obligations under finance leases	4	4	-	-
Other taxation and social security	349	319	481	451
Accruals and deferred income	3,292	2,750	3,161	2,380
Deferred income - capital grants	229	229	203	203
Unspent student support funds	51	51	301	301
	<u>4,449</u>	<u>3,830</u>	<u>5,084</u>	<u>4,223</u>

19 Creditors - amounts falling due after more than one year

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Deferred income - capital grants	4,837	4,837	5,374	5,374
Obligations under finance leases	8	8		
	<u>4,845</u>	<u>4,845</u>	<u>5,374</u>	<u>5,374</u>

20 Pension Provision

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
At 1 August	5,683	5,683	2,883	2,883
Movement	6,929	6,929	2,800	2,800
At 31 July	<u>12,612</u>	<u>12,612</u>	<u>5,683</u>	<u>5,683</u>

The provision is solely in relation to defined benefit obligations relating to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 24.

21 Other Provisions

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
National insurance provision	84	84	250	250
	<u>84</u>	<u>84</u>	<u>250</u>	<u>250</u>

Perth College
Notes to the Accounts for the year ended 31 July 2020

22 Deferred capital grants included within creditors

	Government £000	Total £000
Balance at 1 August 2019		
Land and buildings	5,178	5,178
Equipment	400	400
Cash received		
Land and buildings	-	
Equipment	119	
Transfer from Non-Government to Government		
Land and buildings	-	-
Equipment	-	-
Released to income and expenditure account		
Land and buildings	(564)	(564)
Equipment	(66)	(66)
At 31 July 2020		
Land and buildings	4,614	4,614
Equipment	452	452
	5,066	5,066
Amounts falling due within one year	229	229
Amounts falling due after more than one year	4,837	4,837
	5,066	5,066

Perth College
Notes to the Accounts for the year ended 31 July 2020

23 Defined benefit obligations

The College's employees belong to two principal post-employment benefit schemes: the Scottish Teachers' Superannuation Scheme (STSS) and Tayside Superannuation Scheme, the Local Government Pension Scheme (LGPS), which is managed by Dundee City Council. Both are multi-employer defined-benefit schemes.

Total pension cost for the year	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Scottish Teachers' Superannuation Scheme: contributions paid	1,727	1,219
Local Government Pension Scheme:		
Contributions paid	959	1,039
FRS102 charge	1,019	1,088
Charge to the Statement of Comprehensive Income	1,978	2,127
Total pension cost for year within staff costs	3,705	3,346

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal valuation of the STSS was 31 March 2016 and of the LGPS 31 March 2017.

Scottish Teachers' Superannuation Scheme

The STSS is an unfunded multi-employer defined benefit scheme. It is accepted that the treatment can be as a defined contribution scheme as the STSS is unable to identify its share of the underlying assets and liabilities of the scheme. As the scheme is unfunded there can be no surplus or shortfall. Pension contribution rates will be set by the schemes actuaries at a level to meet the costs of the pensions as they accrue.

Under the definitions set out in FRS102 (28.11), the STSS is a multi-employer pension scheme. The College is unable to identify its share of the underlying assets and liabilities of the scheme. Accordingly, the College has taken advantage of the exemption in FRS102 and has accounted for its contributions as if it were a defined contribution scheme.

The current contribution paid by Perth College for the year was 23%. This increased from the previous rate of 17.2% on 1 September 2019

Local Government Pension Scheme (Tayside Superannuation Fund)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contributions made for the year ended 31 July 2020 were £1,256k, of which employer's contributions totalled £959k and employee's contributions totalled £297k. The agreed contribution rates for future years are 17% for employers and range from 5.5% to 11.2% for employees, depending on salary.

Perth College
Notes to the Accounts for the year ended 31 July 2020

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2017 updated to 31 July 2020 by a qualified independent actuary.

	As at 31 July 2020	As at 31 July 2019
Discount rate	1.35%	2.10%
Pension increases	2.25%	2.35%
Salary increases	3.25%	3.35%
Inflation assumption (CPI)	2.25%	2.35%
Commutation of pensions to lump sums	50.00%	50.00%

The assumed life expectations from age 65 are:

	As at 31 July 2020	As at 31 July 2019
	years	years
<i>Retiring today</i>		
Males	19.7	19.7
Females	21.7	21.6
<i>Retiring in 20 years</i>		
Males	21.4	21.3
Females	23.6	23.5

The College's estimated share of assets in the scheme at the balance sheet date were:

Fair value as at

	As at 31 July 2020	As at 31 July 2019
	£000	£000
Equities	23,053	22,351
Gilts	1,727	1,517
Other bonds	4,258	3,897
Property	3,375	3,610
Cash	537	573
Alternatives	23	16
Total fair value of scheme assets	32,973	31,964

The return on the Fund for the year to 31 July 2020 is estimated to be 2%

Actual return on scheme assets	682	2,007
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Perth College
Notes to the Accounts for the year ended 31 July 2020

The amount included in the balance sheet in respect of the defined benefit pension scheme is as follows:

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Fair value of scheme assets	32,973	31,964
Present value of scheme liabilities	(44,447)	(36,480)
Present value of unfunded liabilities	(1,138)	(1,167)
Net pensions (liability) (Note 20)	(12,612)	(5,683)

Amounts recognised in the Statement of Comprehensive Income in respect of the scheme are as follows:

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Amounts included in staff costs		
Current service cost	1,856	2,049
Finance charges	110	64
Admin expenses	12	14
Total	1,978	2,127

Amount recognised in Other Comprehensive Income

Return on Fund assets in excess of interest	7	1,220
Other actuarial gains/(losses) on assets	-	-
Change in financial assumptions	(5,917)	(4,032)
Change in demographic assumptions	-	1,100
Experience gain/(loss) on defined benefit obligation	-	-
Changes in effect of asset ceiling	-	-
Amount recognised in Other Comprehensive Income	(5,910)	(1,712)

Movement in net defined benefit (liability) during the year

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Net defined benefit (liability) in scheme at 1 August	(5,683)	(2,883)
Movement in year:		
Current service cost	(1,798)	(1,617)
Past service cost	(58)	(432)
Employer contributions	959	1,039
Net interest on the defined (liability)	(110)	(64)
Administration expenses	(12)	(14)
Actuarial gain or loss	(5,910)	(1,712)
Net defined benefit (liability) at 31 July	(12,612)	(5,683)

Perth College
Notes to the Accounts for the year ended 31 July 2020

Asset and liability reconciliation

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	37,647	32,288
Current service cost	1,798	1,617
Interest cost	785	851
Change in financial assumptions	5,917	4,032
Change in demographic assumptions	-	(1,100)
Experience loss on defined benefit obligations	-	-
Estimated benefits paid net of transfers in	(803)	(667)
Past Service Costs, including curtailments	58	432
Contributions by Scheme participants and other employers	297	306
Unfunded pension payments	(114)	(112)
Defined benefit obligations at end of period	45,585	37,647

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Changes in fair value of Fund assets		
Fair value of Fund assets at start of period	31,964	29,405
Interest on assets	675	787
Return on assets less interest	7	1,220
Other Actuarial Gains/Losses	-	-
Administration expenses	(12)	(14)
Contributions by employer including unfunded	959	1,039
Contributions by Scheme participants and other employers	297	306
Estimated benefits paid plus unfunded net of transfers in	(917)	(779)
Fair value of Fund assets at end of period	32,973	31,964

24 Summary Pension Note

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

	Year ended 31 July 2020 £000	Year ended 31 July 2019 £000
Charged to staff costs:		
Current service costs	(1,798)	(1,617)
Past service costs	(58)	(432)
Total charged to staff costs	(1,856)	(2,049)
Credit/charge for net return on pension scheme :		
Interest income	675	787
Interest cost	(785)	(851)
Net interest charges	(110)	(64)
Credit/charge to other comprehensive income:		
Return on assets	7	1,220
Other experience	-	1,100
Gains and losses arising on charges in financial assumptions	(5,917)	(4,032)
Actuarial Gain/(Loss)	(5,910)	(1,712)
Total charge to the SOCl	(7,876)	(3,825)
Analysis of the movement in deficit during the year:		
Deficit in scheme at the start of the year	(5,683)	(2,883)
Service costs	(1,856)	(2,049)
Employer contributions	959	1,039
Net interest costs	(110)	(64)
Administration expenses	(12)	(14)
Actuarial gain/(loss)	(5,910)	(1,712)
Deficit in scheme at the end of the year	(12,612)	(5,683)

Perth College
Notes to the Accounts for the year ended 31 July 2020

25 Post balance sheet events

There are no post balance sheet events to report.

26 Capital commitments

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£000	£000	£000	£000
Commitments contracted for at 31 July	145	145	118	118

27 Lease obligations

At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group	College	Group	College
	£000	£000	£000	£000
Future minimum lease payments due				
Land and Buildings				
Expiring within one year	110	-	110	-
Expiring within two and five years inclusive	330	-	440	-
Other				
Expiring within one year	91	91	95	95
Expiring within two and five years inclusive	33	33	98	98
Total	564	124	743	193

Perth College
Notes to the Accounts for the year ended 31 July 2020

28 Related party transactions

Due to the nature of the College's operations and the composition of the Board of Management (being drawn from local public and private sector organisations) it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisations in which a member of the board of governors or the Senior Management Team may have an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. Transactions during the year with organisations in which a member of the Board of Management may have a material interest are noted below:

Company	Member(s)	Position in organisation	Sales £	Purchases £
Colleges Scotland	Dr Margaret Cook	Director	18,456	-
APUC Limited	Dr Margaret Cook	Director	541	59,687

The Perth College Development Trust 2004 (The Development Trust) was established to provide financial and other assistance for Perth College and its students. There are therefore transactions between the two entities. Perth College nominates Trustees to the board of the Trust and administers the Trust on a day to day basis.

Dr Margaret Cook and Brian Crichton are Trustees of The Development Trust. On this basis, The Development Trust accounts should be consolidated with the accounts of Perth College. For the year ended 31 July 2020, The Development Trust had net expenditure of £7,244 and Net Assets of £46,123. Perth College have therefore decided not to consolidate the accounts on the basis of materiality.

29 Bursaries and other student support funds

					Year ended 31 July 2020	Year ended 31 July 2019
	Bursary £000	FE Hardship £000	EMA £000	Other £000	Total £000	Total £000
Balance brought forward	158	37	25	7	227	249
Allocation received in year	2,357	87	127	96	2,667	2,792
Expenditure	(2,302)	(95)	(127)	(94)	(2,618)	(2,428)
Repaid to SFC/UHI (Clawback)	(198)	(37)	-	-	(235)	(386)
Virements					-	-
Balance carried forward	15	(8)	25	9	41	227

Represented by:

Repayable to SFC/UHI as clawback	15	(8)	25	9	41	
Retained by College for students	-	-	-	-	-	

Bursary funds, Higher Education Hardship, Further Education Hardship and Education Maintenance Allowances (EMAs) are available solely for students; the college acts only as a paying agent. The income and related disbursements are therefore excluded from the Income and Expenditure Account.

30 Childcare funds

		Year ended 31 July 2020	Year ended 31 July 2019
		£000	£000
Balance brought forward		73	58
Allocation received in year		475	448
Expenditure		(395)	(433)
Repaid to SFC (Clawback)		(73)	-
Virements			
Balance carried forward		80	73

Represented by:

Repayable to SFC as clawback	36	32
Retained by College for students	44	41

The income and related disbursements are included in the Income and Expenditure Account.

Perth College
Notes to the Accounts for the year ended 31 July 2020

31 Government Non-cash allocation for depreciation

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(2,025)	(2,024)	(243)	(241)
Add back: Non-cash allocation for depreciation	1,120	1,071	1,058	1,031
Deferred capital grant	(630)	(630)	(203)	(203)
Operating surplus/(deficit) on Central Government accounting basis	<u>(1 535)</u>	<u>(1 583)</u>	<u>612</u>	<u>587</u>

32 Revaluation Reserve

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
At 1 August	17,645	17,645	17,949	17,949
Disposal	(39)	(39)	55	55
Revaluation	4,222	4,222	-	-
Write back of depreciation on revaluation	2,941	2,941	-	-
Transfer to income and expenditure account	(359)	(359)	(359)	(359)
At 31 July	<u>24,410</u>	<u>24,410</u>	<u>17,645</u>	<u>17,645</u>

33 Income & Expenditure Reserve

	Year ended 31 July 2020		Year ended 31 July 2019	
	Group £000	College £000	Group £000	College £000
At 1 August	12,393	12,390	11,188	11,186
Surplus/Deficit for the year	(2,028)	(2,024)	(241)	(241)
Transfer from revaluation reserve	359	359	359	359
Transfer from pension reserve	1,019	1,019	1,088	1,088
At 31 July	<u>11,743</u>	<u>11,744</u>	<u>12,393</u>	<u>12,390</u>

Perth College

Appendix 1

Accounts direction for Scotland's colleges 2019-20

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2019-20 (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 2020.
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
17 July 2020