FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2022

Scottish Charity No. SCO21191
The financial statements were approved and authorised for issue on 15 December 2022.

Contents

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PERFORMANCE REPORT

OVERVIEW

The purpose of this overview is to provide sufficient information to understand Forth Valley College, its purpose, its objectives, the College's performance during 2021-22, and the impact and management of key risks.

Principal and Chief Executive's statement

2021-22 was another unprecedented year for the College, as we continued to face challenges due to the pandemic until lockdown restrictions eased in early 2022, and we embraced a successful hybrid delivery model as face-to face learning returned. Despite these continued challenges, successful outcomes have been reached. Indeed the most recent Scottish Funding Council (SFC) data (2019-20) shows that a total of 94% of the College's full time students, moved on to a positive destination - employment, further training or higher education - and that the College's figures are above the Scottish sector average.

Further positive recognition of our success occurred when Education Scotland officials visited our Falkirk Campus in February 2022. They reported back that we are ticking all the boxes in terms of what they're looking for, and despite some small areas of improvement, they presented a very strong and positive picture of the College, with many strengths being identified.

It has been a year of hope, strong community spirit and a clear desire to use our experiences to make things even better as we now move forward beyond the pandemic and look to the future with the launch of our new 2022-25 Strategic Plan, in order to work towards achievement of our 2030 vision. In order to do this, we announced a comprehensive Transformation plan to deliver the best possible learning experiences for our students.

Taking the indicative national funding allocation for 2022-23, along with the impact on the economy of Brexit and recovery from COVID into account, we found – along with many other colleges - it simply wasn't possible to sustain current operating costs and structures. This meant that substantial savings needed to be made to protect the College's financial security and ensure the organisation is viable going forward.

The College managed to do this by launching a Voluntary Severance scheme, reshaping four teaching departments into three, withdrawing our presence at the Raploch Community Campus in Stirling, scaling down refectory services at the Alloa Campus and restructuring a number of Corporate Services teams.

We have also shown how progressive and innovative an employer we are with the launch of a hybrid working model in October 2021, which is benefitting both employees and students alike. The model is designed to support the wellbeing and productivity of both staff and students and also coincides with the development of new hybrid learning approaches which have real potential to enhance the learner experience.

As you would expect, it is essential that sustainability is to the fore in everything we do and this has been shown by the launch of Scotland's International Environment Centre (SIEC) – based at our Alloa Campus. SIEC will drive the creation of a net-zero regional economy across the Forth Valley, unlocking new opportunities for employment and skills development, as Scotland makes the transition to cleaner, greener ways of working.

The Centre is the first project to be launched as part of the Stirling and Clackmannanshire City Region Deal, with a combined investment of £22m from the UK and Scottish Governments, and additional funding from the University of Stirling and Clackmannanshire Council. We are also very proud of the action we are taking to reach our Net Zero targets. Fuel Change – which we backed and supported from its very beginning in 2020 – is an exciting project which partners up with educators and employers to help solve their carbon challenges and aim to tap into the potential of youth to help fight the climate crisis. At the COP26 event in Glasgow in November 2021, we were delighted that it launched its new mission to be active in 'Every School, Every Workplace, Everywhere'.

As always our partnerships are a reflection of how Forth Valley is a key player in education on a local, national, regional and international level - and an organisation, which stakeholders are proud to be associated with. A great example of this is the exciting new BP Mauritania and Senegal National Apprentice Technician Training Programme – a collaborative project between the College and Glasgow Caledonian University (GCU). Not only are we Making Learning Work in Forth Valley, but we are exporting our mission across the world!

Professor Ken Thomson OBE
Principal and Chief Executive
15 December 2022

Vision, purpose and activities

Legal Status

Forth Valley College came into being on 1 August 2005 as a result of the merger of Clackmannan and Falkirk Colleges. The Office for National Statistics (ONS) reclassified all incorporated Further Education (FE) Colleges as central Government entities, to be referred to as Arm's Length Public Bodies from 1 April 2014. The College is a registered charity (Scottish Charity number SCO21191) for the purposes of the Law Reform (Miscellaneous Provisions) (Scotland) Act 2005.

The Financial Statements cover all activities of the College.

Mission Statement

The College Mission Statement is: **Making Learning Work**

College Vision

The College Vision is to deliver the **right learning** at the **right time** in the **right way** for the communities of Forth Valley.

Strategic Themes

Forth Valley College of Further and Higher Education launched its new Strategic Plan in April 2022. This has 4 strategic objectives for the period 2022-25. These are:

- Creating a thriving College community
- Delivering a successful student journey
- Driving a sustainable future
- Leading on the economic recovery

Performance Summary

During 2021-22 the College continued to progress our mission of 'Making Learning Work'.

Creating a thriving College community - For session 2021-22 the College initiated its plans to return to campus from August 2021 in-line with the Scottish Government's 'beyond level 0' guidance. The Scottish Government planned to lift the levels of restrictions, but with the need to retain some baseline measures and guidance, to mitigate ongoing risks of transmission. The College continued to take all reasonable steps to protect staff, outsourced workers, students, visitors and others from covid. The Scottish Government's guidance required the College to review business need and to continue to support home working where possible and appropriate, but without detriment to learning, the overall student experience, and to consider the impacts of isolation and unsatisfactory home working environments on staff wellbeing.

The College launched its 2021-22 delivery plan which prioritised that staff and students would continue to work from home for an initial seven week period, unless there was a business need for courses to be back in College. In order to do this safely the College introduced a hierarchy of business needs to ensure all decisions related to campus return were taken based on safety, risk mitigation and prioritisation. For the first seven weeks of the new academic session, August through to October break, only courses identified as business critical returned to campus. After the October holiday it was decided that on campus numbers would increase to 65% of pre-Covid attendance numbers in line with Scottish Government guidance.

After the October break, the College's Management team introduced hybrid working. Staff's return to campus and hybrid working rotas were designed to meet business needs, however, staff individual health requirements were also considered in these decisions. To ensure this was as safe as possible, individual risk assessments were available on request and/or a referral to Occupational Health.

A key focus for development during the year has been within the area of health and wellbeing, with an aim to empower our staff and support them during life's challenges, in turn enhancing engagement and loyalty. This is a key component of the College's People Strategy. Utilising Government funding for mental health and wellbeing, an additional staffing resource was recruited for a fixed period. A dedicated Health and Wellbeing area on the internal SharePoint site was created to promote the range of support options available to staff, providing easy access to the Employee Counselling service, Work Positive policy, Carers support, and Mental Health provision, including our mental health ambassadors. We have also offered the Access to Work mental health support service through Able Futures, providing advice and support on how employers can help staff to cope with issues that are concerning them. This provides up to nine months advice and guidance from a mental health specialist who can help staff learn coping mechanisms, build resilience, and access therapy. Health and wellbeing workshops ran throughout the year including; Ten morale boosters; Maintaining my work life balance; Avoiding burnout; Menopausal awareness for managers; Developing menopause and peri-menopause; Personal empowerment – taking charge of your life and career; and Cancer in the workplace.

Recognition and providing staff opportunities to input is another key element of the People Strategy. As well as the internal staff awards ceremony, staff have been encouraged to enter into a range of external awards such as the TES FE Awards, CDN Awards, the Scottish Apprenticeship Awards and the Green Gown Awards. Internally, regular communications to staff provide departments with an opportunity to showcase achievements and services, and Principal Briefings give staff direct access to strategic decision making rationale, with opportunities to question. Collaboration amongst staff also features highly within the College, with the Springback project taking a lead here, adding to our Listening to Employees forum, Board representation, the local consultation and negotiation committee, and a range of working groups and committees across the College. Hybrid working was introduced though the Springback project for a pilot period to allow for data gathering. Key to this was staff input into the hybrid working process, matching new expectations on working life in the post-Covid era.

To support leadership development a dedicated resource has been set up on SharePoint and new and current managers have accessed varied pathways to develop their skills including CDN's Strategic Management and Leadership programme or the Emerging Leadership programme. There has also been excellent feedback on the trial of a coaching collaboration with Fife College which will continue. To evidence our actions our Staff recruitment, retention and succession planning processes were given top scoring by our internal auditors.

Career development continues to be a focus with the introduction of LinkedIn Learning, a major provider of online learning modules providing 6,000 learning opportunities on nearly any business related learning topic. LinkedIn Learning is a professional platform, accessible to all staff and adds to to our current Skills Network provision. It provides a cost effective solution to the diverse needs of staff and provides equal access to development for all. In addition, GTCS registration of lecturing staff continues with the College revalidation process approved by GTCS for the next 5 years with no recommendations for change. Much of this down to the work undertaken previously on the Personal Review and Development process which consists of objective setting, review meetings, continuing professional development and reflective practice linked to professional standards. The Learning and Digital Skills Academy continues to support and ensure digital skills development through the delivery of our Creative Learning and Technology Strategy alongside our People Strategy.

Delivering a successful student journey – We have continued to deliver on the College's Creative Learning and Technologies Strategy, and have transformed how we deliver learning to our students. We have invested in additional laptops, using Scottish Funding Council (SFC) funding to enable students to engage in learning where they did not have access to IT equipment. We have also invested in securing our IT network and infrastructure as we adapt to home learning and home working, with the introduction of secure VPN access and multi factor authentication for both staff and students.

We are continually looking to improve our Student Journey, and have adapted our application and enrolment procedures to provide a better service and be more responsive to students, as well as relying less on our staff to intervene in the processes. We have created a student portal allowing feedback to students on the steps required to progress their application, including uploading their own photograph for their ID card. We have also improved our application process for school pupils onto our school-college courses. We have also just launched a new App for our students using Campus M. This provides students with access to their timetable, College ID Card and essential College information.

We have built on the success of the College Data dashboards. For students we further developed the My Info portal to include online enrolment confirmation and student photograph upload, which has now been incorporated into our new App through Campus M. We have also enhanced our Student Support System (Triple S) which brings together information stored in a number of disparate electronic and paper based systems on support that is being provided to our students across College functions. This system allows all staff to see interactions with all College functions, and allow for sharing of appropriate support information more timeously across the College. We also enhanced the Performance Indicator Prediction and Tracking Tool, which allowed managers to track performance of their courses and students across the session. Crucially, this linked to the Triple S systems, so allowed for students who may be more vulnerable to be tracked, and also to highlight courses where there were clusters of students with additional support needs, to help identify earlier where more support may be required.

During session 2021-22 the SQA continued to enforce Covid emergency assessment strategy and curriculum teams were again using the SQA decision tree to identify the appropriate assessment guidance for courses. The Learning and Quality team supported each curriculum department as they worked through the changes in their assessment procedures. This measure was particularly welcomed as it gave staff clarity for course structure and workload and confidence and reliability in assessment decisions.

For session 2021-22 Education Scotland reinstated in-college assessment and returned to the previous reporting process of Progress Visits. The fortnightly team meetings with the College's lead HM Inspector of Education (HMIE) continued throughout the academic year. The College had its scheduled Progress Visit in February 2022, across all three campuses, involving managers from Curriculum and Corporate services areas, lecturing and support staff as well as students. At the conclusion of the Progress Visit, HMIE, associate assessors and student team members reviewed the evidence gathered during the visit, to assess the progress that the College had made against its Action Plan.

The Progress Visit for the College explored five overarching themes linked to the College's enhancement plan and priorities around covid recovery. The themes were:

• Curriculum, learning, teaching and assessment;
• Services to support learning;
• Learner engagement;
• Evaluation to facilitate improvement; and
• Learner progress and outcomes

The outcome of the Progress Visit identified the College as having “Satisfactory Progress” across all key principles and themes of the visit. This is the highest grade that can be achieved from a Progress Visit. At the conclusion of the visit the Education Scotland team delivered verbal feedback on the outcome of the Progress Visit to representatives from senior management. This was very positive with the Managing Inspector acknowledging that there was a real sense of positive culture within the College, and that all staff and students engaged in the Progress Visit clearly demonstrated vibrancy and enthusiasm. The College was also commended on its solution focused approach that was being taken with the continued success of ‘Time4Me’, ‘Student Support System (Triple S)’ ‘PI Prediction Tool’ and the support that the Learning & Digital Skills Academy has had on supporting both students and staff over the last year.

Similar to the services for staff members, the College's mental health services for students have been revised in session 2021-22 to offer enhanced and timeous support. For counselling this means that, the College now uses both employed counsellors and an external counselling service, which allows for flexibility and the ability to scale up and down based on demand. For the first time in the last five academic sessions, the counselling service has not had to operate a waiting list. While this service is supportive and confidential, the College's mental health services work collaboratively with those also involved in supporting the student, including Curriculum Managers, teaching staff and members of the Inclusion and Student Services team to ensure a holistic support service is provided. This service will not replace support that a student is receiving from the NHS but will seek to complement it, with a focus on positive outcomes. Following the launch of the new service, a large number of referrals were received, and it is anticipated that this service will receive around 200 referrals per academic session based on the initial data.

The College continues to actively engage and promote the Developing the Young Workforce (DYW) agenda and the associated Scottish Government's Young Person's Guarantee. The College continues to support the School Coordinators in each secondary school across our three Local Authority partners and works closely with our DYW partner to ensure targets are met.

Throughout a challenging 2021-22 the College has continued to deliver its senior phase offerings, with over 1,000 school pupils studying at the College across a wide offering of programmes. At the start of the session all school pupils returned to College campuses. This decision was taken in order to maintain the validity of the qualifications for 2021-22 and support our Local Authorities in managing their school pupil capacity numbers and pupil engagement. Throughout this period we also continued with our co-partnership in-school delivery of Foundation Apprenticeships within three secondary schools across Forth Valley.

The College's PrimarySTEM engagement programme was severely impacted by the pandemic and all face to face delivery was halted for 2020-21. However, this recommenced during 2021-22 across our three local authority areas.

Retention across College full time programmes for 2021-22 was down by 5% on 2020-21 figures: FE down by 3% and HE down by 7%. Throughout 2021-22 full time FE and HE students have struggled with engagement. Attendance and engagement has been sporadic and Covid fatigue has set in with online learning. FE was more affected in session 2020-21, but it is apparent that HE programmes are now also suffering. A buoyant employment market saw a number of students leaving to take up employment opportunities.

We continued to operate our successful "Listening to Learners" focus group, through which, over 3,000 students contributed their views and helped to shape learning within their programmes of study. In terms of previous performance, the 2020-21 National Student Satisfaction and Engagement Survey, highlighted that 85% of our students reported that they were overall satisfied with their college experience.

Driving a sustainable future – To support the sustainability of the College for the medium term, the management team undertook a restructure across the College, which included redefining posts and departmental structures. The process received positive feedback from unions and gave a positive outcome for staff affected. This has left the College in a more stable financial position and allows our staff to focus efforts on our core function, whilst providing increased security and certainty. The introduction of analytic tools in 2020-21 to help analyse the effectiveness of curriculum areas, were key in shaping the curriculum for session 2022-23, supporting senior managers throughout the College's consultation process, to proactively identify curriculum that was underperforming. This then allowed managers to identify the required staffing reductions, to support financial sustainability.

A key component of this objective is to lead as a business that is a champion for governance, financial control and balanced risk taking. The Board of Management approved the updated Code of Good Governance for Scotland's Colleges on 8 December 2020 and continues to work within this framework. At the end of the academic year the Board of Management undertook its annual self-assessment and the results of this were presented to the Board at the meeting on 8 December 2022.

The Board of Management also considered and adopted the updated Scottish Government Code of Conduct for Further Education Colleges in February 2022.

With the ongoing restrictions due to the global pandemic the Board of Management continued to operate virtually throughout 2021-22 until restrictions were lifted and in person meetings could resume.

The College follows an anti-bribery and corruption policy that demonstrates our commitment to ensuring the highest standards of financial probity, reliability and ethical behaviour.

A full report on the College's financial performance is included within the Performance Analysis section of this report. Overall the College's financial health continues to be good despite the challenges faced by Covid which is demonstrated by the ability to generate significant levels of cash surplus on the day to day operational activities of the College. As an arms-length public body the College is not permitted to retain reserves for future investment, and the Board of Management therefore approved the cash surplus generated in 2021-22 be donated to the Forth Valley College Foundation.

Leading on the economic recovery – Delivering on the College's 2022 to 2025 Strategic Plan, strong employer and stakeholder relationships are key to maintaining our position as a partner of choice.

Our new Director of Commercialisation and Skills has led on a restructure and brought together the former Business Development and Commercial Training departments to form the new department of Apprenticeships, Skills and Commercial (ASC). This merger has further improved communication, transparency, opportunities for staff to progress in their careers and above all, the customer experience.

By documenting our beginning to end learner experience across the department and wider College, we have identified system innovations that are essential to improve the customer experience and remove duplication of effort. We have also strengthened our relationship with our training associates, providing standardisation and a consistent experience for our learners and the employers.

The Scottish Government Flexible Workforce Development Fund (FWDF) has continued into 2021-22 for its fifth round along with the small & medium sized enterprises (SMEs) fund into its second round. The focus of these funds is on delivering training with courses aimed at upskilling and reskilling the workforce to drive economic productivity. To date we have committed 98% of the 2021-22 allocation of £894,981. At this stage FWDF rules do not allow us to offer the balance to new employer applicants, however we are continuing to work with existing employers to fully redistribute this shortfall and are on track to meet the course delivery deadline of December 2022. We are continuing ongoing work to develop new courses for our 2022-23 offering, meeting both new and existing employer requirements.

Public commercial course provision (Comp'Ex & Electrical Safety, Health & Safety, Business Skills, and First Aid) continues to perform well. Working with Pre Employability Clackmannanshire (PEC) as well as Clackmannanshire Council we have re-introduced employability provision within our portfolio. This has generated additional income and provided a foundation to secure future opportunities within this area. It is encouraging to see increased income with 2021-22 income sitting at £853k compared with the pre-covid level in 2018-19 of £808k. As well as employability provision this has been supported through the addition of new provision across all discipline areas. As covid restrictions have lifted we have provided more of our practical and regulatory course offerings and where appropriate have continued to offer online provision, reducing the need to use class rooms and increased class capacity has raised overall margins.

Although we have seen a slight dip within Engineering, there has been continued growth in demand within Construction Modern Apprenticeships (MA). Due to this demand we were able to secure additional MA funded places, seeing an overall growth in our Skills Development Scotland MA contract. Income from this has risen by 14% to £1.509m for 2021-22.

All of the relationships and activities with our key employers and stakeholders across a range of areas have generated tangible benefits to the College, supporting best practice and providing significant contribution towards the College's financial sustainability and the local economy.

Estates Strategy

The College estate is based across 3 campuses at Falkirk, Stirling and Alloa. The largest of these which operates as the Head Office, is at Grangemouth Road, Falkirk, FK2 9AD. The opening of the new Falkirk Campus in January 2020 completed the delivery of our Estates Development Strategy. The new campus will service the current Falkirk Campus curriculum and will accommodate over 11,000 students, of which almost 2,000 will be full time. The campus is 20,720 sqm and incorporates state of the art and flexible teaching accommodation, low carbon initiatives such as Photovoltaics, a Ground Source Heat Pump system, and Combined Heat and Power boilers, along with other sustainable functions required to meet the Building Research Establishment Environmental Assessment Method (BREEAM) standard.

Going forward the significant capital investment in our estates will be supported with the implementation of an Estates Maintenance Strategy to ensure the estate is adequately maintained so that it remains fit for purpose and continues to provide a superb environment for learning. A new Estates Strategy to complement our 2022-27 Strategic Plan is currently being drafted, which will incorporate the College's Net Zero Plan. We have formed a College-wide Sustainability Committee, which will provide governance and direction for our Net Zero Plan.

Principal Risks and Uncertainties

The College recognises the need to take informed and calculated risks to allow for the growth of the College.

The College has comprehensive risk management systems in place to ensure that risks are fully analysed and receive the appropriate level of approval before activity commences. All risks identified within the College are monitored on an on-going basis and specialist registers are created for large individual projects. In 2021-22 a specific register was created for the College 'Springback' project which was designed, among other things, to facilitate the return to in person learning on campus.

The College has updated the strategic risk register to reflect the recent changes across the sector. The register provides details of individual risks, their potential consequences and the mitigating actions put in place to manage these risks.

The College has robust risk management processes in place to ensure relevant risks are captured, assessed and (where possible) mitigated against. The College maintains a register of strategic risks which is reported on at each meeting of the Audit Committee as well as being reported annually to the Board of Management.

At the Board of Management strategic session in February 2022, an exercise was conducted by the College's Internal Auditors to explore and quantify the Board of Management's risk appetite. This information was reported back to the Audit Committee in May 2022 which has made recommendations on how to have cognisance of the Board Risk Appetite when considering overall risk from 2022-23 onwards.

At this time, the top risks on the Strategic Risk Register are:

Risk	Mitigation
Unable to maintain financial sustainability due to insufficient funding from Scottish Government / SFC to support the core activities of the College.	The College continues to review its operating structures and activities to deliver efficiencies and grow commercially to ensure the ongoing financial sustainability of the College.
Failure to deliver a high quality learning experience and meet targets of Outcome Agreement with SFC.	Implementation of the Learning and Digital Skills Academy and Project NxGen considering future curriculum needs. Student engagement and feedback. Staff structures reviewed to support the student experience.

Unable to maximise the long term return on investment on the College estate due to insufficient capital maintenance funding, and changes in working practices.	Effective monitoring of lifecycle maintenance programmes and discussions with SFC regarding funding, development of commercialisation strategy and review of campus utilisation.
National Bargaining process will negatively impact on the College.	The outcomes of the National Bargaining process is outwith the control of the College. The College continues to communicate regularly with staff with the Principal holding briefing sessions with all staff twice a year. Financial implications are reflected within financial forecasts.
A major incident prevents the College from operating due to loss of access to campuses / loss of IT.	Business Continuity Plan regularly tested, with specific IT cyber security plan in place. Regular testing of Health & Safety systems.

Going Concern

The Board of Management has assessed the financial position of the College for the year ended 31 July 2022 and its future financial position to support the going concern basis of preparation in the financial statements, and ensure completeness and accuracy of related disclosures. Further detail is provided in Note 1.

The Board of Management believes that pension liabilities resulting in a net liability in the Balance Sheet can be met as these fall due from future funding. The Board of Management of the College has no reason to believe that future support from SFC will not be forthcoming.

The conclusion from the assessment of financial position is that it is considered appropriate to adopt a going concern basis for the preparation of these annual financial statements.

PERFORMANCE ANALYSIS

Performance Indicators

The College delivered 91,624 Credits against a target of 91,888 which is 264 Credits (0.29%) below target for Academic Year 2021-22 (2020-21 : 0.16% above target of 87,087 credits). This target includes 83,337 core activity Credits, 1,617 Credits for activity deferred due to Covid, 2,493 Credits for the on-going SFC administered European Social Fund project, 3,141 Credits for Foundation Apprenticeships and 1,301 Credits for Young Person's Guarantee and National Transition Training Fund.

To monitor performance the College uses a range of performance indicators which are reviewed regularly by members of the Senior Management Team, and Board members through the College's Strategic Development Committee. Furthermore, performance down to curriculum area and course level is monitored through curriculum teams through the College's quality processes and procedures. Through its Outcome Agreement with SFC, the College sets a range of national targets and ambitions which are monitored through the College's Evaluative Report and Enhancement Plan, which involves external scrutiny and moderation by Education Scotland and SFC.

In relation to risk, failure to meet our Outcome Agreement targets is listed within the College's Risk Register as a risk, with mitigation of regular monitoring through the Senior Management Team and the Learning and Student Experience Committee. The College has adopted the core set of performance indicators which were developed by the Colleges' Finance Community of Practice. The table below details performance in 2021-22 and 2020-21.

	Year Ended 31 July 2022	Year Ended 31 July 2021
Operating deficit as % of total income: deficit on continuing activities (excluding extraordinary donation) after depreciation of assets at valuation and loss of revaluation of land and buildings, and before disposal of assets and tax	**(11.1%)**	(7.2%)
Non SFC Income as % of total income*:* total of non-SFC income expressed as a percentage of total income.	**25.0%**	24.5%
Current assets : current liabilities: ratio of total current assets to the total of creditors: amounts falling due within one year.	**0.79:1**	0.87:1
Days cash: cash and short-term investments divided by total expenditure less depreciation and expressed in days.	**49**	44
Staff turnover: FTE staff on a permanent contract of employment that leave for whatever reason during the year divided by the total FTE permanent staff at the college at the period end.	**9%**	6%
Working days lost through sickness absence: working days lost per staff FTE through sickness absence divided by the total FTEs employed at the institution at the period end (expressed as percentage).	**4%**	3%
Credits per staff FTE: actual Credits delivered in the year per FES return divided by total of FTEs involved in delivery of Credits.	***361***	*355*

		Current Year Ended 31 July 2022	Achieved Year Ended 31 July 2021
Performance against Credits: actual Credits delivered in-year divided by target Credits.		***100%***	*100%*
Student outcomes: total enrolments for students completing programme with a national qualification aim, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	***68%***	*69%*
	FE Part time	***85%***	*89%*
	HE Full time	***71%***	*71%*
	HE Part time	***87%***	*91%*
Student retention: measures number of enrolments for which the student has completed the programme, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	***72%***	*77%*
	FE Part time	***91%***	*94%*
	HE Full time	***79%***	*83%*
	HE Part time	***95%***	*97%*
Early student retention: measures the number of enrolments for which the student has reached the 25% date for funding purposes, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	***93%***	*92%*
	FE Part time	***97%***	*98%*
	HE Full time	***97%***	*97%*
	HE Part time	***98%***	*96%*

Current & Future Developments

The College continues to rigorously review its overall curriculum portfolio, in the light of local and national skills priorities and sustains an excellent reputation with our employers, delivering industry-relevant courses within our campuses and bespoke training on employers' premises. This was central to the design and structure of the consultation process that the College launched in February 2022 in response to core funding cuts for session 2022-23. Each curriculum area was reviewed in detail to ensure the College continued delivering on regional and national skills.

In terms of learning and teaching, during 2021-22 the College continued to focus on developing the digital learning strategy and enhancing digital skills across staff and students. Funding was received from the Forth Valley College Foundation to extend the Learning and Digital Skills Academy for another two years.

The Learning and Digital Skills Academy launched the College's first self-assessment Digital Skills tool in session 21-22 which will support the development of the College's digital baseline for staff and students to help empower our staff to embrace advances in technology, enhance our digital pedagogy, and develop the skillset to create content for our students. This will aid the College in building its digital platform and content to meet the needs of our Creative Learning and Technologies strategy, and our industry and university partners, whilst maximising work already in place within our Moodle Virtual Learning Environment.

We will also continue to work closely with our university partners to maximise success and progression on our existing partnership degree programmes and to develop additional articulation agreements for Higher National (HN) graduates. In addition, we continue to explore opportunities for expansion of our partnership degree activities into access to teaching education and international markets.

Financial Performance

The finances of the College are regulated by the Financial Memorandum between the Board of Management and the Scottish Funding Council (SFC) under which the Principal is designated as Accounting Officer, responsible to the Chief Executive of the SFC for the stewardship of the College's finances and assets.

The reclassification of the College as an arm's length public body, effective from 1 April 2014, means the College is also regulated by the Financial Reporting Memorandum (FReM) and also by the Scottish Public Finance Manual.

The financial statements have been prepared to comply with the Accounts Direction issued by SFC, the FReM, the Financial Reporting Standards FRS 102 and the revised Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) which was issued in October 2018.

The College's financial objectives are:

- maintain a position of financial security in the context of significant internal and external demand upon resource
- optimise land and other assets in the interest of the College
- manage the impact of estates development upon financial security
- continue to seek increased allocations from SFC to meet demographic demand
- grow commercial activity rates and overall contribution to the College
- implement efficiencies and improvements identified through our business transformation activity
- embedded sustainability throughout College practices.

Underlying Operating Performance

The Statement of Comprehensive Income presents the financial performance during the accounting period in accordance with the SORP. The Adjusted Operating Position (AOP) is intended to reflect the underlying performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the College. The AOP is therefore designed to smooth any volatility in reported results arising from Financial Reporting Standard (FRS) 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the College.

The following table provides the adjusted operating position for Academic Year 2021-22:

	Note	Year Ended 31 July 2022 £000	Year Ended 31 July 2021 £000
Deficit before other gains and losses		**(4,662)**	(963)
Add back:			
Depreciation (net of deferred capital grant release)	SOCI, 2	**2,075**	2,059
FRS 102 SWAP Rate valuation movement	10	**(360)**	(205)
Pension adjustment - Net service cost	6	**3,440**	2,642
Pension adjustment - Net interest cost	10	**464**	392
Pension adjustment - Early retirement provision	8	**(1,588)**	540
Donation to Arms-length Foundation	11	**1,500**	0
Donation to other public body	9	**0**	(1,887)
Estates development costs	SOCI	**0**	3
		869	2,581
Less:			
Non-Government capital grants	4	**60**	180
CBP allocated to loan repayments	16	**193**	184
		253	364
Adjusted operating surplus		**616**	2,217

The adjusted operating surplus of £616k demonstrates that the College is operating sustainably within its funding allocation and has been agreed with the Sottish Funding Council.

All items above can be readily identified in the financial statements, with the exception of the following:

		Year Ended 31 July 2022 £000	Year Ended 31 July 2021 £000
Depreciation charge	SOCI	**5,401**	5,417
Deferred capital grant release	2	**(3,326)**	(3,358)
Depreciation (net of deferred capital grant release)		**2,075**	2,059
Pension provision charge	8	**111**	95
Pension finance costs	10	**464**	392
Pension adjustment - Net interest cost		**575**	487

Explanation for adjusting items:

Note 1: Depreciation does not have an immediate cash impact on the College and, in any case, capital expenditure will largely be funded by Government or grants from the Forth Valley College Foundation so the charge is removed.

Note 2: The swap rate adjustment is the movement on the valuation of the fair value of derivative financial instruments.

Note 3: The adjustments to the pensions charge represent the net service cost (ie the present value of projected benefits resulting from employee service in the year less cash contributions paid).

Note 4: 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 5: The early retirement provision adjustment relates to the gain/loss arising from the actuarial valuation during the year. This excludes any adjustments to valuations as a result of adding or removing employees.

Note 6: The donation to the Forth Valley College Foundation is paid out of the commercial surplus for the year so is adjusted to arrive at the pre-donation operating position.

Note 7: The donation to other public body through the prior year Statement of Comprehensive Income relates to the sale proceeds of the former Falkirk campus. Scottish Funding Council changed the nature of this transaction following the signing of the 2019-20 accounts, from a donation to another college to deferred capital grant and requested return of the £1.9m proceeds, thus reversing the accounting treatment in 2020-21. This is not part of the day-to-day operations and is therefore removed.

Note 8: The estates development costs expensed through the Statement of Comprehensive Income have been identified separately and comprise professional advisors fees and staff time in relation to the project management for the new campus. These costs are not part of the day-to-day operations and are therefore removed.

Note 9: Capital grant income is not matched by SOCI expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.

Note 10: Cash Budget for Priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted.

Balance Sheet

As required by FRS102 and the FReM full professional valuations were sought for all 3 campuses at Alloa, Falkirk and Stirling as at 31 July 2020. This resulted in all the buildings being revalued upwards, along with the land at the new Falkirk campus, totalling an increase in revaluation reserve of £21.2m. A review of the campus values as at 31 July 2022 confirmed that there was no impairment to the properties to be recognised in these financial statements.

Spend of Cash Budget for Priorities

Following its reclassification as a central Government body, the College is 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 has been given a fixed cash budget for priorites which must be spent on agreed Government priorities as outlined in the table below. Spend of the College's cash budget for priorities, and the impact on the operating position for the academic year, is detailed below.

	31 July 2022	31 July 2021
	£000	£000
Revenue		
The 2015/16 pay award	**65**	65
Estates related revenue costs	**355**	364
Total impact on operating position	**420**	429
Capital		
Loan payments	**193**	184
Total Capital	**193**	184
Total cash budget for priorities spend	**613**	613

Creditor Payment Performance

The College has a policy of paying suppliers within agreed terms unless the invoice is contested. Disputes and complaints are handled as quickly as possible. Every effort is made to take advantage of additional discount where this is offered for prompt payment. The College did not make any late interest payments during the year.

Standard creditor terms are set on our finance system to be 30 days and can be amended to adhere to supplier terms if authorised by Finance team management. Invoices are paid on a fortnightly basis by the due date and only if they are authorised for payment on the finance system. The average number of days taken to pay suppliers in the financial period being reported was 29 days (2020-21 : 34 days).

Sustainability Report

The College recognises its moral and legal responsibilities to sound sustainability management, encompassing environmental, social, economic and technological factors, in line with the College vision for 'Making Learning Work'. We recognise that the changing climate will have far reaching effects on Scotland's economy, people and environment, and consequently, a commitment to carbon reduction remains a key strategic objective for the College.

Our vision is to lead by example in all our activities and to ensure that both staff and learners are aware of the impact their actions will have on the environment. This vision is supported by the 'College Sustainability Commitment Statement' that is approved annually by our Board of Management and our College Principal. In addition, the College has adopted the sector wide 'Scottish Colleges' Statement of Commitment on the Climate Emergency', which outlines 10 key actions colleges will deliver on to help achieve Scotland's net zero target. We have also become a signatory to the 'Race to Zero'; a global initiative for a zero carbon world representing Universities & Colleges .

The College has an established Sustainability Committee which performs a strategic function in identifying, encouraging, quantifying and leading the embedding of sustainable practices throughout the College. The Committee is currently led by the Vice Principal for Infrastructure and Communications and encompasses representatives from across the College including the student body.

The College continues in partnership with West Lothian College, Borders College and the EAUC (Environmental Association for Universities and Colleges) to collaborate and deliver on the UK Further Education Climate Action road map as a commitment to delivering net zero by 2040. Whilst ever present at CDN's climate emergency group, the College partnership developed and appointed the shared resource role of 'Sustainability Project Manager' to work with the partner Colleges to help develop and embed net zero planning across our organisations, to identify and aid applications to appropriate funding routes and develop a cradle to grave approach to sustainability.

With Scotland's Colleges committing to be net zero by 2040 the Estates department is seeking solutions to decarbonise the College buildings with the sustainable and efficient use of capital grant money, lifecycle replacements and by accessing Scottish Government grant funding for decarbonising public sector buildings. In partnership with our shared Sustainability Project Manager we were successful in securing £50,000 of Scottish Government pre-capital funding that will be targeted at energy auditing of the estate to identify and collate the future decarbonisation opportunities that will form the core of the Colleges Net Zero plan.

Outwith the construction of the new Falkirk Campus, and previously the new Stirling & Alloa Campuses, to date the College has targeted projects that have returned a positive carbon reduction with low to modest capital investment; however, it is becoming increasingly challenging to identify further reductions without significant capital expense. Critical in meeting Government and sector net zero ambitions will be future provision of significant capital funding targeted at maintenance, adaptation and decarbonisation of College and public sector estates.

In accordance with the Climate Change (Scotland) Act 2009, and with the support of the EAUC, Forth Valley College report annually to the Sustainable Scotland Network on our carbon footprint, compliance with Climate Change Duties and future sustainability ambitions and plans. We also adhere to reporting requirements in areas such as procurement, business travel and building management, and recognise the importance of consistent environmental reporting across public sector bodies.

In the last academic year our annual reporting to the Sustainable Scotland Network allowed the College to demonstrate a 51% reduction in our carbon footprint in 2020-21 compared to our baseline footprint measured for the 2013-14 Academic Year (2,687 v 1,306 tCO_2e).

These savings have been achieved through the implementation of a robust Carbon Management Plan that sought to address many aspects of College business (energy, waste, travel, staff and student engagement, behavioural change and capital investment). They have also been influenced by the construction and occupation of a new purpose built BREEAM "Very Good" rated campus in Falkirk that leans heavily on sustainable technologies (LED lighting, ground source heat pumps, photovoltaic panels etc.), continued greening of the nation's energy network and the impact of covid to our daily estates operations since early 2020.

A return to 'business as usual' for academic year 2022-23 following the global recovery from covid and the resultant return to near normal numbers of staff, students and visitors attending campuses will undoubtedly have a negative impact on the above referenced reductions in our carbon footprint while also providing us with our first 'near normal' year of operation at our new Falkirk campus. We look forward to once again establishing a 'business as usual' Carbon footprint while quantifying our new campus' contribution to this.

Professor Ken Thomson OBE
Principal and Chief Executive
15 December 2022

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

Forth Valley College of Further and Higher Education is committed to demonstrating best practice in Corporate Governance and the following statements are designed to provide an overview of governance arrangements in place.

The Corporate Governance Report consists of the following sections:

- Board of Management and Senior Management overview
- Statement of The Board of Management's Responsibilities
- Governance Statement
- Governance Structure
- Assessment of corporate governance
- Internal Control
- Going Concern

Board of Management

Membership of the Board of Management

The Post-16 Education (Scotland) Act 2013 requires that the board of a regional College should consist of no fewer than 15, nor more than 18 members. The Board of Management members who held office during the year and up to the date of signing these financial statements were as follows:

Mr R Martin	Regional Chair	Re-appointed 01/08/2021 Resigned 30/11/22
Ms T Craggs	Vice Chair & non-executive member	Interim Chair from 01/12/2022
Professor K Thomson OBE	Principal	
Miss N Akram	Non-Executive member	Resigned 12/08/2022
Mrs H Burt	Non-Executive member	
Mr A Caldwell	Non-Executive member	
Mr P Devoy	Non-Executive member	
Ms L Dougall	Non-Executive member/ Senior Independent member	
Mr D Flynn	Vice Chair & non-executive member	Resigned 25/03/2022
Mrs K Graham	Non-Executive member	
Ms C Green	Student	Re-appointed 01/07/2022
Ms L Hastie	Non-Executive member	
Ms J Hogarth	Staff	
Ms A Little	Student	Re-appointed 01/07/2022
Mr L McCabe	Non-Executive member	
Mr A McKean	Staff	
Ms E Meridith	Non-Executive member	
Mr K Richardson	Non-Executive member	

Membership of the Senior Management Team

The SMT is responsible for the day to day management of the College's activities and operations and consists of:

Professor K Thomson OBE	Principal
Mr D Allison	Vice Principal Information Systems and Communications
Mrs A Stewart	Vice Principal Finance and Corporate Affairs
Mr K MacInnes	Vice Principal Learning and Student Experience

Conflicts of Interest procedures

The College has comprehensive procedures for dealing with potential conflicts of interest. These include holding, and updating at least annually, a Register of Board Members Interests. The register is available to any member of the public who wishes to examine it and is available on the college website, http://www.forthvalley.ac.uk. Interests that must be registered, in terms of the name and nature of the organisation in which the interest is held, include: remuneration, related undertakings, contracts, houses, land and buildings, shares and securities, and non-financial interests. Declarations by Board members of any conflicts of interest are recorded in the minutes of the appropriate Board meetings.

Personal data related incidents

Section 417 of the Companies Act 2006 requires that organisations report on personal data related incidents. In 2021-22, the College had no reported personal data incidents. (2020-21: no incidents).

Professor Ken Thomson OBE
Principal and Chief Executive
15 December 2022

Statement of The Board of Management's Responsibilities

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

In accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, 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 period.

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial period 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 period. These financial statements comply with the Accounts Direction issued by the Scottish Funding Council.

In preparing the financial statements, the Board of Management has ensured that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institution will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council 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
- secure the economical, efficient and effective management of the College's resources and expenditure
- ensure sound corporate governance and proper conduct of the College's operations.

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, directors of academic and heads of administrative departments
- 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
- comprehensive Financial Regulations, detailing financial controls and procedures, approved by the Finance Committee
- 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.

In October 2010, the UK Office for National Statistics (ONS) decided to reclassify incorporated further education colleges throughout the UK so that they would be treated as part of central Government for financial budgeting and reporting purposes. The UK ONS's reclassification decision is the consequence of the current level of Ministerial control and does not relate to the plans for improved governance that feature in the Post-16 Education (Scotland) Act 2013.

The implications of this are material and impact upon the ability of the College to generate and retain income, to generate and retain surpluses (reserves), to protect and use existing reserves, and to access capital funding and commercial borrowing. The use of Arm's Length Foundations on a sector wide basis to shelter on-going College reserves was approved by Scottish Government Ministers. Forth Valley College Foundation was incorporated in December 2013 and has been awarded charitable status from the Office of the Scottish Charity Regulator (OSCR).

Auditor

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

Disclosure of information to auditors

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

Approved by order of the members of the Board on 15 December 2022 and signed on its behalf by:

Trudi Craggs
Interim Chair

Governance Statement

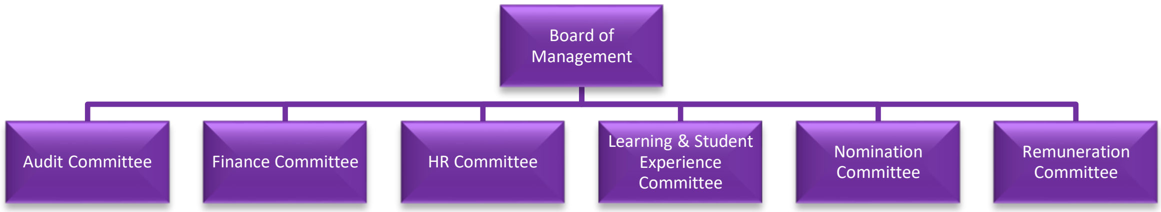
Introduction

The College is committed to exhibiting best practice in all areas of corporate governance. This summary describes the manner in which the College has applied the principles in the 2016 Code of Good Governance for Scotland's Colleges.

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

Governance Structure

The College has a robust and effective Board and Committee structure in place. This was reviewed and amended by the Board of Management in September 2018 to reflect the changing needs of the Board.



Board of Management Committees

Audit Committee
The committee met on three occasions. Its role is to contribute to good governance by providing assistance to the Board of Management on issues of compliance, risk, financial probity and the overall effectiveness of internal College control systems. The internal and external auditors normally attend meetings.

Finance Committee
The committee met on four occasions during the period. Its role is to contribute to good governance by providing independent advice to the Board of Management on the financial management of the College, providing a strategic overview of the College's financial direction while ensuring a position of financial security and that all relevant audit and legislative requirements are met.

HR Committee
The committee met once during the period. Its role is to advise on HR strategy (including industrial relations matters), oversee the Board's health & safety responsibilities, and monitor the Board's equal opportunities aspirations.

Remuneration Committee
The committee did not meet during this period. Its role is to provide good governance advice and assistance to the Board of Management on the remuneration of senior College staff, considering sectoral guidance and maintaining comparability with relevant external bodies.

Learning and Student Experience Committee
The committee met on three occasions. Its role is to contribute to good governance by providing assistance to the Board of Management on the educational performance of the College, to act as the primary linkage between the Board of Management and the Student Association Executive, and to consider matters relating to the interests of learners in the College.

Board of Management Members

As at 31 July 2022, the Board gender split was 59% male, and 41% female.

Membership now consists of 16 members as follows:

- Chair
- 10 Independent Non-executive members
- 2 Student Members
- 2 Staff Members
- Principal

Mr Ross Martin resigned as Chair of the Board of Management effective from 30th November 2022. To allow time to recruit a new Chair, Ms Trudi Craggs has taken on the role of Interim Chair for a period of 12 months from 1st December 2022.

There is a clear differentiation in the roles of the Chair of the Board and that of the Principal. Matters reserved to the Board of Management are set out in the Standing Orders and Operating Guidelines, the Scheme of Delegation, and under the Financial Memorandum with the Scottish Funding Council. The Board of Management is responsible for the on-going strategic direction of the College, approval of major developments and the approval of annual budgets.

Members of the Board have a collective responsibility for the proper conduct of the College's affairs. Members have full and timely access to information they consider to be relevant to enable them to perform their roles effectively. Members' roles and responsibilities are described in the Code of Good Governance for Scotland's Colleges and the Guide for Board Members in the College Sector.

Board Effectiveness

The Board of Management has adopted the Code of Good Governance for Scotland's Colleges. The code outlines the activity to be undertaken by a Board. The Board of Management has an effective mix of skills in place, supplemented by a comprehensive induction process which is further enhanced by Board training activities such as the provision of equalities training.

There are self-evaluation processes, led by the Chair and an evaluation process for the activity of the Chair led by the Vice-Chair. These offer a mechanism for members to feedback on their perceptions of the Board, their contribution and any future training needs. The performance of the Chair is also evaluated by the Scottish Government, as regional college chairs are appointed by Scottish Ministers and are personally accountable to them.

Attendance

The Board of Management normally meets formally six times per year and has a number of committees which are formally constituted with terms of reference.

The Covid pandemic meant that access to the College campuses remained limited for parts of 2021-22 and the Board of Management therefore continued to operate virtually and in person meetings as appropriate.

Overall there were 6 Board of Management meetings in 2021-22.

During 2021-22 one meeting of the HR Committee was cancelled due to not being quorate.

	Status	Date of Appointment/Re-Appointment	Date of Retiral/Resignation (If Applicable)	Board of Management	Audit Committee	Finance Committee	HR Committee	Remuneration Committee	Learning & Student Experience Committee
Number of Meetings				**6**	**3**	**4**	**1**	**0**	**3**
R Martin	Regional Chair	01/08/21	30/11/22	6					
Professor K Thomson OBE	Principal	01/08/13		6					
H Burt	Non-Exec	01/02/20		3	2				
A Caldwell	Non-exec	01/03/20		2		2			
T Craggs	Vice Chair/ Non-Exec	07/12/20	Interim Chair from 01/12/22	5		3	1		
P Devoy	Non-Exec	29/04/21		5	1		0		
L Dougall	Non-Exec / Senior Independent Member	26/03/19		6	3				3
D Flynn	Vice Chair/ Non-Exec	07/12/20	25/03/22	3 of 3					2 of 2
K Graham	Non-Exec	01/07/20		4			1		3
C Green	Student	01/07/21		4					3
L Hastie	Non-Exec	29/04/21		3		4			
J Hogarth	Staff	27/06/19		6			1		
A Little	Student	01/07/21		6		2			
L McCabe	Non-Exec	26/03/19		3		4			
A McKean	Staff	15/09/20		5	2				
E Meredith	Non-Exec	29/04/21		4	2				3
K Richardson	Non-Exec	26/03/19		4		2			
N Wood (Akram)	Non-Exec	01/02/20	12/08/22	3					1

Assessment of corporate governance

The College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges with the exception of the role of Secretary to the Board. The Code of Good Governance states; "The board secretary may be a member of the senior management team in their board secretary capacity, but they cannot hold any other senior management team position at the same time".

The Board of Management recognises the importance of the Board Secretary being able to report directly to the Chair independently of the Principal in order to prevent any conflicts of interests, however we believe that this can be achieved without the requirement to appoint a Board Secretary without other Senior Management Team responsibilities. The Board of Management has appointed the Vice Principal Finance & Corporate Affairs as Secretary to the Board along with the Corporate Governance & Planning Officer as Deputy Secretary to the Board, both of whom will report directly to the Chair in relation to the Board Secretary duties. The Board of Management believes any risk of non-disclosure or non-compliance not being reported to the Board of Management due to a conflict of interest is mitigated by the appointment of two individuals with direct reporting to the Chair. The Board of Management considers that governance is strengthened rather than weakened by the Vice Principal Finance & Corporate Affairs having a dual role within the Senior Management Team. This arrangement is not unusual in either the public or the private sector. The Board of Management reviewed the existing arrangement in September 2022 and agreed that this should continue unchanged.

Risk Management

The Board of Management has overall responsibility for ensuring the effective identification, mitigation and monitoring of strategic risks within the College. The Audit Committee has delegated authority from the Board of Management to approve the Risk Management Policy and to review regular reports from the College Senior Management Team regarding risk.

All Board Committees are able to request risks be added to the strategic risk register.

The Board External Effectiveness Review identified an action to determine the Board of Management's risk appetite. As part of the Board of Management strategic session in February 2022, an exercise was conducted by the College internal auditors to establish the risk appetite of the Board of Management using the criteria outlined in HM Treasury's "Orange Book". The outcome of this exercise has been reported to Audit Committee and will be incorporated into College risk assessment practices in 2022-23.

The College operates a Strategic Risk Register which identifies the most significant risks to the College. This register is taken to every meeting of the Audit Committee for comment and challenge. It is also provided annually to the Board of Management. There are currently 7 risks on the Strategic Risk Register covering areas such as the ongoing financial sustainability, estates maintenance, our people and ensuring the College continues to meet student expectations.

The Principal is responsible for the maintenance of the College Strategic Risk Register and for ensuring appropriate risk mitigation actions are implemented to address significant risks to College operations and strategic objectives. Senior Management Team members are responsible for establishing controls to mitigate identified risks wherever possible. This information is included on the Strategic Risk Register in summary form.

Risk Management is embedded in the operations of the College. The identification and mitigation of risk is a component in all decision making and is a standing item at all Senior Management Team, Board Committee and Board of Management meetings. The College also operates a risk management system whereby areas of significant risk to the College have their own specific risk register.

An additional risk register linked to the steps taken to return to campus operations and beyond, known as the Springback project, was approved to keep the Board apprised of progress during 2021-22 and has now been retired.

Delegation of responsibility for managing the key risks in the risk registers is essential if risk management is to be effective. The risk registers, therefore identify “owners” for each risk.

Internal Audit

The College has an internal audit service, the work of which concentrates on areas of key activities determined by an analysis of the areas of greatest risk, input from Senior Management Team and areas of significant change to operational systems/practices and in accordance with the annual internal audit plan approved by the Audit Committee. The internal auditor reports to the Principal and to the Audit Committee on a regular basis and has direct access to the Chair of the Audit Committee. The internal audit plan, while an annual document, does take into account medium and longer term planning to ensure key areas are audited on a rolling basis.

The internal auditor has issued an annual report which gives an opinion on the adequacy, reliability and effectiveness of the College’s internal control systems. On the basis of the work undertaken during the period the auditor has expressed an opinion that the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks and proper arrangements are in place to promote value for money and deliver best value.

Internal Control

The Board of Management is aware of the need for effective internal control and acknowledges its responsibility for such a control system to be in place. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal control is based on a framework of regular management information, financial regulations and administrative procedures.

In particular it includes:

- comprehensive budgeting systems with an annual budget approved by the Board of Management
- regular reviews by the Finance Committee of quarterly and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and non-financial performance.

Assessment of the effectiveness of internal controls

The Board of Management is of the view that there is an on-going process for identifying, evaluating and managing the College’s significant risks. This process is reviewed by the Board of Management through the Audit Committee. A formal Business Continuity Plan is maintained within the College.

For the period to 31 July 2022, the Internal Auditor reported the outcomes of all reviews which took place during the year. In recognition of the changing times within which the College operated, the planned audits within the audit plan were, with Audit Committee approval, amended to cover areas such as the College’s response to the pandemic. Internal Audit was of the opinion that the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks and proper arrangements are in place to promote value for money and deliver best value.

The external auditor has given an unqualified audit opinion on the financial statements for the period to 31 July 2022 and on the regularity of transactions reflected in the financial statements. No further significant issues have been identified as part of their audit process.

On the basis of the assurances provided from the credible sources outlined above, we can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the Scottish Public Finance Manual, have operated for the period ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

Going Concern

The Board of Management believes that pension liabilities resulting in a net liability in the Balance Sheet can be met as these fall due from future funding. The Board of Management has no reason to believe that future support from Scottish Funding Council will not be forthcoming and on that basis these financial statements have been prepared on a going concern basis.

The Board of Management has assessed the future financial position of the College, and believes that it is appropriate for these financial statements to be prepared on a going concern basis. As stated in the Performance Report overview section, the Board of Management has no reason to believe that future support from Scottish Funding Council will not be forthcoming. Further detail on going concern is expanded on in Note 1 of the financial statements.

Conclusion

The Board of Management's opinion is that the College has an appropriate framework of internal controls, and these provide reasonable assurance regarding the effective and efficient deployment of resources to achieve the College aims.

Approved by order of the members of the Board on 15 December 2022 and signed on its behalf by:

Trudi Craggs

Interim Chair

Professor Ken Thomson OBE

Principal and Chief Executive

REMUNERATION AND STAFF REPORT

Remuneration Report

This report outlines the remuneration policy of the College for the Board of Management and the Senior Management Team (SMT), and provides details of members remuneration for the year ended 31 July 2022.

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

Board of Management

The College Board Members, with the exception of the Principal and Chief Executive Officer, are appointed for a fixed period, normally, four years. With the exception of the Principal and Chief Executive Officer and elected staff representatives, these members do not have contracts of service with the College.

The College Chair, Ross Martin, was appointed in August 2017 by Scottish Ministers, and subsequently reappointed in August 2021. The level of remuneration for the Chair is set by Scottish Government who informs the College on an annual basis of any increase to be awarded. Following the year end, Mr Martin has resigned as Chair and as such the remuneration for 2022-23 will be split between Mr Martin and the interim Chair, Ms Trudi Craggs.

Senior Management Team

The Senior Management Team (SMT) is responsible for the day to day management of the College's activities and operations. The Principal and Chief Executive Officer, Professor Ken Thomson, is a member of both the Board and the SMT.

The Principal and Chief Executive Officer and other SMT members are on standard Forth Valley College contracts of employment. Their contracts provide for a notice period of 3 months. For 2021-22 there was no bonus scheme in operation in the College.

If an SMT member's employment with the College is terminated on the grounds of redundancy or in the interests of the efficiency of the organisation, severance payments will apply based on age and on length of service and are subject to approval by the SFC. This basis is identical to that applied for all other employees.

Remuneration Committee

The Remuneration Committee determines the policy for the remuneration of the members of the SMT, including the Principal and Chief Executive and other such members of the management team as it is designated by the College to consider. This policy is set within the context of the applicable Government guidelines. With input from the Chair,Principal and Chief Executive it determines the total individual remuneration packages of members of the SMT.

The membership of the Remuneration Committee is made up of the Chair of the Board of Management plus the Chairs of each of the Board Sub-Committees. All members have completed the mandatory online College Development Network Remuneration Committee training. The agreement for staff pay awards was delayed for 2021-22 , thus the Remuneration Commiteee only met in August 2022 to approve the remuneration disclosed in the table below, and the backpay element was accrued in to staff costs at the year end.

Senior Management Team Remuneration

As part of the College's performance management system, each SMT member agrees with the Principal their personal performance objectives.

The College aims to ensure that the remuneration packages offered to SMT:

- enable the College to attract, retain and motivate high calibre leaders

- remunerate individuals fairly for individual responsibility and contribution
- take account of salary policy within the rest of the College and the relationship that should exist between the remuneration of the Senior Management Team and that of other employees.

Basic salaries are reviewed annually from 1 August. Salary levels are established after taking into account external market levels and internal comparisons as well as individual responsibilities and performance. All senior posts are evaluated as part of our job evaluation process to ensure they reflect the responsibility and accountability of the role and are graded appropriately. An equal pay audit, that takes into account our Colleges Job Evaluation system is externally audited every two years. Salary payments are made monthly.

With the exception of Professor Ken Thomson, SMT members are members of either the Scottish Teachers' Superannuation Scheme (STSS) or the Local Government Pension Scheme (LGPS). As ordinary members, they contribute a rate of pensionable salary dependant on salary. In the financial period being reported the rates were between 9.5% to 11.9%. The College contributed 23% of the employees' pensionable salary to the STSS throughout the year. Contributions for the LGPS were 22.4% for the year. These schemes are defined benefit schemes. The LGPS scheme provides benefits at a normal retirement age of 65 for all LGPS benefits paid prior to 1 April 2015. For all LGPS benefits paid after 1 April 2015 and for STSS, benefits are provided at the state pension age. The pension benefits consist of an annual pension, based on a final pensionable salary calculation up to 31 March 2015 and a career average pensionable salary with effect from 1 April 2015. For members who joined before 1 April 2007 for STSS and 1 April 2009 for LGPS a tax free lump sum will be paid automatically.

Remuneration of the Principal and other Senior Management Team who served during the year to 31 July 2022, including salary, pension benefits and other allowances was:

	Year Ended 31 July 2022			Year Ended 31 July 2021		
	Salary	**Pension Benefit**	**Total**	Salary	Pension Benefit	Total
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Ken Thomson	**165-170**	**0**	**165-170**	165-170	0	165-170
Kenny MacInnes	**90-95**	**37**	**125-130**	80-85	49	130-135
Alison Stewart	**100-105**	**30**	**130-135**	100-105	50	150-155
David Allison	**90-95**	**31**	**125-130**	90-95	52	145-150
Andy Lawson	**0**	**0**	**0**	50-55	4	55-60

The Principal received no benefits in kind during 2021-22 (2020-21:nil). For 2021-22 and 2020-21 no bonus schemes were in operation. The information in this table has been subject to audit.

Salary

Salary information includes gross salary, overtime and allowances to the extent that they are subject to UK taxation. This report is based on accrued payments made by the College and thus recorded in these financial statements.

As a result of reaching the HMRC Lifetime Allowance limit, Professor Ken Thomson left the STSS pension scheme on 31 March 2018. From this date the pension payments that the College would have made to Professor Thomson's pension scheme, are paid as salary, and amounted to £28,085 (2021:£28,154). These payments are included within the salary noted above for Professor Thomson. This policy of paying pension contributions as salary for individuals who reach the HMRC Lifetime Allowance limit is in line with business practice, and was approved by the Remuneration Committee.

Chair Remuneration

For the year to July 2022 the Chair was entitled to claim remuneration of £211 per day up to a maximum total fee of £21,944. The Chair is not entitled to a pension in respect of their office. For the year to 31 July 2022 the Chair was paid remuneration of £17,407 (2020-21: £26,481). The payment in 2020-21 of £4,537 above the maximum threshold has been repaid by the Chair and recorded in these financial statements for the year to 31 July 2022.

Fair Pay - Pay Multiples

Institutions are required to disclose the relationship between the remuneration of the highest paid member and the remuneration of the workforce. Remuneration includes salary, non consolidated performance-related pay and benefits in kind. It does not include severance payments, employers pension contributions and the cash equivalent transfer value of pensions. The table below shows the median, 25th and 75th percentile remuneration and ratios against the highest paid member.

	Year Ended 31 July 2022 £	Year Ended 31 July 2021 £	Change %
Annualised remuneration of the highest paid member	165k-170k	165k-170k	0.0%
Median remuneration of Forth Valley College workforce	39,264	38,264	2.6%
Remuneration ratio	1 : 4.27	1 : 4.38	
25th percentile	28,540	27,540	3.6%
Remuneration ratio	1 : 5.87	1 : 6.08	
75th percentile	43,357	42,357	2.4%
Remuneration ratio	1 : 3.86	1 : 3.95	

The annualised remuneration of the highest paid member in the financial year 2021-22 was £165k-170k (2020-21: £165k-£170k). This was 4.27 times (2020-21: 4.38 times) the median remuneration of the College workforce which was £39,264 (2020-21: £38,264). The drop in the ratio reflects the flat rate pay settlement for the year, as all grades received the same amount of £1,000.

Pension Benefits

The College operates two pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS). Pension benefits are provided to the Senior Management Team on the same basis as all other staff and an explanation of how benefits accrue is detailed below. The accrued retirement benefits of the Senior Management Team for the year to 31 July 2022 are:

			Cash Equivalent Transfer Value		
	Accrued Pension at pension age as at 31 July 2022 and related lump sum £000	Real increase in Pension and related lump sum at pension age £000	At 31 July 2022 £000	At 31 July 2021 £000	Real increase in CETV £000
Ken Thomson	55 - 60 plus lump sum of 165 - 170	0 - 2.5 plus lump sum of 0 - 2.5	1,351	1,310	0
Kenny MacInnes	15 - 20 plus lump sum of 50 - 55	0 - 2.5 plus lump sum of 5 - 7.5	361	302	40
Alison Stewart	25 - 30 plus lump sum of 0 - 5	0 - 2.5 plus lump sum of 0 - 2.5	359	319	30
David Allison	40 - 45 plus lump sum of 55 - 60	0 - 2.5 plus lump sum of 0 - 2.5	685	642	34

The cash equivalent transfer value is the actuarially assessed value of the retirement scheme benefits accrued by a member at a 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 pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlements into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

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

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

Real Increases in Cash Equivalent Transfer Value

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.

Staff Report

As at 31 July 2022 there were 641 staff in post. The split across gender and business area is detailed in the table below.

Employees	Male	Female	Prefer not to say	Total
Senior Management Team	3	1	0	4
Directors/Heads of Department	7	8	0	15
Academic Staff	135	136	11	282
Corporate Services Staff	114	217	9	340
	259	362	20	641

27 members of staff accepted voluntary severance in the year, as they were still in post as at 31st July 2022 they are included above.

The following table shows the salary and related costs for all staff for the year ended 31 July 2022, identifying temporary, inward seconded and agency staff separately:

	2022	**2022**	**2022**	2021
Salaries and related costs	**Directly employed staff on permanent UK contracts**	**Other staff including temporary, seconded and agency staff**	**Total**	Total
	£000	**£000**	**£000**	£000
Wages and salaries	**20,154**	**2,385**	**22,539**	20,702
Social security costs	**2,150**	**157**	**2,307**	2,099
Other pension costs	**7,501**	**319**	**7,820**	6,805
Total	**29,805**	**2,861**	**32,666**	29,606
Average number of FTE	**485**	**71**	**556**	544

In the year ended 31 July 2022 staff turnover was 14%.

During the year twenty seven employees left under voluntary exit terms and one via a compensation arrangement. The table below summarises the exit packages by cost band:

	Year Ended 31 July 2022	Year Ended 31 July 2022	Year Ended 31 July 2022	Period Ended 31 July 2021
Compensation for loss of office	Number of voluntary redundancies	Number of other departures	Total	Total
£5k - £10k	5	0	5	0
£10k - £15k	4	0	4	2
£15k - £20k	8	0	8	1
£20k - £25k	1	0	1	0
£25k - £30k	7	1	8	0
£35k - £40k	2	0	2	0
Total number of exit packages	27	1	28	3
Total cost			£545,467	£28,366

Included above are 3 employees who left under voluntary redundancy terms and elected to take early retirement. The cost to the institution of buying out the actuarial reduction on their pensions was £86,146. They did not receive any additional compensation.

Attendance Management

The College recognises that employees need to be properly supported during absences, matched with our priority, to meet our operational objectives. As a result, we take distinct steps to balance the needs of the individual with the needs of the organisation to effectively manage sickness absence. To achieve this balance, working with our Occupational Health advisors, we take a positive and pro-active approach to attendance management. We also offer a range of services that staff can access to help them with their own wellbeing.

These include:

- advising all employees and line managers of their roles and responsibilities in managing absence through appropriate training, guidance and support
- monitoring and analysing absence and providing useful Management Information
- supporting employees with regular short-term absence to improve their level of attendance
- assisting employees on long-term absence to return to work successfully via individually tailored return to work plans
- allowing staff to self-refer to our Occupational Health Advisor on a confidential basis
- offering sessions to staff to help them with their own wellbeing at work, including those on managing stress or mindfulness
- providing access to a confidential Employee Assistance scheme to provide advice or counselling when dealing with issues of a personal, financial or legal matter
- improve mental health support with the introduction of Mental Health Ambassadors and bespoke training.

In 2021-22, an average of 9.33 days (including leavers) was lost per staff member compared to 7.65 days from 2020-21. The 2021-22 average equates to 3.59% overall absence rate for the year (2020-21: 2.95%). This reflects a return to pre-pandemic levels of 2018-19 (3.44%).

Trade Union Facility Time – 1st April 2021 to 31st March 2022

The College recognises 2 trade unions for the purpose of collective bargaining, Educational Institute of Scotland and Unison. We recognise the benefits of a positive and open relationship with our recognised trade unions. As part of our commitment to working in partnership, and in accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, we offer paid facility time to our work place representatives to enable them to carry out union activities and duties.

There were 10 staff members who were trade union officials during 2021-22. The full time equivalent employee number was 9.5.

Percentage of time spent on facility time

Percentage of time	Number of representatives
1%-50%	10

The total cost of facility time amounted £62,331, 0.23% of the total pay bill of £26,929,898, including the gross amount spent on wages, pension contributions, and national insurance contributions. 3.6% of the total paid facility time hours was spent on trade union activities.

Equality, Diversity and Inclusion

The College continues its commitment to ensuring that all staff and students can work or study in an environment that is free from discrimination, harassment and victimisation and that everyone can progress equally.

We are guided by the Equality Act 2010 which sets out our responsibilities to:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity
- promote good relations

This is important for all staff and students. In particular, we ensure equality in regards to protected characteristics.

We comply with the Equality Act by demonstrating our activities through a range of reports and information: Equality Mainstreaming report; Equality Outcomes progress report; Equalities Policy and Gender Pay Gap & Equal Pay information. We are committed to achieving our Equality Outcomes and strive to embed actions for equality in our strategic and operational planning processes.

The College is continuing to implement its Access and Inclusion Strategy and Gender Action Plan both of which are part of our current Regional Outcome Agreement with the Scottish Funding Council.

The reports outlined above are at: https://www.forthvalley.ac.uk/about-us/equality-diversity/

Professor Ken Thomson OBE
Principal and Chief Executive
15 December 2022

PARLIAMENTARY ACCOUNTABILITY REPORT

The Financial Reporting Manual 2021-22 (FReM) requires the inclusion of a Parliamentary Accountability report and the Scottish Public Finance Manual sets out the specific disclosures required.

The College has no items to disclose for either of the financial years to 31 July 2022 and 31 July 2021.

Professor Ken Thomson OBE
Principal and Chief Executive
15 December 2022

AUDIT REPORT

Independent auditor's report to the Board of Management of Forth Valley 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 Forth Valley College for the year ended 31 July 2022 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

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

Basis 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 31st May 2016. The period of total uninterrupted appointment is six years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

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

Risks of material misstatement

We report in our Annual Audit Report, the most significant assessed risks of material misstatement that we identified and our judgements thereon.

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 there is an intention to discountinue the college's operations.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result from error as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the 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.

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.

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

Report on other requirements

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

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

Other information

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

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

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

Opinion prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

December 2022

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

FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 July 2022[1]

INCOME	Note	Year Ended 31 July 2022	Year Ended 31 July 2021
		£000	£000
Scottish Funding Council grants	2	**31,485**	29,726
Tuition fees and education contracts	3	**9,144**	8,162
Other grant income	4	**389**	772
Other operating income	5	**781**	395
Grant from FVC Foundation	4	**208**	323
Total Income		**42,007**	39,378
EXPENDITURE			
Staff costs	6	**32,493**	29,484
Pension provision charge	8	**(1,588)**	540
Other operating expenses	9	**8,617**	6,447
Donation to other public body	9	**0**	(1,887)
Estates development costs		**0**	3
Depreciation	13	**5,401**	5,417
Interest and other finance costs	10	**246**	337
Donation to FVC Foundation	11	**1,500**	0
Total Expenditure		**46,669**	40,341
(Deficit) before other gains and losses		**(4,662)**	(963)
(Deficit) before other comprehensive income		**(4,662)**	(963)
Other comprehensive income			
Actuarial gain in respect of pension scheme		**30,879**	2,413
Total comprehensive income for the year		**26,217**	1,450
Represented by:			
Restricted comprehensive income for the year		**0**	0
Unrestricted comprehensive income/expenditure for the year		**27,268**	2,501
Revaluation reserve comprehensive expenditure for the year		**(1,051)**	(1,051)
		26,217	1,450

All items of income and expenditure are in respect of continuing activities.

[1] 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 30 provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves for the year ended 31 July 2022

	Year Ended 31 July 2022 £'000	Year Ended 31 July 2021 £'000
Income and expenditure account		
Opening balance	**(26,118)**	(28,619)
Deficit from the income and expenditure statement	**(4,662)**	(963)
Other comprehensive income	**30,879**	2,413
Transfers between revaluation and income and expenditure reserve	**1,051**	1,051
Closing balance	**1,150**	(26,118)
Revaluation reserve		
Opening balance	**28,818**	29,869
Transfers between revaluation and income and expenditure reserve	**(1,051)**	(1,051)
Revaluation adjustment	**0**	0
Closing balance	**27,767**	28,818
Total reserves at 31 July 2022	**28,917**	2,700

Balance Sheet as at 31 July 2022

	Note	As at 31 July 2022	As at 31 July 2021
		£000	£000
Non Current Assets			
Tangible fixed assets	13	**119,622**	124,482
Current assets			
Stocks		**28**	22
Trade debtors and other receivables	14	**4,920**	4,508
Cash at bank and in hand	19	**5,500**	4,420
Total current assets		**10,448**	8,950
Less: Creditors - amounts falling due within one year	15	**13,176**	10,311
Net current liabilities		**(2,728)**	(1,361)
Total assets less current liabilities		**116,894**	123,121
Creditors - amounts falling due after more than one year	16	**82,461**	85,953
Provisions			
Early retirement provision	17	**5,181**	7,158
LGPS pension provision	17, 21	**335**	27,310
		5,516	34,468
Total Net Assets		**28,917**	2,700
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		**1,150**	(26,118)
Revaluation reserve		**27,767**	28,818
Total Reserves		**28,917**	2,700

The financial statements on pages 39 to 61 were approved by the Board of Management on 15 December 2022 and were signed on its behalf on that date by:

Trudi Craggs
Interim Chair

Professor Ken Thomson OBE
Principal and Chief Executive

Cash Flow Statement for the year ended 31 July 2022

	Note	Year Ended 31 July 2022	Year Ended 31 July 2021
		£000	£000
Cash flow from operating activities			
Deficit for the year		**(4,662)**	(963)
Adjustment for non-cash items			
Depreciation	13	**5,401**	5,417
(Increase)/Decrease in stock		**(6)**	5
(Increase) in debtors	14	**(412)**	(1,354)
Increase in creditors	15, 16	**2,771**	190
(Decrease)/Increase in pension provision	17	**(1,977)**	133
Pension Costs	21	**3,440**	2,642
Adjustment for investing or financing activities			
Interest payable	10	**246**	337
Capital grant income	2	**(3,326)**	(3,358)
Net cash inflow from operating activities		**1,475**	3,049
Cash flows from investing activities			
Capital grant receipts		**481**	640
Capital grant repaid		**0**	(1,884)
Payments made to acquire fixed assets	13	**(541)**	(836)
		(60)	**(2,080)**
Cash flows from financing activities			
Interest paid	10	**(142)**	(150)
Repayments of amounts borrowed		**(193)**	(184)
		(335)	**(334)**
Increase/(Decrease) in cash and cash equivalents in the year		**1,080**	635
Cash and cash equivalents at beginning of the year		**4,420**	3,785
Cash and cash equivalents at end of the year		**5,500**	4,420

Notes to the Financial Statements

1. Statement of Principal Accounting Policies

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

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2019: 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2019-20 Government Financial Reporting Manual (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council. Forth Valley College is a public benefit entity as defined by FRS102.

Basis of accounting

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

The financial statements do not include the income and expenditure of the Students' Association as the College does not exert control or dominant influence over policy decisions.

Going Concern

The College's financial statements for 2021-22 have been prepared on a going concern basis. The going concern assessment period considered by the College covers the period from the approval of these financial statements through to 31 December 2023. As a public body, the College is presumed to be a going concern unless there is a stated intention to withdraw the statutory services it provides under legislation. We have not been informed by the Scottish Government of any such intention.

The College recorded a deficit of £4.7 million before other gains and losses during the financial year and total comprehensive income of £26.2 million. The College reported an adjusted operating surplus of £0.6 million after accounting for technical pension adjustments of £2.316 million, net depreciation adjustments of £2.1 million and cash budget for priorities of £613k. Cash increased by £1.08 million during the year and at 31 July 2022 the College held cash balance of £5.5 million.

At 31 July 2022, the College held borrowings of £3.185 million in unsecured loans which have no financial covenants. The College is reporting a net current liabilities position in these financial statements of £2.7 million and net total assets of £28.9 million.

The net liability position reported in these financial statements is due to deferred Government capital grants being disclosed as creditors in accordance with FRS 102. They do not represent future cash outflows for the College. The net liabilities also include a Pension Provision for early retirements of £5.2m for the College's share of the Falkirk Council Local Government Pension Scheme (LGPS). To the extent that the pension deficit is not met from the College's other sources of income, it may only be met by future grants or Grant In Aid from the Scottish Funding Council. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need.

Cashflow projections have been prepared for 12 months from the date of approval of these financial statements, up to 31 December 2023, based on the financial forecasts prepared for the Scottish Funding Council. This position would result in cash at the end of the going concern period of £0.9m, and no lower than £0.8m through the lowest point of the going concern period. A letter of support has been obtained from SFC stating that it will continue to make payments to the College to manage cash flow requirements for this period of 12 months from the date of approval of the College Balance Sheet, and thus management is comfortable that the College remains a going concern.

Recognition of income

Income from grants, contracts and other services rendered is included in proportion to the extent of completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Scottish Funding Council (SFC) are recognised in the period in which they are receivable.

Grant Funding

Government revenue grants including SFC block grants are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate. For 2020-21 grant funding included significant income received from the UK Government's Job Retention Scheme during the Covid pandemic, and one-off sustainability funding from SFC. Details are provided at notes 2 and 4, including £7k for JRS in 2021-22.

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.

Capital Grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Tangible Fixed Assets

In line with FReM all tangible assets are carried at fair value.

Land and Buildings

Land and buildings are measured using the revaluation model and accordingly, assets are revalued to fair value. Where appropriate Depreciated Replacement Cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used. The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. In line with the FReM this will be supplemented by an interim professional valuation in year 3. Depreciation and impairment losses are subsequently charged on the revalued amount.

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

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College. If a building is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months that the asset was in use.

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

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight-line basis over their expected useful lives. The expected useful life of buildings can vary from 20 to 50 years as determined by professional opinion and valuation.

Equipment
Equipment costing less than £10k per individual item or grouped items is written off to the Statement of Comprehensive Income in the year of acquisition. All other equipment and vehicles are capitalised and depreciated in accordance with the depreciation policy.

Depreciation
Depreciation is provided to write off the cost or valuation of tangible fixed assets on a straight-line basis over the expected useful lives of the assets. New build campuses at Alloa and Stirling are depreciated using a component accounting approach.

i) Buildings	20 - 50 years
ii) Plant & Equipment	5 years
iii) Building improvements	10 years
iv) IT Equipment	4 years
v) Motor vehicles	7 years
vi) Equipment acquired for other projects	project life
vii) Specialist Equipment acquired for Oil and Gas teaching	10 years

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

Leased Assets

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

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over their useful life.

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

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

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

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

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 the revaluation reserve to the Income and Expenditure Account annually, together with any surplus or deficit on disposal.

Stocks
Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

Cash and Cash Equivalents
Cash and cash equivalents include sums on short-term deposits with recognised banks, building societies and government securities.

Taxation
The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

Provisions, Contingent Liabilities and Contingent Assets
Provisions are recognised when the College has a present or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation. The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

Agency Arrangements
The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College's 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 those 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.

Foreign Currency Translation
Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure.

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

Retirement Benefits

The two principal pension schemes for the College are the Local Government Pension Scheme (LGPS) and the Scottish Teachers' Superannuation Scheme (STSS).

Local Government Pension Scheme (LGPS)

The LGPS is a pension scheme providing benefits based on final pensionable pay, prior to 1 April 2015 and a career average scheme from 1 April 2015. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Projected Unit Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme, after making allowances for future withdrawals. The amount charged to the Statement of Comprehensive Income represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme (STSS)

The College participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the year.

Pension Provision

The College has made provision for the enhanced pensions, payable to former employees who have taken early retirement, for which it is liable. This provision is calculated based on the actuarial tables which take account of the enhancement payable, the age, gender and marital status of the former employee. The annual cost of the enhancement is funded from the provision. The provision is made in accordance with FRS 102 and any movements are adjusted through the Statement of Comprehensive Income.

Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Surplus or Deficit.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through income or expenditure. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000
2 Scottish Funding grants		
FE recurrent grant (including fee waiver)	**24,507**	23,738
SFC financial sustainability funding	**0**	724
Childcare funds	**217**	322
SFC release of deferred capital grant	**3,326**	3,358
Scottish Funding Council maintenance grant	**232**	415
Other Scottish Funding Council grants	**3,203**	1,169
Total	**31,485**	29,726
3 Tuition fees and education contracts		
Further education fees - UK & EU Students	**138**	123
Further education fees - non EU Students	**5**	0
Higher education fees	**1,416**	1,602
Skills Development Scotland income	**2,124**	2,690
Education contracts	**1,534**	1,741
Other contracts	**3,927**	2,006
	9,144	8,162
4 Other grant income		
Forth Valley College Foundation - Revenue	**148**	143
Forth Valley College Foundation - Capital	**60**	180
Job Retention Scheme	**7**	400
Other grants	**382**	372
Total	**597**	1,095

Grant income received from the UK Government's Job Retention Scheme was to assist employers with the salary, NI and pension costs relating to staff who were placed on furlough as a result of the Covid pandemic.

5 Other operating income		
Residences, catering and conferences	**419**	41
Other income	**362**	354
Total	**781**	395

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000
6 Staff costs		
Salaries	**22,366**	20,580
Social security costs	**2,307**	2,099
Other pension costs (including FRS 102 adjustment of £3,440k, 2020/21:£2,642k)	**7,820**	6,805
Total	**32,493**	29,484
Academic/ Teaching Departments	**17,292**	16,484
Academic/ Teaching Services	**4,710**	4,366
Administration and Central Services	**4,498**	3,926
Premises	**1,121**	1,124
Other expenditure	**525**	548
Catering and Residences	**390**	366
Sub-total	**28,536**	26,814
FRS102 adjustment	**3,440**	2,642
Restructuring costs	**517**	28
Total	**32,493**	29,484

Compensation for loss of office payable to a senior post-holder:
No compensation payments were made in the year.

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

	No.	No.
Senior management	4	4
Academic/ Teaching Departments	254	246
Academic/ Teaching services	177	177
Admin and central services	89	87
Premises	15	15
Catering	14	13
Total	**553**	542
Analysed as:		
Staff on permanent contracts	485	501
Staff on temporary contracts	68	41
	553	542

The number of staff, including senior post-holders and the Principal, having responsibility for planning, directing and controlling the activities of the College, and who received emoluments including benefits in kind where appropriate, excluding pension contributions, were as follows:

	2022 Senior post-holder No.	**2022 Other members of staff No.**	2021 Senior post-holder No.	2021 Other members of staff No.
£10,001 to £20,000 per annum	-	-	-	1
£30,001 to £40,000 per annum	-	1	-	-
£40,001 to £50,000 per annum	-	1	-	-
£50,001 to £60,000 per annum	-	2	1	5
£60,001 to £70,000 per annum	-	3	-	1
£70,001 to £80,000 per annum	-	4	-	3
£80,001 to £90,000 per annum	-	-	1	-
£90,001 to £100,000 per annum	2	-	1	-
£100,001 to £110,000 per annum	1	-	1	-
£160,001 to £170,000 per annum	1	-	1	-

The emoluments for the Senior Management team are set out in the Remuneration report.

	Year Ended 31 July 2022	Year Ended 31 July 2021
7 Senior post-holders' emoluments	**No.**	No.
The number of senior post-holders who form the senior management team, including the Principal	**4**	4

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries and benefits	**456**	497
Employer's pension contributions	**64**	74
Benefits in kind	**0**	0
Total emoluments	**520**	571
The above emoluments include amounts payable to the Principal, the highest paid senior post-holder, of:		
Salary	**168**	167
Benefits in kind	**0**	0
	168	**167**
Pension contributions	**0**	0

Two of the senior post-holders were members of the Scottish Teachers' Superannuation Scheme and the other two post-holders were members of the Local Government Pension Scheme. All pension contributions were paid at the same rate as for other members of staff.

As a result of reaching the HMRC Lifetime Allowance limit, the Principal left the STSS pension scheme on 31 March 2018. From this date the pension payments that the College would have made to the Principal's pension scheme, are paid as salary. For the 2021-22 financial year this was £28k (2020-21: £28k).

The Chair of the Board of Management claimed remuneration of £17,407 in the financial period (2020-21: £26,481). Other members of the Board of Management, other than the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000
8 Pension Provision Charge		
(Decrease)/Increase due to revaluation of pension liability	**(1,699)**	445
Interest	**111**	95
	(1,588)	540

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000
9 Other operating expenses		
Teaching departments	**3,352**	1,935
Administration and central services	**1,636**	1,290
Premises costs	**2,021**	1,857
Planned maintenance	**465**	590
Other employee related costs	**303**	198
Agency staff costs	**77**	38
Other expenses	**274**	174
Residences, catering and conferences	**272**	43
Childcare	**217**	322
	8,617	6,447
Donation to other public body	**0**	(1,887)
Total	**8,617**	4,560
Other operating costs include:		
Auditors' remuneration		
- external audit of the financial statements	**27**	28
- internal audit services	**21**	21
Hire machinery - operating leases	**97**	91
Hire of premises - operating leases	**27**	26

10 Interest and other finance costs

Loan interest	**142**	150
(Increase) in fair value of derivatives	**(360)**	(205)
Pension finance costs (note 21)	**464**	392
Total	**246**	337

11 Forth Valley College Foundation

Donation to Foundation	**1,500**	0
	1,500	0

Donations are made to the Foundation when there is surplus commercial income.

12 Taxation

The Board does not consider that the College was liable for any corporation tax arising out of its activities during the period.

13 Tangible fixed assets

Land and buildings were revalued at 31 July 2020 by DM Hall, Chartered Surveyors, in the capacity of independent valuer and in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. As the majority of the College's buildings are specialised buildings, open market value is not an appropriate basis of valuation. Accordingly, land and buildings are valued on the basis of depreciated replacement cost. Land is not depreciated and buildings are depreciated over their estimated life as identified by the valuer.

	Land and Buildings	Plant and Equipment	Total
	£000	£000	£000
Cost or valuation			
At 1 August 2021	125,836	10,385	136,221
Additions	0	541	541
At 31 July 2022	**125,836**	**10,926**	**136,762**
Depreciation			
At 1 August 2021	4,197	7,542	11,739
Charge for the year	4,197	1,204	5,401
At 31 July 2022	**8,394**	**8,746**	**17,140**
Net Book Value at 31 July 2021	121,639	2,843	124,482
Net Book Value at 31 July 2022	**117,442**	**2,180**	**119,622**

Land and buildings with a net book value of £117m have been funded from Scottish Funding Council capital grants. These assets may not be disposed of without the prior approval of the Scottish Funding Council and the College may have to return all or part of the sale proceeds to the Scottish Funding Council.

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000

14 Trade debtors and other receivables

Amounts falling due within one year:		
Trade debtors - net of provision for doubtful debts	**849**	857
Prepayments and accrued income	**3,975**	3,366
Other debtors	**96**	285
	4,920	4,508

15 Creditors: Amounts falling due within one year

Trade creditors	**949**	400
Other taxation and social security	**685**	558
Accruals and deferred income	**7,444**	4,978
Loan repayment	**201**	193
Other creditors	**586**	956
Deferred capital grant	**3,311**	3,226
	13,176	10,311

Deferred income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:

Grant income	**879**	688
Other income	**451**	384
Donation Income	**477**	343
	1,807	1,415

16 Creditors: Amounts falling due after one year

	Year Ended 31 July 2022 £000	Year Ended 31 July 2021 £000
Unsecured loan	**2,984**	3,185
Deferred capital grant	**79,364**	82,295
Interest rate swap	**113**	473
	82,461	85,953
Analysis of unsecured loans		
Repayable within one year	**201**	193
Repayable between one and two years	**212**	201
Repayable between two and five years	**699**	667
Repayable over five years	**2,073**	2,317
	3,185	3,378

The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011-12. The College has an interest rates swap at 31 July 2022 of £3.2m (2021: £3.4m) at a fixed rate of 4.3% which terminates on 30 July 2029. In the 12 month period to 31 July 2022, the College repaid £193k (2021: £184k) of the loan principal. There are no covenants attached to the term loan.

17 Provisions for liabilities and charges

	Early Retirement £000	LGPS Pension £000	Year Ended 31 July 2022 £000	Year Ended 31 July 2021 £000
At 1 August 2021	**7,158**	**27,310**	**34,468**	33,715
Utilised in year	**(389)**	**(2,075)**	**(2,464)**	(2,398)
Additions in year	**0**	**5,515**	**5,515**	4,632
Revaluation adjustment	**(1,699)**	**(30,879)**	**(32,578)**	(1,968)
Interest charged	**111**	**464**	**575**	487
At 31 July 2022	**5,181**	**335**	**5,516**	34,468

The early retirement provision above is in respect of future pension liabilities arising from early retirals. The value of the provision is based on a valuation at 31 July 2022 performed by Hymans Robertson, an independent firm of actuaries. The LGPS pension provision relates to the liability under the College's membership of the Local Government Pension Scheme. Further details are provided at note 21.

18 Restricted Reserves

The college has no restricted reserves as at 31 July 2022 (2021: nil)

19 Analysis of changes in net debt

	At start of year £000	Cashflows £000	Other non-cash changes £000	Fair value movements £000	At end of year £000
Cash	4,420	1,080	0	0	5,500
Loans falling due within one year	(193)	193	(201)	0	(201)
Loans falling due after one year	(3,185)	0	201	0	(2,984)
Loan interest rate swap	(473)	0	0	360	(113)
Total	**569**	**1,273**	**0**	**360**	**2,202**

20 Lease commitments	Equipment £000	Property £000	Year Ended 31 July 2022 Total £000	Year Ended 31 July 2021 Total £000
Payable during the year	97	27	**124**	117
Future minimum lease payments due:				
Not later than 1 year	87	28	**115**	110
Later than 1 year and not later than 5 years	14	0	**14**	26
Later than 5 years	0	0	**0**	0
Total lease payments due	101	28	**129**	136

21 Pensions and similar obligations

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

	Year Ended 31 July 2022 Total £000	Year Ended 31 July 2021 Total £000
The total pension costs for the institution were :		
Contribution to STSS	2,334	2,201
Contribution to LGPS	2,046	1,962
Pension costs (as a result of FRS 102)	3,440	2,642
Total pension cost (Note 6)	7,820	6,805
Employer contribution rates		
STSS	23.0%	23.0%
LGPS	22.4%	22.4%

STSS and LGPS rates remain the same as 2020-21.

The Scottish Teachers' Superannuation Scheme

Forth Valley College participates in the Scottish Teachers’ Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016 and this has set contribution rates from 1 September 2019 to 31 March 2023 at 23%.

Forth Valley College has no liability for other employer’s obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme. The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Forth Valley College is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate from 1 September 2019 was 23% of pensionable pay. Employees paid variable rates ranging from 7.2% to 11.9%.

The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2021 were £654.6m as per the Scottish Public Pensions Agency website. At the time of signing the contributions for the year to 31 March 2022 were not available. Forth Valley College's level of participation in the scheme is 0.4% based on the proportion of the employer contributions paid in 2020-21.

The Local Government Pension Scheme

The Falkirk Council Pension Fund for non-academic employees is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period ended 31 July 2022 was £2,610k of which employer's contributions totalled £2,046k and employee's contributions totalled £564k. The agreed contribution rates are 22.4% from 1 April 2020. Employees pay between 5.5% and 12%.

The following information is based upon a full actuarial valuation of the fund at 31 March 2020 by a qualified independent actuary, rolled forward to 31 July 2022 using approximation methods which allow for changes in financial assumptions, additional benefits, cash flows and actual pension increase orders. This valuation at 31 July 2022 includes the impact of the High Court decision on 26 October 2018, whereby pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997.

McCloud and Sargeant Cases

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied.

An allowance for the estimated impact of the McCloud judgement was included within the formal 31 March 2020 triennial funding valuation position, and is therefore automatically included within the Balance Sheet at 31 July 2022, and is through the SOCI as one part of the remeasurement item.

Walker and Goodwin Cases

In 2017, the Supreme Court ruled in Walker that the surviving spouse of a same sex marriage was entitled to a survivor's pension based on all of a deceased's members service. As confirmed by the employment tribunal ruling in Goodwin, this placed a same sex survivor in a more favourable position than an opposite sex survivor and was therefore direct discrimination on grounds of sexual orientation. The rulings relate to members whose entitlement arose with effect from 5 December 2005 and therefore retrospective calculations will be required to eliminate past discrimination. Whilst there is still uncertainty surrounding the potential remedy to the Goodwin judgement, Hyman Robertson has carried out some approximate analysis to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits on Local Government schemes. The approximate impact of this is very small for a typical Fund (c0.1-0.2% of obligations), and therefore is not considered to be material for the financial statements.

Principal Actuarial assumptions

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

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice. The assumptions noted relate to expectations across the duration of the scheme and therefore are based on longer-term estimations.

Life expectancy is based on the Vita Curves mortality tables with some adjustments. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

Current pensioners	20.4 years	23.0 years
Future pensioners	21.6 years	25.0 years

	As at 31 July 2022	As at 31 July 2021
Pension increase rate	2.8%	2.9%
Salary increase rate	3.4%	3.5%
Discount rate	3.5%	1.6%

The assets of the scheme were:	**Split of investments 31 July 2022**	Split of investments 31 July 2021
Equities	61%	62%
Bonds	28%	30%
Property	6%	5%
Cash	5%	3%

The return on the investments in market value terms for the year to 31 July 2022 was 5.6%

The following is an analysis of the amounts charge to the Statement of Comprehensive Income:

	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000
Current service cost	(5,435)	(4,632)
Past service (gain)/cost	(80)	0
Total charged to staff costs	**(5,515)**	(4,632)
Interest income on plan assets	896	636
Interest cost	(1,360)	(1,028)
Net interest charged for net return on pension scheme	**(464)**	(392)
Return on assets	2,253	9,011
Other experience	(103)	(1,999)
Gains and losses arsing on changes in financial assumptions	28,729	(4,599)
Actuarial gain/(loss) charged to other comprehensive income	**30,879**	2,413
Total charge to the SOCI	**24,900**	(2,611)
Reconciliation of present value of defined benefit obligations		
Opening defined benefit obligations	82,618	71,486
Current and past service cost	5,515	4,632
Interest cost	1,360	1,028
Contributions by members	564	539
Remeasurements		
- change in demographic assumptions	(302)	(3,261)
- change in financial assumptions	(31,402)	7,860
- other experience	3,078	1,520
Benefits paid	(1,201)	(1,157)
Unfunded benefits paid	(29)	(29)
Closing defined benefits obligation	**60,201**	82,618
Reconciliation of the movements in the fair value of the plan assets		
Opening fair value of the plan assets	55,308	44,796
Interest income on plan assets	896	636
Remeasurements		
- return on plan assets excluding the amount included in the net interest	2,253	9,011
- other experience	0	(479)
Contributions by members	564	539
Contributions by employer	2,046	1,962
Contributions in respect of unfunded benefits	29	29
Benefits paid	(1,201)	(1,157)
Unfunded benefits paid	(29)	(29)
Closing fair value of the plan assets	**59,866**	55,308
The underlying net liability for retirement benefits attributable to the College at 31 July	**335**	**27,310**

Analysis of projected amount to be charged to operating result for the year to 31 July 2023	**Year Ended 31 July 2022**
	£000
Projected current service cost	2,828
Interest on obligation	2,213
Interest income on plan assets	(2,118)
Total	2,923

22 Related Party Transactions

The College's board members are the trustees for charitable law purposes. Due to the nature of the College's operations and the composition of its 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 Management may have a material interest are conducted at arm's length and in accordance with normal project and procurement procedures.

During the period under review, transactions with bodies in which a member of the Board of Management has an interest and which, in aggregate, are considered to be material with respect to both parties, are noted below:

Member	Organisation	Nature of Transaction	College Income	College Purchases
			£000	£000
K Thomson	SQA	Secondment Income/Certification fees	7	280
L McCabe	University of Stirling	HEI income	1,158	0
N Akram	Balfour Beatty	Tuition fees/New Campus Build retention	4	464
A Caldwell	Diageo plc	Commercial Income	11	0

As at 31 July 2022 the following balances for the organisations noted above, which are considered to be material, were:

Organisation	Due to the College	Due from the College
	£000	£000
University of Stirling	289	0
	289	0

The College had transactions during the year, or worked in partnership with, the following bodies in which members of the Board of Management hold, or held, official positions.

Member	Organisation	Post
K Thomson	SQA	Board Member
N Akram	Balfour Beatty	Community Benefits role
L McCabe	University of Stirling	Director of Finance
A Caldwell	Diageo	Owns shares/securities
P Devoy	Investors in People	CEO

The members of the Senior Management Team who are not Board members have also been considered in relation to these disclosures, and there are no interests or transactions to note.

23 Financial Instruments

Financial assets and liabilities are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the assumption that the fair value of trade and other receivables (note 14) and trade creditors (note 15) is taken to be the invoiced or billed amount.

Liquidity risk – The College uses an interest rate swap to adjust interest rate exposure in order to guarantee fixed interest payments for a bank loan (note where payments are variable and hence exposed to interest rate movements). The swap has a fixed rate of 4.3% and the fair value as at 31 July 2022 was £113k (2021: £473k). The swap is due to terminate on 30 July 2029. The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011-12. In the year to 31 July 2022 the college repaid £193k of the loan principal.

24 FE Bursary and other Student Support Funds	FE Bursary	EMA's	Other	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000	£000	£000	£000
Balance brought forward	118	0	374	492	164
Allocation received in year	2,995	177	465	3,637	4,058
	3,113	177	839	4,129	4,222
Expenditure	(2,945)	(177)	(274)	(3,396)	(3,551)
Repaid to Funding Council as Clawback	(66)	0	(374)	(440)	(112)
In Year Return to Funding Council	0	0	0	0	(326)
Virements	2	0	0	2	259
Balance carried forward	104	0	191	295	492
Represented by:					
Repayable to Funding Council as Clawback	104	0	191	295	492
	104	0	191	295	492

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

25 Childcare Funds	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000
Balance brought forward	0	0
Allocation received in year	220	582
	220	582
Expenditure	(218)	(323)
Virements	(2)	(259)
Balance carried forward	0	0

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

26 HE Discretionary	Year Ended 31 July 2022	Year Ended 31 July 2021
	£000	£000
Balance brought forward	227	141
Allocation received in year	165	390
	392	531
Expenditure	(114)	(147)
Repaid to SAAS as Clawback	(78)	(20)
In Year Return to SAAS	0	(137)
Balance carried forward	200	227
Represented by:		
Repayable to SAAS as Clawback	192	78
Retained by College for Students	8	149
	200	227

27 Capital Commitments

The College has no capital commitments at 31 July 2022.

28 Contingent Liabilities

The College has no contingent liabilities at 31 July 2022.

29 Post Balance Sheet Events

There are no post balance sheet events to note.

30 Table of Non-cash allocation

	31 July 2022	31 July 2021
	£000	£000
Deficit before other gains and losses	**(4,662)**	(963)
Depreciation budget for government funded assets (net of deferred capital grant) for academic year	**613**	613
Operating deficit on Central Government accounting basis	**(4,049)**	(350)

Following reclassification, incorporated Colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the college recorded an operating deficit of £4,662k for the year ended 31 July 2022. After adjusting for the non-cash allocation provided under Government rules, the College shows an "adjusted" deficit of £4,049k on a Central Government accounting basis. The deficit is attributable to other factors reflected in the adjusted operating table and the College is therefore operating sustainably within its funding allocation.

31 Accounting estimates and judgements

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

The items in the College's Balance Sheet at 31 July 2022 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- Valuation of property - the valuation of the College's estate which is periodically revalued are subject to significant estimation due to a number of factors, including ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards and the remaining useful economic lives of the assets. Given the material nature of the College's estate, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the College's assets at 31 July 2022 is outlined and broken down by asset category at note 13.
  Land and Buildings were independently valued for the purposes of the financial statements by D M Hall. The basis of valuation was depreciated replacement cost. The latest full valuation for all 3 campuses at Alloa, Falkirk and Stirling was undertaken as at 31 July 2020. This resulted in all the buildings being revalued upwards, along with the land at the new Falkirk campus, totalling an increase in revaluation reserve of £21.2m. A review of the campus values as at 31 July 2022 confirmed that there was no impairment to the properties to be recognised in these financial statements.
- Interest rate risk - the College is exposed to interest rate movements on the loan and as a result entered into a swap arrangement when the loan was agreed. As a complex financial instrument the swap is being accounted for at fair value at each year end. In the current market environment the fair value of the swap agreement is a liability to the College, as assessed by the bank and confirmed as reasonable through an independent assessment. The interest rate swap fair value was a liability at 31 July 2022 but if the SONIA interest rates and other market factors change going forward there is the potential for the fair value of the swap to be assessed as an asset for the College rather than a liability, or for the liability to increase.
- LGPS Pension liability - the College's participation in the Local Government Pension Scheme requires the funding of liabilities that may stretch out 60-70 years based on the working lives of active members and period during which pensions are in payment. During these periods there will be diverse economic cycles, varying levels of investment return and changes in mortality rates. The key assumptions that impact on the net pension liability in future are set out within note 21.

- Early Retirement provision - the College has a provision for staff who had early retirement. The amount of this liability varies based on a number of factors, but most significantly on the discount rate applied by the actuary. The key assumptions used in the valuation are the same as for the LGPS (as set out in note 21).
- Job Evaluation - the national Job Evaluation scheme is an ongoing exercise whereby both roles and salary costs are being reviewed for corporate support staff across the College sector. Changes to salary costs would be effective from 1 September 2018 (with 4 year conservation of salaries), and therefore any resulting increases in pay will be backdated. Colleges Scotland prepared estimated costings for the sector which Scottish Funding Council has used to inform Colleges of the expected costs to be accounted for, with the corresponding grant income to fund these costs of implementation. In line with SFC guidance, the College has accrued the estimated backdated pay costs and the estimated grant income in the last three financial years. At 31 July 2022, the College had accrued for income and expenditure of £2.3 million. Payment of both the grant income and costs will not be made until the exercise has fully concluded, and until then the estimated income and costs are subject to change.

The following are other areas where there is significant estimates or judgements which affect the financial statements:

- Depreciation - depreciation rates have been set for the Falkirk, Alloa and Stirling campuses based on the recommendations of estimated useful lives by valuers.
- LGPS Cash payments - all of the factors set out above regarding the LGPS could impact on the College's cash flow position as they could require the actuary to set a revised employer contribution rate having undertaken the three yearly valuation of the pension fund. Whilst there is always an element of uncertainty as to the extent of any change in the contribution rate, the actuary is obliged to have regard to the fund's funding strategy which is to take a prudent long term view of liabilities and maintain as constant an employer contribution rate as possible.

Appendix 1 Accounts Direction from Scottish Funding Council

1. It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.

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).

3. Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2021-22 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.

4. Incorporated colleges must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2022.

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 should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
18 July 2022