



FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2021

Scottish Charity No. SCO21191

The financial statements were approved and authorised for issue on 24 February 2022.

Contents

| | |
|--|-----------|
| PROFESSIONAL ADVISERS..... | 2 |
| PERFORMANCE REPORT | 3 |
| OVERVIEW..... | 3 |
| <i>Principal and Chief Executive's statement</i> | 3 |
| <i>Performance Summary</i> | 5 |
| <i>Estates Strategy</i> | 10 |
| <i>Principal Risks and Uncertainties</i> | 10 |
| <i>Going Concern</i> | 11 |
| PERFORMANCE ANALYSIS | 12 |
| <i>Performance Indicators</i> | 12 |
| <i>Current & Future Developments</i> | 13 |
| <i>Financial Performance</i> | 14 |
| <i>Creditor Payment Performance</i> | 16 |
| <i>Sustainability Report</i> | 16 |
| CORPORATE GOVERNANCE REPORT | 18 |
| <i>Board of Management</i> | 18 |
| <i>Statement of The Board of Management's Responsibilities</i> | 20 |
| <i>Governance Statement</i> | 22 |
| <i>Assessment of corporate governance</i> | 25 |
| <i>Internal Control</i> | 26 |
| <i>Going Concern</i> | 27 |
| REMUNERATION AND STAFF REPORT | 28 |
| <i>Remuneration Report</i> | 28 |
| <i>Staff Report</i> | 31 |
| PARLIAMENTARY ACCOUNTABILITY REPORT | 34 |
| INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF MANAGEMENT OF FORTH VALLEY COLLEGE, THE AUDITOR GENERAL FOR SCOTLAND AND THE SCOTTISH PARLIAMENT..... | 35 |
| <i>Report on the audit of the financial statements</i> | 35 |
| <i>Report on regularity of expenditure and income</i> | 37 |
| <i>Report on other requirements</i> | 37 |
| <i>Use of our report</i> | 38 |
| FINANCIAL STATEMENTS | 39 |
| STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2021 | 39 |
| STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2021 | 40 |
| BALANCE SHEET AS AT 31 JULY 2021 | 41 |
| CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2021 | 42 |
| NOTES TO THE FINANCIAL STATEMENTS..... | 43 |
| APPENDIX 1 ACCOUNTS DIRECTION FROM SCOTTISH FUNDING COUNCIL..... | 61 |

PROFESSIONAL ADVISERS

External Auditor:

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

Internal Auditors:

Henderson Loggie LLP
Unit 8,
The Vision Building,
20 Greenmarket,
Dundee
DD1 4QB

Vat Advisers:

RSM
First Floor
Quay 2
139 Fountainbridge
Edinburgh
EH3 9QG

Bankers:

Barclays Bank
120 Bothwell Street
Glasgow
G2 7JT

Royal Bank of Scotland
36 St Andrew Square
Edinburgh
EH2 2YB

Solicitors:

MacRoberts
Capella
60 York Street
Glasgow
G2 4TB

CMS Cameron McKenna Nabarro Olswang LLP
Saltire Court
20 Castle Terrace
Edinburgh
EH1 2EN

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 2020/21, and the impact and management of key risks.

Principal and Chief Executive's statement

2020/21 was another unprecedented year for the College delivering, for the most part, a fully remote learning experience to our students. Never has our mission of "Making Learning Work" been as evident as it has since the implementation of lockdown in March 2020 and it is thanks to the efforts of the entire College community that, in spite of the many challenges, successful outcomes were reached. Indeed for academic year 2019/20, SFC data shows an increase in attainment for FE full time courses as well as HE fulltime and part time courses.

The College estate has also come to the fore in ways we had not imagined prior to the pandemic, delivering real community benefit in partnership with NHS Forth Valley by providing vaccination centres in Alloa, Falkirk and Stirling. Despite significant numbers of people entering the campuses for vaccination activity, with over 300,000 vaccinations delivered, the College has still been able to offer as much face to face learning as possible in line with the varied tiers of restrictions and guidance from Scottish Government throughout the pandemic.

The speed and professionalism with which the College staff have been able to adapt to, and maximise student benefit from, a highly fluid situation is testament to the quality of staff within the College.

Despite the positives, it is important to recognise that there have been negative impacts as well. For students on our courses in 2020/21, we cannot undersell the impact of the pandemic and, while I am immensely proud that 97% of students achieved their qualification before the commencement of the 2021/22 academic year, I must also recognise that is still 3% of students who did not have a chance to complete their course within the academic year owing to the practical nature of their learning and the restrictions in place. The College took steps to identify these individuals and classes and offered them a chance to repeat the year, with no funding related impact for them. The students welcomed this certainty coming from the College.

We also recognised the pressures upon staff, implementing a number of initiatives such as Time4U which allowed many staff to take a half day off per week to recharge along with creating a two hour space in the middle of every day where meetings could not be scheduled, to ensure staff were able to take a break away from their computers each day.

We have learned a number of fundamental lessons during this academic year and I am keen to ensure that the best practice and lessons learned are embedded within the College as we move forward. We have created a digital skills academy to identify and develop best practice digitally and support staff in reaching this along with a SpringBack project which will help modify a range of College activity.

We are also, in 2021/22, going to be piloting a hybrid working approach, allowing our staff to, wherever possible, work in a modality that best suits their needs while still delivering on College goals.

As with other College's across the sector, we have faced financial challenges through this year and, while we are able to offset the negative impact to a degree with new and innovative commercial activity, both myself and the Board recognise that there are challenges ahead. We are particularly concerned regarding some consequential arising from Brexit, primarily to do with the upcoming removal of European Social Funding and the wider impact on the public purse which may cascade down in coming years to affect budgets for the sector. In particular I would like to make reference to the Foundation Apprenticeship programmes which, until this year were ESF funded. A transfer to a top sliced credit model will bring real financial pressures to the College with the resulting implications. I am well aware SFC are aware of the challenges.

Dr Ken Thomson OBE
Principal and Chief Executive
24 February 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:

**Shaping the Future
Delivering a World Class Service
Driving Our Momentum**

Strategic Themes

Forth Valley College of Further and Higher Education has 6 key strategic themes for the period 2017- 2022. These are:

- Creating a superb environment for learning
- Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly
- Instilling an energy and passion for our people, celebrating success and innovation
- Leading as a business that is a champion for governance, financial control and balanced risk taking
- Enhancing our position as the business and community partner of choice
- Delivering a whole system approach. Simply effective, efficient and consistent.

The Board of Management is updating the College strategy to 2025, with the following 4 strategic themes:

- Leading on the economic recovery
- Successful student journey
- Driving a sustainable future
- Enabling a thriving College community.

Performance Summary

During 2020/21 the College continued to progress our vision of 'Making Learning Work'.

Creating a superb environment for learning – The Covid-19 pandemic continues to prevent the College from fully opening its new Falkirk facility to all staff and students and for the start of academic session 2020/21 all three College campuses remained on a restricted opening format to ensure that our return to campus was safe and managed in line with the Scottish Government's guidance. All non-essential learning and teaching remained online and only essential delivery was brought into College. These areas were restricted to essential vocational delivery within Engineering and Construction, our vulnerable students most impacted by the pandemic and school partnership delivery. This continued until December 2020 at which point there was a further imposed lock down. This moved all learning and teaching online for a period until a 5% cap on face to face teaching was allowed. This continued until Easter whereby there was a further relaxing on restrictions with an increase to 29% capacity on face to face teaching into May only for Engineering, Construction and Hair and Beauty programmes. Each department was working on catch-up plans to ensure as many students completed their qualifications within the

academic year. The College has continued with its digital community on MS Teams to support our staff and students with online learning, and the focus and determination of staff to be able to continue to deliver engaging learning and teaching again under extremely challenging conditions should not be underestimated.

Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly – This theme is fundamental to ensuring we live up to our mission statement of “Making Learning Work”.

At the start of academic session 2020/21 the College was operating in a hybrid delivery environment where the majority of staff were continuing to deliver learning and teaching from home, or work from home, based on Scottish Government guidance. Programmes being delivered in the College were centred on a needs based approach due to the essential nature of the delivery. For the start of session 2020/21 the Covid-19 emergency assessment strategy introduced for session 2019/20 was removed and curriculum teams were planning to deliver using normal assessment strategies. However, the on-going country wide restrictions saw the SQA reintroduce the Covid-19 emergency assessment strategy in November 2020 and curriculum teams were again using the SQA decision tree to identify the appropriate assessment guidance for courses. The College re-issued our specific guidance and the Learning and Quality team supported each curriculum department as they worked through the changes in their assessment procedures.

Education Scotland for the period of the pandemic suspended in-college assessment and also moved away from the previous reporting process of Evaluative Report and Enhancement Plan (EREP) and Progress Visits. This was replaced by fortnightly team meetings with the College’s lead HMIE where various themes, centred around “How Good is Our College” (HGIOC), were discussed. Particular focus was on how the College was coping with online delivery and what processes were in place to support staff and students. Education Scotland also requested information around the following four themes.

- what arrangements are in place to ease and smooth transition into and out of college programmes?
- what arrangements are in place to enable assessment on and off campus?
- what arrangements are in place for determining future curriculum?
- what arrangements are in place to reflect on and evaluate progress made in relation to the 4 themes?

Due to the College’s PI performance, our previous EREP endorsed grades, shown below, and our progress visit report, where there were no identified areas of further progress and actions required, the College is identified as low risk by Education Scotland and all interactions have been light touch over the last year.

| | |
|---|-----------|
| Outcomes and impact | Very Good |
| Delivery of learning and services to support learning | Very Good |
| Leadership and quality culture | Excellent |

The College continues to actively engage and promote the Developing the Young Workforce agenda and the associated Scottish Government’s Young Person’s Guarantee. The College has supported the introduction of School Coordinators in each secondary school across Forth Valley and worked closely with our DYW partner to ensure targets were met.

Throughout a very challenging 2020/21 the College has continued to deliver its senior phase offerings for school pupils, with over 1,000 pupils studying with the College across a wide offering of programmes. We have worked with our school partners to maintain the validity of the qualifications for 2021/22. Many of the programmes were put onto an emergency model of delivery with changes being made to the assessment strategy and work placements. This especially affected the Foundation Apprenticeship delivery throughout the year. We are also continuing with our co-partnership in-school delivery and we are delivering in 3 secondary schools across Forth Valley.

The College's Primary STEM engagement programme was severely impacted by the pandemic and all face to face delivery was halted for 2020/21. However, the College remains ready to pick up and grow our STEM provision across our 3 local authority areas in session 2021/22.

The College continues to be sector leading in the creation of cutting edge performance support tools with the launch of a further analytics tool to help teaching departments to analyse the effectiveness of their curriculum. The College reviewed its ability to proactively review trend data to support action planning as part of the new Continuous Curriculum Improvement process and from that review the MIS Team were guided to develop the Course Review Tool. The Course Review Tool is a live analytics management tool and has been developed to help curriculum teams to access programme trend data in a more concise and easily accessible format, and will facilitate analysis to a granular level on programme performance related to: enrolments, retention, attainment and financial viability. The analysis of programme performance will form the backbone of improvement actions to be taken forward, and will drive improvement across the curriculum teams to deliver enhanced performance and a more responsive and financially stable curriculum. The Course Review Tool in conjunction with our Performance Indicators (PI) Prediction Tool and Student Support System (Triple S) will significantly enhance our curriculum review process and improve our curriculum delivery and student experience.

Retention across College programmes was slightly down by 2% on 2019/20 figures: FE down by 3% and HE up by 1%. FE retention for 2020/21 is still up on 2018/19 figures and is a positive position considering FE students have struggled most with engagement through 2020/21. FE attendance and engagement has been sporadic and Covid fatigue has set in with online learning, especially at the lower SCQF level programmes 4 to 6, where face to face in-college engagement is so important for the learning and teaching experience. HE programmes have shown more resilience and retention has improved.

Achievement for 2020/21 has performed well overall considering the operating environment. Full time FE is down by 1% on 2019/20 but still meeting our 2020/21 Outcome Agreement target. This drop can be attributed to a small number of FE students struggling to maintain engagement with on-line and home learning through the year due to Covid-19 delivery restrictions, with a number of students having to defer to the next session and complete by December 2021. The full time HE position replicates the performance of 2019/20 and is 1% above our 2020/21 Outcome Agreement target. HE students have again shown more resilience in being able to cope with on-line and home learning, and the format of on-line delivery has aligned better to HE programmes.

Part time FE is down by 1% on both 2019/20 and the 2020/21 OA target and again can be contributed to challenges faced by students through Covid-19 delivery restrictions. HE courses have fared better, achieving above our OA targets, but down on 2019/20 figures. The drop from 2019/20 can be attributed to an increase in a small number of students deferring at late stages of the academic year, again due to pressures brought on by Covid-19.

We continued to operate our successful "Listening to Learners" focus group process, through which, over 3,000 students contributed their views and helped to shape learning within their programmes of study. The SFC has reintroduced the student satisfaction survey for 2020/21, however, this information will not be available until session 2021/22. In terms of previous performance, the 2018/19 National Student Satisfaction and Engagement Survey, highlighted that 93% of Forth Valley College students reported that they were overall satisfied with their college experience.

Instilling an energy and passion for our people, celebrating success and innovation – The process of staff development has developed further with a review of our Personal Review and Development (PRD) process which consists of objective setting, review meetings, continuing professional development and reflective practice linked to professional standards. The College took part in a successful pilot for implementation of the General Teaching Council for Scotland (GTCS) registration which will be a mandatory requirement for all lecturers going forward. The College also continues to support staff development with over 80% of our lecturing staff having TQFE, a number of staff completing Assessors awards and during the year a further 5 staff commenced Graduate Apprenticeship programmes with Heriot Watt University. We have also recently introduced a staff mentoring scheme with Fife College.

A Learning and Digital Skills (LDS) Academy was created which takes a staff centred approach, continuing to support and ensure further digital skills development through the delivery of our Creative Learning and Technology Strategy alongside our People Strategy. The LDS team will be accessible and available to all staff, across all campuses in various ways; online, face-to-face, drop-ins and through organised mentoring and training sessions. The LDS Academy will provide the leadership for fully embedding a vibrant culture of creativity in learning and teaching throughout the whole organisation in this new digitally reliant landscape, so that staff and students routinely imagine, invent and implement creative approaches to learning. It will provide the leadership and professional input into college strategy and planning related to digital skills development, contemporary digital learning and teaching practice, and all digital aspects of a transformational, resilient and sustainable curriculum.

A restructure of Equality Inclusion and Learning Services was undertaken in 2021 which was designed to enhance the student facing support provision.

Forth Valley College is committed to the positive mental health of its employees and the resulting impact upon wellbeing, engagement and productivity. The College is committed to a shared goal of providing support for managers to hold open conversations with staff, and for individuals to be self-aware and request help when they need it. FVC has a comprehensive training programme for staff on improving awareness of mental health issues, and has introduced mental health ambassadors to supplement the support mediums already in place, which includes bullying and harassment advisors, workplace mediators and independent counselling. During lockdown the College introduced two initiatives to support staff; Time for You which allowed staff to block out 12 noon to 2pm in their diaries where they were not expected to attend meetings/respond to emails and a Weekly Recharge where staff were given 3 hours from the working week for themselves.

In response to our listening to employees forum we introduced our first Staff Awards which was held virtually in June 2021.

Leading 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 in December 2016 and continues to work within this framework. During the year the College completed a recruitment process for new Board members in line with the Sector Board Appointments: 2014 Ministerial Guidance. The appointment of 3 non-executive members was approved by Scottish Ministers in March 2021. During the year the Board of Management undertook and externally facilitated Board effectiveness review in line with the Code of Good Governance.

With the ongoing restrictions due to the global pandemic the Board of Management continued to operate virtually throughout 2020/21. All scheduled Board and Board Committee meetings took place as planned using video conferencing.

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-19 which is demonstrated by the ability to generate significant levels of cash surplus on the day to day operational activities of the College. In 2020/21 this has been used to support the estates development programme for our new Falkirk campus. As an arms-length public body the College is not expected to retain reserves for future investment, however the Scottish Funding Council has agreed that the cash surplus generated in 2020/21 can be carried forward and utilised into 2021/22.

Enhancing our position, as the business and community partner of choice – Strong employer and stakeholder relationships have been key to maintaining our position as a partner of choice.

The Scottish Government Flexible Workforce Development Fund (FWDF) continued into 2020/21 for its fourth round, and indeed increased to include small & medium sized enterprises (SMEs). The focus of the fund is on delivering training with courses aimed at upskilling and reskilling the workforce to drive economic productivity.

By the end of the financial year, all of our FWDF allocation of £895k was fully committed, with training scheduled to be delivered by March 2022.

The College commercial course provision (Comp'Ex & Electrical Safety, Health & Safety, Business Skills, Soft Skills and First Aid) was performing well until the impact of Covid. Where appropriate and practical we quickly transitioned our delivery to digital and online, however given the practical and regulatory nature of some of our provision this was not always possible. We also suffered a reduction in demand in the early part of the year as businesses were reacting to their own emergent issues as a result of the pandemic, although there were encouraging signs of upturn in the later months of the year.

The allocation of MA places from Skills Development Scotland met our demand at the beginning of the year, however this too was impacted by Covid-19. A number of our apprentices were furloughed or unable to attend work, delaying progress in their apprenticeship journey. We have had a reduction in new MA starts in Engineering and Construction due to employers not willing to take on apprentices in the current climate, however we have developed pre-apprenticeship programmes to help bridge this gap. It is intended that we will be able to match these students into employment and MA places in the future.

All of the relationships and activities with our key employers and stakeholders have generated a tangible benefit to the College, supporting best practice and contributing towards the College's financial sustainability.

Delivering a whole system approach. Simply effective, efficient and consistent – We have continued to deliver on the College's Creative Learning and Technologies Strategy. In Session 2020/21 we have continued to live with Covid-19, and as such we have required to transform how we deliver learning to our students. We have invested in equipment in all of our classrooms to facilitate online learning, and invested in additional laptops, both through College funding and SFC funding through the Digital Poverty Fund, 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.

We have continually improved our online application process, supported by the functionality for applicants to create a bespoke prospectus on our website, to provide a clear and supportive system to new and returning students. We have simplified and improved the application process for evening and part time students, and we have fully embedded our record of interview processes, providing a more streamlined service for students, and providing transparency in the decision making process. We have also improved our application process for school pupils. We extended our online portal to not only enable local schools and Skills Development Scotland the ability to obtain real-time information on school pupil applications to the College, but to also allow stakeholder employers to review and monitor progress and attendance of their employees while they progress through their Modern Apprenticeship at College. This was extended last session to allow schools to monitor attendance and progress of students on school-college courses. The full roll-out of the use of an online e-portfolio has enabled more Modern Apprenticeship students to have access to a tool which provides them with a more detailed view of how they are progressing, and which also allows these students to upload evidence as they progress and interact with teaching staff. We also enhanced our online Student Funding Application process, enabling students to upload evidence documentation, and also streamlining the awarding of applications. As a result of Covid-19, we further streamlined our application process moving all face to face interviews to online meetings.

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. For staff we further enhanced functionality within the HR area. 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 built 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.

Estates Strategy

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.

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 such as estates developments. 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 to the Board of Management. A review of the Strategic Risk Register was completed by the Board in June 2021. 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. |
| 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. |
| Failure to deliver a high quality learning experience and meet targets of Outcome Agreement with SFC. | Implementation of the Digital Skills Academy and Project NxGen considering future curriculum needs. Student engagement and feedback. Staff structures reviewed to support the student experience. |
| 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 2021 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 of Forth Valley College has no reason to believe that future support from Scottish Funding Council will not be forthcoming. The College's medium term financial forecasts are showing underlying operating surpluses for each of the next 3 years after allowing for loan repayments, and the College has working cash of c£1.6m.

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 87,229 Credits against a target of 87,087 which is 142 Credits (0.16%) above target for Academic Year 2020/21 (2019/20 – 0.2% above target of 86,320 credits). This target includes 84,201 core activity Credits, 1,686 Credits for the on-going SFC administered European Social Fund project, and 1,200 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 2020/21 and 2019/20.

| | Year Ended 31 July 2021 | (Restated) Year Ended 31 July 2020 |
|---|----------------------------------|--|
| 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 | (7.2%) | (6.6%) |
| Non SFC income as % of total income: total of non-SFC income expressed as a percentage of total income. | 24.5% | 29.5% |
| Current assets : current liabilities: ratio of total current assets to the total of creditors: amounts falling due within one year. | 0.87:1 | 0.69:1 |
| Days cash: cash and short-term investments divided by total expenditure less depreciation and expressed in days. | 44 | 35 |
| 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. | 6% | 7% |
| 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). | 3% | 3% |
| Credits per staff FTE: actual Credits delivered in the year per FES return divided by total of FTEs involved in delivery of Credits. | 355 | 341 |

| | | Current Year Ended 31 July 2021 | Achieved Year Ended 31 July 2020 |
|---|--------------|--|---|
| 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 | 69% | 70% |
| | FE Part time | 89% | 89% |
| | HE Full time | 71% | 71% |
| | HE Part time | 91% | 92% |
| 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 | 77% | 81% |
| | FE Part time | 94% | 94% |
| | HE Full time | 83% | 85% |
| | HE Part time | 97% | 96% |
| 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 | 92% | 92% |
| | FE Part time | 98% | 97% |
| | HE Full time | 97% | 95% |
| | HE Part time | 96% | 99% |

As a result of Covid-19 there are still a number of students completing their course of study for Session 2020/21. These students are currently excluded from the PI calculations. Scottish Funding Council has confirmed that, similar to last year Colleges will have opportunities up to January, to finalise outcomes, and therefore final PIs.

Current & Future Developments

We continue to rigorously review our overall curriculum portfolio, in the light of local and national skills priorities and sustain an excellent reputation with our employers, delivering industry-relevant courses within our campuses and bespoke training on employers' premises. We value these close links and utilise employer input to maintain the vocational relevance of the training we offer, and to secure the future employability of our learners.

In terms of learning and teaching, during 2020/21 we have predominately focused on developing a culture of digital learning, through the launch of our Digital Skills Academy. We have launched our Digital Skills Ambitions document which defines our commitment and clear direction to digital skills at Forth Valley College. We have also expanded the number of Digital Mentors working across our College teams and are expanding this to a further 100 lecturers through 2020/21. The Digital Skills team has also developed our Digital Skills self-assessment tool and this will be launched early in session 2021/22. Our digital community continues to go from strength to strength with over 400 staff engaged through MicroSoft Teams. The College recognises that there is a need to invest in both the digital skills of our staff and in digital content, thus empowering our staff to embrace advances in technology, enhance our digital pedagogy, and develop the skillset to create content for our students. This will put us in a position to design and develop a 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 are exploring opportunities for expansion of our partnership degree activities into international markets and into other subject areas, including science and technology teacher education.

Financial Performance

The finances of Forth Valley 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 (FRm) and also by the Scottish Public Finance Manual (SPFM). The financial statements have been prepared to comply with the Accounts Direction issued by SFC, the FRm 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 2020/21:

| | | Year Ended 31 July 2021 £000 | (Restated) Year Ended 31 July 2020 £000 |
|--|---------|---------------------------------------|---|
| Deficit before other gains and losses | | (963) | (4,526) |
| Add back: | | | |
| Depreciation (net of deferred capital grant release) | SOCI, 2 | 2,059 | 1,269 |
| FRS 102 SWAP Rate valuation movement | 11 | (205) | 87 |
| Pension adjustment - Net service cost | 7 | 2,642 | 1,779 |
| Pension adjustment - Net interest cost | 22 | 392 | 313 |
| Pension adjustment - Early retirement provision | 9 | 540 | 553 |
| Donation to other public body | 10 | (1,887) | 1,887 |
| Estates development costs | SOCI | 3 | 1,755 |
| | | 2,581 | 3,117 |
| Less: | | | |
| Non-Government grant for estates development costs | 4 | 0 | 998 |
| Non-Government capital grants | 4 | 180 | 774 |
| CBP allocated to loan repayments | 17 | 184 | 175 |
| | | 364 | 1,947 |
| Adjusted operating surplus | | 2,217 | 1,170 |

The adjusted operating surplus of £2,217k demonstrates that the College is operating sustainably within its funding allocation and has been agreed with the Sottish Funding Council.

| | | Year Ended 31 July 2021 £000 | (Restated) Year Ended 31 July 2020 £000 |
|--|------|---------------------------------------|---|
| Depreciation charge | SOCI | 5,417 | 4,567 |
| Deferred capital grant release | 2 | (3,358) | (3,298) |
| Depreciation (net of deferred capital grant release) | | 2,059 | 1,269 |
| Pension provision charge | 9 | 95 | 141 |
| Pension finance costs | 11 | 392 | 313 |
| Pension adjustment - Net interest cost | | 487 | 454 |

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 ALF grants 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 other public body through the prior year Statement of Comprehensive Income relates to the sale proceeds of the former Falkirk campus. Following the signing of the 2020 financial statements, Scottish Funding Council changed the nature of this transaction and, instead of FVC donating the sale proceeds to another College, SFC amended the related advance to be 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 7: 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 8: 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 9: 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 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 2021 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 priorities 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.

Table of cash budget for priorities spend

| | 31 July 2021 | 31 July 2020 |
|---|-------------------------|-------------------------|
| | £000 | £000 |
| Revenue | | |
| The 2015/16 pay award | 65 | 65 |
| Estates related revenue costs | 364 | 373 |
| Total impact on operating position | 429 | 438 |
| Capital | | |
| Loan payments | 184 | 175 |
| Total Capital | 184 | 175 |
| 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 weekly 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 34 days, this has improved on the prior year but is more than our standard terms due to the impact of Covid-19 and associated closures for organisations throughout the year. (2019/20 - 37 days).

Sustainability Report

The College recognises that the changing climate will have far reaching effects on Scotland's economy, people and environment. Consequently, the commitment to carbon reduction remains a key strategic objective for the College, within the College mission statement of Making Learning Work.

Our vision is to lead by example in all our activities and to ensure that learners are aware of the impact their actions will have, on the environment. This commitment is supported by the College Green Sustainability Statement that is approved annually by the Chairman of the Board of Management and our College Principal.

The College has an established Sustainability Committee which performs a strategic function to set, and measure sustainability progress throughout the College. The Committee representatives agree a series of performance indicators annually, which are monitored and progressed. The Committee is currently led by the Vice Principal for Infrastructure and Communications.

A significant area of measurement is the College Carbon Management Plan (CMP) which was developed as a result of the College signing the Universities and Colleges Climate Commitment for Scotland (UCCCS) in partnership with the EAUC (Environmental Association of Universities and Colleges). The CMP reflects all carbon associated with waste, fleet travel and utilities at each site. The College's estate has altered considerably since the CMP baseline year of 2008/09, with the opening of our new campus in Alloa (2011), which received an "Excellent" rating award for the (Building Research Establishment Environmental Assessment Method) BREEAM, and new campus in Stirling (2012) which was awarded a "Very Good" Rating, as was the College's new Falkirk Campus which opened in January 2020. The College hit our target to reduce carbon dioxide (tCO₂) levels by 25% from the baseline figure of 2,873.62 tCO₂. The figures are calculated annually, each November, in line with the Public Sector Climate Change Duties (2016) submission to Sustainable Scotland Network (SSN). We have continued to build on our previous reduction of 17.04% (November 2018) from our 2008 baseline and with the inclusion of our new Falkirk Campus, achieved the 25% reduction on the original baseline figure. Further numbers and data have been difficult to obtain due to the transitioning and commissioning of the new campus paired with the Government lockdowns which has seen a significant drop in building usage hence influencing data. We look forward to establishing a clearer benchmark based on a year of full occupancy within the College's new campus.

With the now mandated Net Zero 2040 (2045) coming into effect the department is seeking solutions to decarbonise the college buildings with the sustainable and efficient use of capital grant money, clever lifecycle replacements and by accessing the £95m funding for decarbonising public sector buildings as made available in lots over the next 5 years from the Scottish Government.

The college has since established a partnership with two other mainstream colleges and the EAUC to help collaborate and deliver on the Scottish Government's 5 year route map as a commitment to delivering Net Zero by 2040. Whilst ever present at CDN's Climate emergency group the college partnership including EAUC have developed the shared resource role of Sustainability Project Manager to help aid access to funding and have a cradle to grave approach to the sustainability projects.

The College has targeted the majority of projects that have a positive carbon reduction with the lowest capital investment, however it is becoming increasingly challenging to identify further reductions without significant capital expense. The most significant project completed to date with low carbon benefits is the completion of the new Falkirk Campus, which officially opened to staff and students in January 2020. The new Campus has been designed with an Energy Performance Certificate rating of B and has achieved a BREEAM rating of Very Good and includes, but not limited to, photovoltaic panels to supplement electricity, ground source heat pumps to assist with gas consumption, LED lighting throughout and a chilled beam heating and cooling system. Co-ordinated with this, is the revision of our College Strategic Travel Plan 2017-2022 to progress an increase in active travel and health and wellbeing initiatives.

A new state of the art renewables workshop was installed within the Falkirk campus to allow the College to stay ahead of the curve in the drive to learn and teach renewables. The workshop is complete with live, fully demonstrable grey water, air source ground source pump units and photovoltaics placed within a domestic setting.

The College supports the mandatory reporting of targets made in the Climate Change (Scotland) Act 2009, required by the Scottish Government from 2016, using a specific template created by Sustainable Scotland Network (SSN) in association with the EAUC and Keep Scotland Beautiful. The College is committed to continually improve carbon reduction and monitors this annually with the review of the Carbon Management Plan, including the submission of the mandatory annual SSN reporting and is fully committed to achieve Net Zero and meet the Scottish Government's mandate

Dr Ken Thomson OBE
Principal and Chief Executive
24 February 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 |
| Dr K Thomson OBE | Principal | |
| Miss N Akram | Non-Executive member | |
| Mrs H Burt | Non-Executive member | |
| Mr A Caldwell | Non-Executive member | |
| Mr A Carver | Non-Executive member | Tenure ended 25/03/21 |
| Ms T Craggs | Vice Chair & non-executive member | Re-appointed 07/12/20 |
| Mr P Devoy | Non-Executive member | Appointed 29/04/21 |
| Ms L Dougall | Non-Executive member/ Senior Independent member | |
| Ms P Duncan | Staff | Tenure ended 01/09/20 |
| Mr D Flynn | Vice Chair & non-executive member | Re-appointed 07/12/20 |
| Mrs K Graham | Non-Executive member | |
| Ms C Green | Student | Appointed 01/07/21 |
| Ms B Hamilton | Non-Executive member | Tenure ended 25/03/21 |
| Ms L Hastie | Non-Executive member | Appointed 29/04/21 |
| Ms J Hogarth | Staff | |
| Ms A Little | Student | Appointed 01/07/21 |
| Mr L McCabe | Non-Executive member | |
| Mr A McKean | Staff | |
| Ms E Meridith | Non-Executive member | Appointed 29/04/21 |
| Mr A Petrovskis | Student | Tenure ended 30/06/2021 |
| Mr K Richardson | Non-Executive member | |
| Mr S Tolson | Non-Executive member | Resigned 10/08/2020 |
| Mr A Smirthwaite | Student | Tenure ended 30/06/2020 |

Membership of the Senior Management Team

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

| | |
|------------------|---|
| Dr K Thomson OBE | Principal |
| Mr A Lawson | Depute Principal and Chief Operating Officer (retired 8 January 2021) |
| 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

Forth Valley 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 2020/21, the College had no reported personal data incidents. (2019/20: no incidents).

Dr Ken Thomson OBE

Principal and Chief Executive

24 February 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 2021.

Disclosure of information to auditors

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

Approved by order of the members of the Board on 24 February 2022 and signed on its behalf by:

Ross Martin
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 Forth Valley College in the year to 31 July 2021 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 on two occasions 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 met on two occasions 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 2021, the Board gender split was 56% male, and 44% female.

Membership now consists of 18 members as follows:

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

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.

An externally conducted effectiveness review was undertaken and completed by the March 2021 deadline. The outcomes of the review were considered by the Board at its schedule meeting on 29 April 2021. The report has been published on the College's website.

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 ongoing Covid 19 pandemic meant that access to the College campuses remained limited and the Board of Management therefore continued to operate virtually. All scheduled Board and Board Committee meetings took place as planned using video conferencing.

Overall there were 6 Board of Management meetings in 2020/21.

| | 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 | 2 | 2 | 3 |
| R Martin | Regional Chair | 01/08/21 | | 6 | | | | 2 | |
| Dr K Thomson OBE | Principal | 01/08/13 | | 6 | | | | | |
| N Akram | Non-Exec | 01/02/20 | | 1 of 1 | | | | | |
| H Burt | Non-Exec | 01/02/20 | | 6 | 3 | | | | |
| A Caldwell | Non-Exec | 01/03/20 | | 5 | | 3 | | | |
| A Carver | Non-Exec | 26/03/17 | 25/03/21 | 4 of 4 | | 1 of 2 | | | |
| T Craggs | Vice Chair/ Non-Exec | 07/12/20 | | 4 | | 2 | 2 | 2 | |
| P Devoy | Non-Exec | 29/04/21 | | 2 of 2 | 1 of 1 | | | | |
| L Dougall | Non-Exec / Senior Independent member | 26/03/19 | | 6 | 3 | | | 2 | 3 |
| P Duncan | Staff | 05/09/16 | 04/09/20 | 1 of 1 | | | | | |
| D Flynn | Vice Chair/ Non-Exec | 07/12/20 | | 6 | | | 2 | 2 | 3 |
| K Graham | Non-Exec | 01/07/20 | | 6 | | | 2 | | 2 of 2 |
| B Hamilton | Non-Exec | 26/03/17 | 25/03/21 | 2 of 4 | 1 of 2 | | 0 | | |
| L Hastie | Non-Exec | 29/04/21 | | 1 of 2 | | 1 of 1 | | | |
| J Hogarth | Staff | 27/06/19 | | 6 | | | | | 2 |
| L McCabe | Non-Exec | 26/03/19 | | 4 | | 3 | | 2 | |
| A McKean | Staff | 15/09/20 | | 5 of 5 | 1 of 1 | | | | |
| E Meredith | Non-Exec | 29/04/21 | | 2 of 2 | | | | | 1 of 1 |
| A Petrovskis | Student | 29/06/20 | 30/06/21 | 6 | | | | | 2 of 2 |
| K Richardson | Non-Exec | 26/03/19 | | 5 | | 4 | | | |
| A Smirthwaite | Student | 29/06/20 | 30/06/21 | 6 | | 4 | | | 1 of 1 |
| S Tolson | Non-Exec | 26/03/19 | 10/08/20 | 1 of 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 2021 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 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.

In recognition of the unprecedented challenges posed by the COVID-19 situation, and in compliance with the College Risk Management Policy, a specific COVID-19 risk register was created to manage the risks arising from this situation and changes to the operational practices in the College to respond to this. This register was also presented to the Audit Committee and the Board of Management, although the decision was taken at the Audit Committee meeting of 20 May 2021 to retire this register as the risks identified had either not come to fruition or the relevant mitigating factors had worked as anticipated. A new risk register linked to the steps taken to return to campus operations and beyond, known as the Springback project, was approved at this meeting for creation and to keep the Board apprised of progress.

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 2021, the Internal Auditor reported completion of all reviews in the Audit Plan which was revised during the year to reflect the impact of the ongoing Covid 19 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 2021 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 sources of assurance outlined above, we can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the period ended 31 July 2021 and up to the date of approval of the annual report and financial statements.

Going Concern

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. This assessment and conclusion is supported by Audit Scotland in their publication of December 2020, "Going Concern in the Public Sector". 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 24 February 2022 and signed on its behalf by:

Ross Martin

Chair

Dr Ken Thomson OBE

Principal and Chief Executive

REMUNERATION AND STAFF REPORT

Remuneration Report

This report outlines the remuneration policy of Forth Valley College for the Board of Management and the Senior Management Team (SMT), and provides details of members remuneration for the year ended 31 July 2021.

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

Forth Valley 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 Forth Valley College.

FVC 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 Forth Valley College on an annual basis of any increase to be awarded.

Senior Management Team

The SMT is responsible for the day to day management of Forth Valley College's activities and operations. The Principal and Chief Executive Officer, Dr 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 2020/21 there was no bonus scheme in operation in Forth Valley College.

If an SMT member's employment with Forth Valley 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 Scottish Funding Council. 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 Officer and other such members of the management team as it is designated by Forth Valley College to consider. This policy is set within the context of the applicable Government guidelines. With input from the Chair, Principal and Chief Executive Officer 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. During 2020/21 the Committee met twice and approved all of the remuneration disclosed in the table below.

Senior Management Team Remuneration

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

Forth Valley College aims to ensure that the remuneration packages offered to SMT:

- enable Forth Valley 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 Forth Valley 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 Dr 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%. Forth Valley 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 2021, including salary, pension benefits and other allowances was:

| | Year Ended 31 July 2021 | | | Year Ended 31 July 2020 | | |
|----------------|-------------------------|---------|---------|-------------------------|---------|---------|
| | Pension | | Total | Pension | | Total |
| | Salary | Benefit | | Salary | Benefit | |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Ken Thomson | 165-170 | 0 | 165-170 | 160-165 | 0 | 160-165 |
| Andy Lawson | 50-55 | 4 | 55-60 | 110-115 | 13 | 125-130 |
| Kenny MacInnes | 80-85 | 49 | 130-135 | 70-75 | 10 | 80-85 |
| Alison Stewart | 100-105 | 50 | 150-155 | 100-105 | 30 | 130-135 |
| David Allison | 90-95 | 52 | 145-150 | 90-95 | 32 | 125-130 |
| Fiona Brown | 0 | 0 | 0 | 10-15 | 20 | 30-35 |

The Principal received no benefits in kind during 2020/21 (2019/20:nil). For 2020/21 and 2019/20 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, Dr Ken Thomson left the STSS pension scheme on 31 March 2018. From this date the pension payments that Forth Valley College would have made to Dr Thomson's pension scheme, are paid as salary, and amounted to £28,154 (2020:£27,100). 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 2021 the Chairman 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 2021 the chairman was paid remuneration of £26,481 (2019/20: £20,394). This is £4,537 above the maximum threshold and retrospective approval was refused by Scottish Government. Repayment of this additional amount will be recorded in the financial statements for the year to 31 July 2022.

Median Pay Multiples

The relationship between the remuneration of the highest paid member of the Senior Management Team and the median remuneration of the employees of Forth Valley College is as follows:

| | Year Ended 31 July 2021 | Year Ended 31 July 2020 |
|--|-------------------------------|-------------------------------|
| | £ | £ |
| Annualised remuneration of the highest paid member of the Senior Management Team | 167,653 | 165,245 |
| Median Remuneration of Forth Valley College Employees | 38,264 | 37,778 |
| Remuneration Ratio | 1 : 4.38 | 1 : 4.37 |

The median remuneration of Forth Valley College's employees is based upon the annualised full-time equivalent salary of the employees at 31 July. Including severance payments, no employee (2020: no employee) received remuneration in excess of the highest paid member of the Senior Management Team.

Pension Benefits

Forth Valley 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 2021 are:

| Cash Equivalent Transfer Value | | | | | |
|--------------------------------|---|---|----------------------------|----------------------------|----------------------------------|
| | Accrued Pension at pension age as at 31 July 2021 and related lump sum £000 | Real increase in Pension and related lump sum at pension age £000 | At 31 July 2021 £000 | At 31 July 2020 £000 | Real increase in CETV £000 |
| Ken Thomson | 50 - 55 plus lump sum of 160 - 165 | 0 - 2.5 plus lump sum of 0 - 2.5 | 1,310 | 1,303 | 0 |
| Andy Lawson | 40 - 45 plus lump sum of 125 - 130 | 0 - 2.5 plus lump sum of 0 - 2.5 | 1,033 | 1018 | 4 |
| Kenny MacInnes | 10 - 15 plus lump sum of 40 - 45 | 2.5 - 5 plus lump sum of 7.5 - 10 | 302 | 292 | 48 |
| Alison Stewart | 20 - 25 plus lump sum of 0 - 5 | 2.5 - 5 plus lump sum of 0 - 2.5 | 319 | 283 | 27 |
| David Allison | 40 - 45 plus lump sum of 55 - 60 | 2.5 - 5 plus lump sum of 0 - 2.5 | 642 | 597 | 37 |

Mr Lawson retired on 8 January 2021. The information provided above for Mr Lawson is therefore at this date.

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 CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Report

As at 31 July 2021 there were 630 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 | 5 | 9 | 0 | 14 |
| Academic Staff | 137 | 142 | 11 | 290 |
| Corporate Services Staff | 109 | 205 | 8 | 322 |
| | <u>254</u> | <u>357</u> | <u>19</u> | <u>630</u> |

The following table shows the salary and related costs for all staff for the year ended 31 July 2021, identifying temporary, inward seconded and agency staff separately:

| | 2021 | 2021 | 2021 | 2020 |
|------------------------------|--|--|---------------|---------------|
| | Directly employed staff on permanent UK contracts | Other staff including temporary, seconded and agency staff | Total | Total |
| | £000 | £000 | £000 | £000 |
| Salaries and related costs | | | | |
| Wages and salaries | 19,413 | 1,289 | 20,702 | 20,888 |
| Social security costs | 2,010 | 89 | 2,099 | 2,055 |
| Other pension costs | 6,613 | 192 | 6,805 | 5,752 |
| Total | <u>28,036</u> | <u>1,570</u> | <u>29,606</u> | <u>28,695</u> |
| Average number of FTE | 501 | 43 | 544 | 555 |

In the year ended 31 July 2021 staff turnover was 6%.

During the year one employee left under voluntary exit terms, one following statutory redundancy and one via a compensation arrangement. The table below summarises the exit packages by cost band:

| | Year Ended 31 July 2021 | Year Ended 31 July 2021 | Year Ended 31 July 2021 | Period Ended 31 July 2020 |
|--------------------------------------|--|-------------------------------|-------------------------------|---------------------------------|
| Compensation for loss of office | Number of voluntary redundancies | Number of other departures | Total | Total |
| £10k - £15k | 0 | 2 | 2 | 4 |
| £15k - £20k | 1 | 0 | 1 | 0 |
| £20k - £25k | 0 | 0 | 0 | 8 |
| Total number of exit packages | 1 | 2 | 3 | 12 |
| Total cost | | | £28,366 | £223,025 |

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 2020/21, an average of 7.65 days (including leavers) was lost per staff member compared to 8.02 days from 2019/20. The 2020/21 average equates to 2.95% overall absence rate for the year (2019/20: 3.08%).

Trade Union Facility Time – 1st April 2020 to 31st March 2021

Forth Valley College recognises 2 trade unions for the purpose of collective bargaining, Educational Institute of Scotland (EIS) 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 2020/21. The full time equivalent employee number was 9.3.

Percentage of time spent on facility time**Percentage of time****Number of representatives**

1%-50%

10

The total cost of facility time amounted £67,015, 0.26% of the total pay bill of £26,068,441, including the gross amount spent on wages, pension contributions, and national insurance contributions. 1.4% of the total paid facility time hours was spent on trade union activities.

Equality, Diversity and Inclusion

FVC 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.

FVC is continuing to implement our Access and Inclusion Strategy and our Gender Action Plan both of which are part of our current Regional Outcome Agreement with the Scottish Funding Council. The College was preparing to submit our new three year Gender Action Plan; however, due to the Covid-19 pandemic this has been delayed by SFC until early next year. These plans outline the broad range of support available for all students; demonstrates our commitment to creating an inclusive learning environment; identifies areas for enhancement and outlines our aims in relation to gender representation in College programmes.

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

Dr Ken Thomson OBE

Principal and Chief Executive

24 February 2022

PARLIAMENTARY ACCOUNTABILITY REPORT

The Financial Reporting Manual 2019-20 (FRM) requires the inclusion of a Parliamentary Accountability report and the Scottish Public Finance Manual sets out the specific disclosures required.

Forth Valley College has no items to disclose for either of the financial years to 31 July 2021 and 31 July 2020.

Dr Ken Thomson OBE
Principal and Chief Executive
24 February 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 2021 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2021 and of its surplus 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 five years. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

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

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 to detect material misstatements in the financial statements in respect of irregularities, 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.

Statutory other information

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

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

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

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

February 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 2021¹

| INCOME | Note | Year Ended | (Restated) Year Ended |
|--|------|-----------------|--------------------------|
| | | 31 July 2021 | 31 July 2020 |
| | | £000 | £000 |
| Scottish Funding Council grants | 2 | 29,726 | 28,146 |
| Tuition fees and education contracts | 3 | 8,162 | 7,915 |
| Other grant income | 4 | 772 | 944 |
| Other operating income | 5 | 395 | 1,105 |
| Donation income | 6 | 0 | 27 |
| Grant from FVC Foundation | 4 | 323 | 1,772 |
| Total Income | | 39,378 | 39,909 |
| EXPENDITURE | | | |
| Staff costs | 7 | 29,484 | 28,512 |
| Pension provision charge | 9 | 540 | 553 |
| Other operating expenses | 10 | 6,447 | 6,603 |
| Donation to other public body | 10 | (1,887) | 1,887 |
| Estates development costs | | 3 | 1,755 |
| Depreciation | 14 | 5,417 | 4,567 |
| Interest and other finance costs | 11 | 337 | 558 |
| Total Expenditure | | 40,341 | 44,435 |
| Surplus/(Deficit) before other gains and losses | | (963) | (4,526) |
| Loss on disposal of fixed assets | | 0 | (529) |
| Surplus/(Deficit) before other comprehensive income | | (963) | (5,055) |
| Other comprehensive income/(expenditure) | | | |
| Actuarial gain/(loss) in respect of pension scheme | | 2,413 | (10,572) |
| Surplus/(Deficit) for the year | | | |
| Total comprehensive income/(expenditure) for the year | | 1,450 | (15,627) |
| Represented by: | | | |
| Restricted comprehensive income for the year | | 0 | 0 |
| Unrestricted comprehensive income/expenditure for the year | | 2,501 | (12,353) |
| Revaluation reserve comprehensive expenditure for the year | | (1,051) | (3,274) |
| | | 1,450 | (15,627) |

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 31 provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves for the year ended 31 July 2021

| | Year Ended 31 July 2021 £'000 | (Restated) Year Ended 31 July 2020 £'000 |
|--|--|--|
| Income and expenditure account | | |
| Opening balance | (28,619) | (16,266) |
| Deficit from the income and expenditure statement | (963) | (5,055) |
| Other comprehensive income/(expenditure) | 2,413 | (10,572) |
| Transfers between revaluation and income and expenditure reserve | 1,051 | 3,274 |
| Closing balance | (26,118) | (28,619) |
| Revaluation reserve | | |
| Opening balance | 29,869 | 11,904 |
| Transfers between revaluation and income and expenditure reserve | (1,051) | (3,274) |
| Revaluation adjustment | 0 | 21,239 |
| Closing balance | 28,818 | 29,869 |
| Total reserves at 31 July 2021 | 2,700 | 1,250 |

Balance Sheet as at 31 July 2021

| | | As at 31 July 2021 | (Restated) As at 31 July 2020 |
|--|--------|--------------------------|--|
| | Note | £000 | £000 |
| Non Current Assets | | | |
| Tangible fixed assets | 14 | 124,482 | 129,063 |
| Current assets | | | |
| Stocks | | 22 | 27 |
| Trade debtors and other receivables | 15 | 4,508 | 3,154 |
| Cash at bank and in hand | 20 | 4,420 | 3,785 |
| Total current assets | | 8,950 | 6,966 |
| Less: Creditors - amounts falling due within one year | 16 | 10,311 | 10,169 |
| Net current liabilities | | (1,361) | (3,203) |
| Total assets less current liabilities | | 123,121 | 125,860 |
| Creditors - amounts falling due after more than one year | 17 | 85,953 | 90,895 |
| Provisions | | | |
| Early retirement provision | 18 | 7,158 | 7,025 |
| LGPS pension provision | 18, 22 | 27,310 | 26,690 |
| | | 34,468 | 33,715 |
| Total Net Assets | | 2,700 | 1,250 |
| Unrestricted Reserves | | | |
| Income and expenditure reserve - unrestricted | | (26,118) | (28,619) |
| Revaluation reserve | | 28,818 | 29,869 |
| Total Reserves | | 2,700 | 1,250 |

The financial statements on pages 39 to 61 were approved by the Board of Management on 24 February 2022 and were signed on its behalf on that date by:

Ross Martin
Chairman

Dr Ken Thomson OBE
Principal and Chief Executive

Cash Flow Statement for the year ended 31 July 2021

| | | Year Ended 31 July 2021 | (Restated) Year Ended 31 July 2020 |
|---|--------|-------------------------------|---|
| | Note | £000 | £000 |
| Cash flow from operating activities | | | |
| Deficit for the year | | (963) | (5,055) |
| Adjustment for non-cash items | | | |
| Depreciation | 14 | 5,417 | 4,567 |
| Loss on disposal of fixed assets | | 0 | 529 |
| Decrease/(Increase) in stock | | 5 | 1 |
| Increase in debtors | 15 | (1,354) | (669) |
| Increase/(Decrease) in creditors | 16, 17 | 190 | 2,596 |
| Increase in pension provision | 18 | 133 | 141 |
| Pension Costs | 22 | 2,642 | 1,779 |
| Adjustment for investing or financing activities | | | |
| Interest payable | 11 | 337 | 558 |
| Capital grant income | 2 | (3,358) | (3,298) |
| Net cash Inflow from operating activities | | <u>3,049</u> | <u>1,149</u> |
| Cash flows from investing activities | | | |
| Proceeds from sale of fixed assets | | 0 | 2,000 |
| Capital grant receipts | | 640 | 13,698 |
| Capital grant repaid | | (1,884) | 0 |
| Payments made to acquire fixed assets | 14 | (836) | (14,749) |
| | | <u>(2,080)</u> | <u>949</u> |
| Cash flows from financing activities | | | |
| Interest paid | 11 | (150) | (158) |
| Repayments of amounts borrowed | | (184) | (175) |
| | | <u>(334)</u> | <u>(333)</u> |
| Increase/(Decrease) in cash and cash equivalents in the year | | <u>635</u> | <u>1,765</u> |
| Cash and cash equivalents at beginning of the year | | 3,785 | 2,020 |
| Cash and cash equivalents at end of the year | | 4,420 | 3,785 |

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 2020/21 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 July 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 £1.0 million before other gains and losses during the financial year and total comprehensive income of £1.5 million. The College reported an adjusted operating surplus of £2.217 million after accounting for technical pension adjustments of £3.574 million, an unusual credit to expenses of £1.9 million; net depreciation adjustments of £2.1 million and cash budget for priorities of £613k. Cash increased by £0.635 million during the year and at 31 July 2021 the College held cash balance of £4.4 million.

At 31 July 2021, the College held borrowings of £3.378 million in unsecured loans which have no financial covenants. The College is reporting a net current liabilities position in these financial statements of £1.4 million and net total assets of £2.7 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 £7.2m and Pension Liability of £27.3m 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 18 months from the date of approval of these financial statements, based on the financial forecasts prepared with the assumptions provided by the Scottish Funding Council. This position would result in cash at the end of the going concern period of £1.6m, and no lower than £0.3m through the lowest point of the going concern period.

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 includes income received from the UK Government's Job Retention Scheme during the Covid-19 pandemic, and one-off sustainability funding from SFC. Details are provided at notes 2 and 4.

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 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 2021 £000 | Year Ended 31 July 2020 £000 (Restated) |
|--|---------------------------------------|---|
| 2 Scottish Funding grants | | |
| FE recurrent grant (including fee waiver) | 23,738 | 22,423 |
| SFC financial sustainability funding | 724 | 0 |
| Childcare funds | 322 | 511 |
| SFC release of deferred capital grant | 3,358 | 3,298 |
| Scottish Funding Council maintenance grant | 415 | 378 |
| Other Scottish Funding Council grants | 1,169 | 1,536 |
| Total | 29,726 | 28,146 |

| | | |
|---|--------------|--------------|
| 3 Tuition fees and education contracts | | |
| Further education fees - UK & EU Students | 123 | 150 |
| Further education fees - non EU Students | 0 | 10 |
| Higher education fees | 1,602 | 1,446 |
| Skills Development Scotland income | 2,690 | 2,568 |
| Education contracts | 1,741 | 1,658 |
| Other contracts | 2,006 | 2,083 |
| | 8,162 | 7,915 |

| | | |
|---|--------------|--------------|
| 4 Other grant income | | |
| Forth Valley College Foundation - Revenue | 143 | 998 |
| Forth Valley College Foundation - Capital | 180 | 774 |
| Job Retention Scheme | 400 | 524 |
| Other grants | 372 | 420 |
| Total | 1,095 | 2,716 |

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-19 pandemic.

| | | |
|--------------------------------------|------------|--------------|
| 5 Other operating income | | |
| Residences, catering and conferences | 41 | 606 |
| Other income | 354 | 499 |
| Total | 395 | 1,105 |

| | | |
|--------------------------|----------|-----------|
| 6 Donation income | | |
| Donations | 0 | 27 |
| Total | 0 | 27 |

| | Year Ended 31 July 2021 | Year Ended 31 July 2020 |
|--|-------------------------------|-------------------------------|
| | £000 | £000 |
| 7 Staff costs | | |
| Salaries | 20,580 | 20,705 |
| Social security costs | 2,099 | 2,055 |
| Other pension costs (including FRS 102 adjustment of £2,642k, 2019/20:£1,779k) | 6,805 | 5,752 |
| Total | 29,484 | 28,512 |
| Academic/ Teaching Departments | 16,484 | 16,628 |
| Academic/ Teaching Services | 4,366 | 3,942 |
| Administration and Central Services | 3,926 | 4,050 |
| Premises | 1,124 | 995 |
| Other expenditure | 548 | 540 |
| Catering and Residences | 366 | 355 |
| Sub-total | 26,814 | 26,510 |
| FRS102 adjustment | 2,642 | 1,779 |
| Restructuring costs | 28 | 223 |
| Total | 29,484 | 28,512 |

Throughout the year to 31st July 2021, up to 81 employees were placed on furlough. The salary costs relating to these totalled £516k. We received £400k grant income to help cover these costs as explained in note 4.

Compensation for loss of office payable to a senior post-holder:

Mr Andrew Lawson retired from office during the year. No compensation payment was made.

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

| | No. | No. |
|--------------------------------|------------|------------|
| Senior management | 4 | 5 |
| Academic/ Teaching Departments | 246 | 254 |
| Academic/ Teaching services | 177 | 174 |
| Admin and central services | 87 | 89 |
| Premises | 15 | 14 |
| Catering | 13 | 15 |
| Total | 542 | 551 |
| Analysed as: | | |
| Staff on permanent contracts | 501 | 511 |
| Staff on temporary contracts | 41 | 40 |
| | 542 | 551 |

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:

| | 2021 Senior post- holder No. | 2021 Other members of staff No. | 2020 Senior post- holder No. | 2020 Other members of staff No. |
|--------------------------------|---------------------------------------|--|---------------------------------------|--|
| £10,001 to £20,000 per annum | - | 1 | 1 | - |
| £50,001 to £60,000 per annum | 1 | 5 | - | 2 |
| £60,001 to £70,000 per annum | - | 1 | - | 3 |
| £70,001 to £80,000 per annum | - | 3 | 1 | - |
| £80,001 to £90,000 per annum | 1 | - | - | - |
| £90,001 to £100,000 per annum | 1 | - | 1 | - |
| £100,001 to £110,000 per annum | 1 | - | 1 | - |
| £110,001 to £120,000 per annum | - | - | 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 2021 | Year Ended 31 July 2020 |
|---|-------------------------------|-------------------------------|
| 8 Senior post-holders' emoluments | No. | No. |
| The number of senior post-holders who form the senior management team, including the Principal | 4 | 5 |
| | Year Ended 31 July 2021 | Year Ended 31 July 2020 |
| | £000 | £000 |
| Senior post-holders' emoluments are made up as follows: | | |
| Salaries and benefits | 497 | 559 |
| Employer's pension contributions | 74 | 86 |
| Benefits in kind | 0 | 0 |
| Total emoluments | 571 | 645 |
| The above emoluments include amounts payable to the Principal, the highest paid senior post-holder, of: | | |
| Salary | 167 | 164 |
| Benefits in kind | 0 | 0 |
| | 167 | 164 |
| 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 Forth Valley College would have made to the Principal's pension scheme, are paid as salary. For the 2020/21 financial year this was £28k (2019/20: £27k).

The Chair of the Board of Management claimed remuneration of £26,481 in the financial period (2019/20: £20,394). 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 2021 | Year Ended 31 July 2020 |
|--|-------------------------------|-------------------------------|
| | £000 | £000 |
| 9 Pension Provision Charge | | |
| Increase due to revaluation of pension liability | 445 | 412 |
| Interest | 95 | 141 |
| | 540 | 553 |

| | Year Ended 31 July 2021 | Year Ended 31 July 2020 |
|--------------------------------------|-------------------------------|-------------------------------|
| | £000 | £000 |
| 10 Other operating expenses | | |
| Teaching departments | 1,935 | 1,884 |
| Administration and central services | 1,290 | 1,359 |
| Premises costs | 1,857 | 1,696 |
| Planned maintenance | 590 | 285 |
| Other employee related costs | 198 | 327 |
| Agency staff costs | 38 | 91 |
| Other expenses | 174 | 200 |
| Residences, catering and conferences | 43 | 250 |
| Childcare | 322 | 511 |
| | <u>6,447</u> | <u>6,603</u> |
| Donation to other public body | (1,887) | 1,887 |
| Total | <u>4,560</u> | <u>8,490</u> |

Other operating costs include:

| | | |
|--|----|----|
| Auditors' remuneration | | |
| - external audit of the financial statements | 28 | 25 |
| - internal audit services | 21 | 21 |
| Hire machinery - operating leases | 91 | 89 |
| Hire of premises - operating leases | 26 | 25 |

Donation to other public body:

The College sold the site of the former Falkirk campus in July 2020. The proceeds of the sale, after costs, were to be made available to the College sector. This was not paid before 31st July 2020 and was accrued for the purposes of the financial statements. Subsequently, in March 2021 Scottish Funding Council advised that these funds were to be returned directly to SFC by way of capital grant repayment. As such, the prior year accrual has been reversed.

11 Interest and other finance costs

| | | |
|--|------------|------------|
| Loan interest | 150 | 158 |
| (Increase)/Decrease in fair value of derivatives | (205) | 87 |
| Pension finance costs (note 22) | 392 | 313 |
| Total | <u>337</u> | <u>558</u> |

12 Forth Valley College Foundation

Donations are made to the Foundation when there is surplus income. There were no donations made during 2020/21 or 2019/20.

13 Taxation

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

14 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 2020 | 125,836 | 9,549 | 135,385 |
| Additions | 0 | 836 | 836 |
| At 31 July 2021 | 125,836 | 10,385 | 136,221 |
| Depreciation | | | |
| At 1 August 2020 | 0 | 6,322 | 6,322 |
| Charge for the year | 4,197 | 1,220 | 5,417 |
| At 31 July 2021 | 4,197 | 7,542 | 11,739 |
| Net Book Value at 31 July 2020 | 125,836 | 3,227 | 129,063 |
| Net Book Value at 31 July 2021 | 121,639 | 2,843 | 124,482 |

Land and buildings with a net book value of £122m 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 2021 | Year Ended 31 July 2020 |
|---|-------------------------------|-------------------------------|
| | £000 | £000 |
| 15 Trade debtors and other receivables | | |
| Amounts falling due within one year: | | |
| Trade debtors - net of provision for doubtful debts | 857 | 688 |
| Prepayments and accrued income | 3,366 | 2,313 |
| Other debtors | 285 | 153 |
| | 4,508 | 3,154 |

| | | |
|--|---------------|---------------|
| 16 Creditors: Amounts falling due within one year | | (Restated) |
| Trade creditors | 400 | 389 |
| Other taxation and social security | 558 | 6 |
| Accruals and deferred income | 4,978 | 5,803 |
| Loan repayment | 193 | 184 |
| Other creditors | 956 | 503 |
| Deferred capital grant | 3,226 | 3,284 |
| | 10,311 | 10,169 |

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 | 688 | 103 |
| Other income | 384 | 196 |
| Donation Income | 343 | 0 |
| | 1,415 | 299 |

| | Year Ended 31 July 2021 | Year Ended 31 July 2020 |
|---|-------------------------------|-------------------------------|
| | £000 | £000 |
| 17 Creditors: Amounts falling due after one year | | (Restated) |
| Unsecured loan | 3,185 | 3,378 |
| Deferred capital grant | 82,295 | 86,839 |
| Interest rate swap | 473 | 678 |
| | <u>85,953</u> | <u>90,895</u> |
| Analysis of unsecured loans | | |
| Repayable within one year | 193 | 184 |
| Repayable between one and two years | 201 | 193 |
| Repayable between two and five years | 667 | 635 |
| Repayable over five years | 2,317 | 2,550 |
| | <u>3,378</u> | <u>3,562</u> |

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 2021 of £3.4m (2020: £3.6m) at a fixed rate of 4.3% which terminates on 30 July 2029. In the 12 month period to 31 July 2021, the College repaid £184k (2020: £175k) of the loan principal. There are no covenants attached to the term loan.

Prior Period Adjustment

Subsequent to the approval of the financial statements for the year to 31 July 2020, a material error came to light. This error related to £1.421m of deferred capital grant held on the balance sheet at 31 July 2020 for the old Falkirk campus, and therefore should have been released as part of the calculation for the loss on disposal of the old campus. This oversight has been corrected as a prior period adjustment.

This had the impact of decreasing 2019/20 short term creditors (deferred capital grants) by £50,127 and long term creditors (deferred capital grants) by £1,370,952, with a corresponding impact on Scottish Funding Council grants (decrease by £50,127) and loss on disposal of fixed assets line (decrease by £1,471,206).

| | Early Retirement | LGPS Pension | Year Ended 31 July 2021 | Year Ended 31 July 2020 |
|--|---------------------|-----------------|-------------------------------|-------------------------------|
| | £000 | £000 | £000 | £000 |
| 18 Provisions for liabilities and charges | | | | |
| At 1 August 2020 | 7,025 | 26,690 | 33,715 | 20,910 |
| Utilised in year | (407) | (1,991) | (2,398) | (2,240) |
| Additions in year | 0 | 4,632 | 4,632 | 3,607 |
| Revaluation adjustment | 445 | (2,413) | (1,968) | 10,984 |
| Interest charged | 95 | 392 | 487 | 454 |
| At 31 July 2021 | <u>7,158</u> | <u>27,310</u> | <u>34,468</u> | <u>33,715</u> |

The early retirement provision above is in respect of future pension liabilities arising from early retirements. The value of the provision is based on a valuation at 31 July 2021 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 22.

19 Restricted Reserves

The college has no restricted reserves as at 31 July 2021 (2020: nil)

20 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 | 3,785 | 635 | 0 | 0 | 4,420 |
| Loans falling due within one year | (184) | 184 | (193) | 0 | (193) |
| Loans falling due after one year | (3,378) | 0 | 193 | 0 | (3,185) |
| Loan interest rate swap | (678) | 0 | 0 | 205 | (473) |
| Total | (455) | 819 | 0 | 205 | 569 |

| | Equipment £000 | Property £000 | 31 July 2021 Total £000 | 31 July 2020 Total £000 |
|--|-------------------|------------------|----------------------------------|----------------------------------|
| 21 Lease commitments | | | | |
| Payable during the year | 91 | 26 | 117 | 114 |
| Future minimum lease payments due: | | | | |
| Not later than 1 year | 84 | 26 | 110 | 115 |
| Later than 1 year and not later than 5 years | 26 | 0 | 26 | 34 |
| Later than 5 years | 0 | 0 | 0 | 0 |
| Total lease payments due | 110 | 26 | 136 | 149 |

22 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 2021 Total £000 | Year Ended 31 July 2020 Total £000 |
|--|--|--|
| The total pension costs for the institution were : | | |
| Contribution to STSS | 2,201 | 2,174 |
| Contribution to LGPS | 1,962 | 1,799 |
| Pension costs (as a result of FRS 102) | 2,642 | 1,779 |
| Total pension cost (Note 7) | 6,805 | 5,752 |
| Employer contribution rates | | |
| STSS | 23.0% | 23.0% |
| LGPS | 22.4% | 22.4% |

STSS and LGPS rates remain the same as 2019/20.

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 2020 were £559.1m as per the Scottish Public Pensions Agency website. At the time of signing the contributions for the year to 31 March 2021 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 2019/20.

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 2021 was £2,501k of which employer's contributions totalled £1,962k and employee's contributions totalled £539k. 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 2021 using approximation methods which allow for changes in financial assumptions, additional benefits, cash flows and actual pension increase orders. This valuation at 31 July 2021 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 2021, 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

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:

| | | |
|-----------------------|-------------|-------------|
| | Male | Female |
| Current pensioners | 20.5 years | 23.2 years |
| Future pensioners | 21.9 years | 25.2 years |
| | As at | As at |
| | 31 July | 31 July |
| | 2021 | 2020 |
| Pension increase rate | 2.9% | 2.2% |
| Salary increase rate | 3.5% | 2.6% |
| Discount rate | 1.6% | 1.4% |
| | Split of | Split of |
| | investments | investments |
| | 31 July | 31 July |
| | 2021 | 2020 |
| Equities | 62% | 60% |
| Bonds | 30% | 30% |
| Property | 5% | 5% |
| Cash | 3% | 5% |

The return on the investments in market value terms for the year to 31 July 2021 was 21.2%

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

| | Year Ended 31 July 2021 | Year Ended 31 July 2020 |
|--|-------------------------------|-------------------------------|
| | £000 | £000 |
| Current service cost | (4,632) | (3,607) |
| Past service (gain)/cost | 0 | 0 |
| Total charged to staff costs | (4,632) | (3,607) |
| Interest income on plan assets | 636 | 976 |
| Interest cost | (1,028) | (1,289) |
| Net interest charged for net return on pension scheme | (392) | (313) |
| Return on assets | 9,011 | (3,366) |
| Other experience | (1,999) | 272 |
| Gains and losses arising on changes in financial assumptions | (4,599) | (7,478) |
| Actuarial gain/(loss) charged to other comprehensive income | 2,413 | (10,572) |
| Total charge to the SOCI | (2,611) | (14,492) |
| Reconciliation of present value of defined benefit obligations | | |
| Opening defined benefit obligations | 71,486 | 59,819 |
| Current and past service cost | 4,632 | 3,607 |
| Interest cost | 1,028 | 1,289 |
| Contributions by members | 539 | 499 |
| Remeasurements | | |
| - change in demographic assumptions | (3,261) | 0 |
| - change in financial assumptions | 7,860 | 7,478 |
| - other experience | 1,520 | (272) |
| Benefits paid | (1,157) | (905) |
| Unfunded benefits paid | (29) | (29) |
| Closing defined benefits obligation | 82,618 | 71,486 |
| Reconciliation of the movements in the fair value of the plan assets | | |
| Opening fair value of the plan assets | 44,796 | 45,793 |
| Interest income on plan assets | 636 | 976 |
| Remeasurements | | |
| - return on plan assets excluding the amount included in the net interest | 9,011 | (3,366) |
| - other experience | (479) | 0 |
| Contributions by members | 539 | 499 |
| Contributions by employer | 1,962 | 1,799 |
| Contributions in respect of unfunded benefits | 29 | 29 |
| Benefits paid | (1,157) | (905) |
| Unfunded benefits paid | (29) | (29) |
| Closing fair value of the plan assets | 55,308 | 44,796 |
| The underlying net liability for retirement benefits attributable to the College at 31 July | 27,310 | 26,690 |

Analysis of projected amount to be charged to operating result for the year to 31 July 2021

| | Year Ended 31 July 2021 |
|--------------------------------|-------------------------------|
| | £000 |
| Projected current service cost | 5,209 |
| Interest on obligation | 1,469 |
| Interest income on plan assets | (895) |
| Total | 5,783 |

23 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 | Certification fees | 0 | 316 |
| L McCabe | University of Stirling | HEI income/Hire of accommodation | 1,205 | 0 |
| H Burt | Ceteris Limited | Tuition fees | 1 | 0 |
| N Akram | Balfour Beatty | Tuition fees/New Campus Build retention | 4 | 832 |
| A Caldwell | Diageo plc | Commercial Income | 11 | 0 |
| A McKean | JT Limited | Licences/Registration fees | 0 | 82 |
| K McInnes | Forth Valley Chamber of Commerce | Membership fee | 0 | 1 |
| K McInnes | Energy Skills Partnership | Marketing income | 36 | 0 |

As at 31 July 2021 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 | 500 | 0 |
| | <u>500</u> | <u>0</u> |

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.

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 |
| H Burt | Ceteris | Company Secretary on behalf of French Duncan |
| L McCabe | University of Stirling | Director of Finance |
| A Caldwell | Diageo | Owns shares/securities |
| A McKean | JT Limited | Board Member |
| K McInnes | Forth Valley Chamber of Commerce | Non-Executive Board Member |
| K McInnes | Energy Skills Partnership | Non-Executive Board Member |

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.

24 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 15) and trade creditors (note 16) 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 2021 was £473K (2020: £678k). 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 2021 the college repaid £184k of the loan principal.

| | | | | Year Ended 31 July 2021 | Year Ended 31 July 2020 |
|---|--------------|------------|------------|-------------------------------|-------------------------------|
| | FE Bursary | EMA's | Other | | |
| 25 FE Bursary and other Student Support Funds | £000 | £000 | £000 | £000 | £000 |
| Balance brought forward | 87 | 10 | 67 | 164 | 98 |
| Allocation received in year | 3,230 | 199 | 629 | 4,058 | 3,701 |
| | <u>3,317</u> | <u>209</u> | <u>696</u> | <u>4,222</u> | <u>3,799</u> |
| Expenditure | (3,079) | (199) | (273) | (3,551) | (3,701) |
| Repaid to Funding Council as Clawback | (35) | (10) | (67) | (112) | (48) |
| In Year Return to Funding Council | (85) | 0 | (241) | (326) | 0 |
| Virements | 0 | 0 | 259 | 259 | 114 |
| Balance carried forward | <u>118</u> | <u>0</u> | <u>374</u> | <u>492</u> | <u>164</u> |
| Represented by: | | | | | |
| Repayable to Funding Council as Clawback | 118 | 0 | 374 | 492 | 164 |
| | <u>118</u> | <u>0</u> | <u>374</u> | <u>492</u> | <u>164</u> |

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.

| | Year Ended 31 July 2021 | Year Ended 31 July 2020 |
|-----------------------------|-------------------------------|-------------------------------|
| 26 Childcare Funds | £000 | £000 |
| Balance brought forward | 0 | 0 |
| Allocation received in year | 582 | 625 |
| | <u>582</u> | <u>625</u> |
| Expenditure | (323) | (511) |
| Virements | (259) | (114) |
| Balance carried forward | <u>0</u> | <u>0</u> |

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

| | Year Ended 31 July 2021 | Year Ended 31 July 2020 |
|----------------------------------|-------------------------------|-------------------------------|
| 27 HE Discretionary | £000 | £000 |
| Balance brought forward | 141 | 13 |
| Allocation received in year | 390 | 273 |
| | <u>531</u> | <u>286</u> |
| Expenditure | (147) | (132) |
| Repaid to SAAS as Clawback | (20) | (13) |
| In Year Return to SAAS | (137) | 0 |
| Balance carried forward | <u>227</u> | <u>141</u> |
| Represented by: | | |
| Repayable to SAAS as Clawback | 78 | 20 |
| Retained by College for Students | 149 | 121 |
| | <u>227</u> | <u>141</u> |

28 Capital Commitments

The College has no capital commitments at 31 July 2021.

29 Contingent Liabilities

The College has no contingent liabilities at 31 July 2021.

30 Post Balance Sheet Events

There are no post balance sheet events to note.

31 Table of Non-cash allocation

| | 31 July 2021 | (Restated) 31 July 2020 |
|--|-----------------|-------------------------------|
| | £000 | £000 |
| Deficit before other gains and losses | (963) | (4,526) |
| Depreciation budget for government funded assets (net of deferred capital grant) for academic year | 613 | 613 |
| Operating deficit on Central Government accounting basis | (350) | (3,913) |

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 £963k for the year ended 31 July 2021. After adjusting for the non-cash allocation provided under government rules, the College shows an "adjusted" deficit of £350k 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.

32 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 2021 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 2021 is outlined and broken down by asset category at note 14.
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 2021 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 2021 but if the LIBOR 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 22.

- 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 22).
- 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 2021, the College had accrued for income and expenditure of £1.7 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 2020-21 (FReM) where applicable.
4. Incorporated colleges must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2021.
5. The annual report and accounts should be signed by the Chief Executive Officer / Executive Director and by the Chair, or one other member of the governing body.
6. Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
3 June 2021