

Board of Management

Agenda

Meeting reference: Board 2022-23/02
Date: Thursday 22 December 2022 at 5.00pm
Location: Boardroom (Braham Room 019)
Purpose: Scheduled meeting

* Denotes items for discussion/approval.

Members should contact the Secretary in advance of the meeting if they wish to request an item be starred.

	Agenda Items	Author	Led by	Paper
1	Welcome and Apologies		Interim Chair	
2	Additions to the Agenda		Interim Chair	
3	Declaration of a Conflict of Interest in any Agenda Item		Interim Chair	
*4	Minutes of the Board meeting held on 20 October 2022	Clerk	Interim Chair	Paper 1
*5	Actions arising from previous minutes		Interim Chair	Verbal
6	Items for Approval/Endorsement			
*6.1	Perth College Group Report & Financial Statements for the Year ended 31 July 2022	Vice Principal Operations	Chair, Finance & Resources	Paper 2
*6.2	External Audit Annual Report 2021-22	External Auditors	Chair, Audit	Paper 3
*6.3	Internal Audit Annual Report 2021-22	Internal Auditors	Chair, Audit	Paper 4
*6.4	Audit Committee Annual Report to the Board of Management	Audit Committee	Chair, Audit	Paper 5
*6.5	Appointment of Senior Independent Board Member	Clerk	Clerk	Paper 6
7	Strategy			
7.1	UHI 2024 - update		Interim Chair	Paper 7
7.2	Purpose & Principles for Post-School Education, Research & Skills	Scottish Government	Principal	Paper 8
8	Audits & Financial Reporting			
8.1	Perth College Management Accounts to 31 October 2022	Vice Principal (Operations)	Vice Principal (Operations)	Paper 9

	Agenda Items	Author	Led by	Paper
9	Governance			
*9.1	Streamlining of Board & Committee Procedures	Clerk	Clerk	Paper 10
10	Compliance, Risk & Performance Monitoring			
*10.1	Enterprise Risk Management	Vice Principal (Operations)	Vice Principal (Operations)	Paper 11
*10.2	Key Performance Indicators	Depute Principal	Depute Principal	Paper 12
	Standing Reports			
10	Interim Chair's Report	Interim Chair	Interim Chair	Verbal
11	Principal's Report	Principal	Principal	Paper 13
12	HISA Perth Report	HISA Perth	HISA Perth President	Paper 14
	Reserved Business			
*13	Reinstatement of Voluntary Severance Scheme		Principal	Paper 15
14	Minutes of Board Standing Committees <i>For the Board of Management to note.</i>			
14.1	Chairs' Committee – 23 November 2022	Clerk	Interim Chair - BoM	Paper 16a
14.2	Learner Experience Committee – 23 November 2022	Clerk	Chair – Learner Experience	Paper 16b
14.3	AST Board – 29 November 2022	Clerk	Chair – AST	Paper 16c
14.4	Strategic Development Committee – 05 December 2022	Clerk	Chair – Strategic Development	Paper 16d
14.5	Finance & Resources Committee – 12 December 2022	Clerk	Chair – F&R	Paper 16e
14.6	Audit Committee – 12 December 2022	Clerk	Chair – Audit	Paper 16f
15	Date & Time of Next Meeting <ul style="list-style-type: none"> Monday 27 March 2022, 5:00pm 	Clerk		
*16	Review of meeting (Committee to check against the Terms of Reference to ensure all competent business has been covered)		Interim Chair	Paper 17

Board of Management

DRAFT Minutes

Meeting reference: Board 2022-23/01

Date and time: Thursday 20 October 2022 at 5.00pm

Location: Boardroom (Braham Room 019)

Members present: Graham Watson, Interim Chair of Board
Andrew Comrie, Chair, Strategic Development Committee
Jim Crooks, Chair, Audit Committee
Katrina Hodgson, Chair, Finance & Resources Committee
Michael Buchanan, Board Member
Sheena Devlin, Board Member
Fiona Martin, Board Member
Debbie McIlwraith-Cameron, Board Member (to Item 9.1)
Derek Waugh, Board Member
Margaret Cook, Principal & Chief Executive
John Dare, Staff Board Member
Todor Pavlov-Kennedy, Student Board Member
Liam Fowley, Student Board Member

In attendance: Lorenz Cairns, Depute Principal
Catherine Etri, Vice Principal (Academic)
Veronica Lynch, Vice Principal (External)
Iain Wishart, Vice Principal (Operations)
Ian McCartney, Clerk to the Board of Management

Apologies: Jenny Hamilton, Board Member
Patrick O'Donnell, Staff Board member

Chair: **Graham Watson**

Minute Taker: Ian McCartney

Quorum: 9

MINUTES

Item		Action
1.	Welcome and Apologies Interim Chair welcomed everyone to the meeting, and noted apologies.	
2.	Additions to the Agenda There were no additions to the Agenda, however Interim Chair proposed restructuring the Agenda for improved flow of key information.	
3.	Declaration of Interest in any Agenda Item Graham Watson and Sheena Devlin both declared a professional interest re Item 8.1	
4.	Minutes of Board of Management meeting, 16 June 2022 The minutes were APPROVED as an accurate record of the meeting.	
4a	Minutes of Extraordinary Board of Management meeting, 05 September 2022 The minutes were APPROVED as an accurate record of the meeting.	
4b	Minutes of Extraordinary Board of Management meeting, 06 October 2022 The minutes were APPROVED as an accurate record of the meeting.	
5.	Matters Arising There were no outstanding actions arising from these minutes that had not already been completed or tabled under the Agenda.	
10	Interim Chair's Report Interim Chair noted that the agreed response to UHI re commitment to UHI2024 had been well received, and Principal would provide an update re workstream progress. Interim Chair advised that there would be a Task & Finish Group	

	<p>who will be meeting in early November, with composition to be circulated once known.</p> <p>It had been agreed to invite the Chair of UHI Court to Board meetings, and this agreement will commence at the December Board meeting.</p>	
11	<p>Principal's Report</p> <p>Principal noted that leads of the 7 UHI 2024 workstreams had met with the Chair of UHI Court, and each workstream had been tasked with developing a plan by Xmas. Leads would then meet every 2 weeks. The Shared Services workstream is meeting next week to agree the Terms of Reference.</p> <p>Principal advised that a positive meeting had been held by Colleges Scotland today to discuss the ongoing Think The Unthinkable initiative, in preparation for a meeting with Ministers re changes required around the "flat cash" issue, and there appeared to be much more recognition that change is required. It is envisaged that, following the meeting with ministers, more radical proposals would start to be fleshed out.</p>	
7.1	<p>Perth College Management Accounts to 31 July 2022</p> <p>Vice Principal (Operations) presented Paper 6, noting that, despite the £1m clawback noted previously, College was only £300k down on income due to a number of items being ahead of budget.</p> <p>Vice Principal (Operations) clarified that clawback is retained by UHI and, if SFC do not demand these funds be returned, it is UHI who will decide what to do with it. Academic Partners may be able to bid for funds that are yet to be determined.</p> <p>Vice Principal (Operations) advised that the MicroRAM, which was expected to run to £300k, was this year £140k, and further advised that Staff costs were £1m better than budgeted, mainly due to fewer backfills being required as a result of a drop in student numbers. With non-staff costs broadly on budget, the College was likely to report an overall surplus of around £500k.</p> <p>Vice Principal (Operations) noted that the above figures were unaudited, with External Auditors due to arrive in November, so the final out-turn may vary from this position.</p> <p>Interim Principal noted the string commercial performance relative to budget. Vice Principal (External) advised that the commercial operations had been more conservative on revenue streams than normal due to impacts of COVID, but were able to retain more business than expected.</p>	

	<p>Interim Principal queried the catering situation. Vice Principal (Operations) noted that a meeting with Amarak had taken place to discuss losses. The target had been nil cost to the College but this ended up being a sizeable loss due to reduced numbers. A 50/50 split re losses had been proposed, but numbers in accounts don't tally with Aramark's, so this is still a work in progress. Vice Principal (Operations) advised that the break point in the contract would need to be considered but there would need to be an alternative solution in place.</p> <p>SMT would put recommendation to next Board.</p> <p>Staff Board member advised of a perception that the College is in a poor financial state. Principal responded that this perception hadn't been heard at SMT, and while the updated financial position would be advised at Staff Conference there needs to be some realism as to the difficulties that lie ahead.</p> <p>Chair of Audit queried what would happen with clawback monies if SFC did not retain funding. Principal advised that it is likely that EO would look at a scheme for bidding for strategic projects across the partnership.</p>	SMT
7.2	<p>Perth FFR 2022/23-2026/27</p> <p>Vice Principal (Operations) presented Paper 7, noting the online approval process for the FFR which had allowed submission to SFC.</p> <p>Interim Chair asked if anything more should be done with SFC to engineer realism given notice has been provided. Vice Principal (Operations) noted that the sector's Financial Director community meet with SFC regularly and are pushing matters at every opportunity.</p> <p>Chair of Audit noted Perth College's fiduciary responsibility re prudence and wondered whether a more explicit letter of representation around the nativity of the FFR guidelines should be produced. Interim Chair agreed.</p> <p>Vice Principal (Operations) advised that Finance & Resources Committee had approved a close look at expectation of commercial operations, profitability of courses, etc. It would be possible to prepare actions based on these results, which would include detail against the rest of the sector, however this would be tabled at Finance & Resources first.</p> <p>Chair of Strategic Development Committee noted that the FFR was a sector-wide problem and advised that this would be better approached with the rest of the sector, if there was a mechanism to achieve this.</p>	

8.1	<p>Estates Strategy & Aviation Academy For Scotland</p> <p>Depute Principal outlined initial proposal detailed in Paper 8, noting that Perth & Kinross Council had resurrected the concept of a school building within the College footprint prior to a refreshed bid being submitted. It was proposed to take this initiative with a view to the bid proceeding, however there was a need to be mindful of the potential impact on the concurrent Aviation Academy for Scotland bid.</p> <p>Vice Principal (External) noted that the latest iteration of the AAS bid involved £6m of funding for workshops and labs (as opposed to a standalone “academy” building), meaning that AST would still require hangar space at Scone. It was felt that it would be a better position across the board to undertake the PKC masterplan with AAS absorbed into this bid, inclusive of the £6m investment.</p> <p>Vice Principal (External) further noted that expectations around AAS have to be managed; whilst AAS is sympathetic around the flexibility re investment, the proposal does have a knock-on effect with regard to draw-down timetables.</p> <p>Interim Chair queried the timescales with regard to when funding would require to be applied for, and the impact of this on the Academy project? Vice Principal (External) responded that PKC was looking to undertake a full Masterplan before applying therefore would be looking to apply within next year’s funding cycle (assumed to be October 2023).</p> <p>Board Member queried the impact on student numbers in the interim. Vice Principal (External) advised that the bulk of schools’ engagement focuses on STEM but market demand still high within aviation industry so more modelling is still required. There are also some multi-skilled front-end opportunities around STEM related to offshore wind.</p> <p>Board Member queried whether there were any assumptions on this project within the FFR. Vice Principal (Operations) noted that this was not yet the case. Board Member asked whether the delay of a year would have a significant impact. Vice Principal (Operations) advised not, as this amounted to around 60 students.</p> <p>Interim Chair advised that AST Board were taking steps in relation to the renewal of the Scone hangar lease. Depute Principal noted that this initiative presented a rare opportunity for investment.</p> <p>Board ENDORSED Paper 8.</p>	
6.1	<p>Annual Health & Safety Report</p> <p>Depute Principal presented Paper 4 for approval, noting previous items for improvement that had been addressed, although some</p>	

	<p>improvements were still required, including levels of mandatory training.</p> <p>Chair of Audit advised that the paper had been given a thorough airing at Audit Committee in the presence of Internal Auditors who report on this issue in 2020, and it had been agreed that additional information from the Health, Safety & Wellbeing Adviser would be presented to Audit Committee.</p> <p>Board APPROVED Paper 4.</p>	
6.2	<p>AST Budget 2022-23</p> <p>Vice Principal (External) presented Paper 5, noting that this had been endorsed by Finance & Resources Committee, and provided an oversight to developments within the AST Budget over the summer. Vice Principal (External) further noted that this matter had been discussed in detail at 2 AST Boards.</p> <p>Vice Principal concluded that the AST Budget painted a difficult picture, however levers were being pulled to rectify the situation and AST's External Auditors had reported that the Going Concern test had been passed.</p> <p>Interim Chair noted that the next year or so was critical for AST with regards to longer-term cashflow.</p> <p>Board Member queried whether the Board should be reviewing the proposed business model refresh. Vice Principal (External) noted that there would be further discussions on this at the next AST Board which would likely be escalated to Strategic Development Committee.</p> <p>Board APPROVED Paper 5.</p>	
9.1	<p>Strategic Risk Register</p> <p>Vice Principal (Operations) presented Paper 9 for information, which outlined plans for changes to the way Risk is monitored, noting that the proposals had been subject of lengthy discussion at Audit Committee.</p> <p>Vice Principal (Operations) advised that the model would be fully populated by the next Board Cycle and would include a dashboard approach for presentation purposes.</p> <p>Interim Chair queried the issue of Risk Appetite noted in paper. Vice Principal (Operations) advised that this would be reviewed once the model fully is populated.</p> <p>Chair of Audit also noted the refinement of strategic risks in terms of</p>	

	<p>reducing the number of these presented to Board, albeit with the opportunity to drill down if required, with monitoring of some risks delegated to the appropriate committee.</p> <p>Board NOTED Paper 9.</p>	
9.2	<p>KPIs & Balanced Scorecard</p> <p>Depute Principal provided a verbal update on the Balanced Scorecard, advising that staff teams were being tasked with generating plans for achieving KPIs within their areas, with Board receiving a concise version. It is intended that this will provide a full and meaningful Balanced Scorecard during Board Cycle 3.</p> <p>Interim Chair asked how quickly would the Board know that the plan was working. Depute Principal noted that some targets are set annually however the data presented during Cycle 3 should give clear indication to the levels of progress.</p> <p>Chair of Strategic Development Committee expressed support for the approach being taken, and encouraged SMT to challenge CMT to opt for stretch targets while keeping in mind the vision of the 5-year plan.</p> <p>Interim Chair suggested that a review of how the system is working in practice should be built into the June Board.</p>	
9.3	<p>Amendments to the Code of Good Governance</p> <p>Clerk advised Board that the Good Governance Steering Group had reported that the legislation around Trade Union membership on College Boards is likely to be enacted by 2024, and that Boards are being encouraged to consider how observer status can be provided as an interim position until the legislation comes into force.</p> <p>Board noted these developments.</p>	
12	<p>HISA Perth Report</p> <p>Student Board Member presented Paper 11, noting that the annual HISA Perth Plan of Work would normally be presented during this Board cycle, however this was delayed due to officers being focused on Freshers. Student Board Member reported that the Plan was now completed for distribution.</p> <p>Student Board Member advised that the Perth Partnership Project had involved consultation with students resulting in key themes being developed, and an Action Plan has been formulated but is not yet fully approved.</p> <p>Interim Chair queried whether HISA Perth were satisfied with the</p>	

	<p>move from elected Student Voice representatives to voluntary reps. Student Board Member advised that this move had broadened representation and widened engagement and diversity.</p> <p>Board NOTED Paper 11.</p>	
13	<p>Minutes of Board Standing Committees</p> <p>Board NOTED the following minutes of Standing Committees:</p> <ul style="list-style-type: none"> • Chairs' Committee, 01 September 2022 • Learner Experience Committee, 08 September 2022 • Strategic Development Committee, 21 September 2022 • AST Board, 27 September 2022 • Finance & Resources Committee, 05 October 2022 • Audit Committee, 19 October 2022 	
10	<p>Date & Time of Next Meeting</p> <ul style="list-style-type: none"> • Thursday 22nd December 2022 at 5:00pm 	
11	<p>Review of Meeting</p> <p>Board confirmed that the meeting had been conducted in line with the Terms of Reference.</p>	

Information recorded in College minutes are subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

Notes taken to help record minutes are also subject to Freedom of Information requests, and should be destroyed as soon as minutes are approved.

Status of Minutes – Open ☒

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes about living individuals, under the terms of the Data Protection Act 2018. It is important that fact, rather than opinion, is recorded.

Do the minutes contain items which may be contentious under the terms of the Data Protection Act 1998? **Yes** ☐ **No** ☒

Perth College UHI

Paper No. 2

Committee	Joint Meeting of Audit & F&GP Committees
Subject	Draft Perth College Financial Statements for the year ended 31 July 2022
Date of Committee meeting	12/12/2021
Author	Henry Nicholson, Financial Accountant
Date paper prepared	07/12/2022
Executive summary of the paper	<p>Purpose:</p> <p>In line with the College's Financial Memorandum, the College is required to prepare its Annual Financial Statements for approval by the Board of Management prior to submitting these to the Regional Strategic Body and to the Scottish Funding Council.</p> <p>Impact:</p> <p>These statements provide an assessment of the College's financial position for the year ending 31 July 2022. These have been complete in compliance with the Account's Direction for Colleges and with the Code of Good College Governance.</p> <p>Course of Action:</p> <p>This paper is provided for ratification by the Board having been approved in principle by a quorum of Board Members at the Joint Meeting of Finance & Resources and Audit Committees held on 12 December 2022.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	<p>Consultation has been undertaken with the Finance team, SMT and the college's external auditors EY.</p> <p>This report was approved, subject to minor amendments, at the Joint Meeting of Finance & Resources and Audit Committees on 12 December 2022</p>

Perth College UHI

Action requested	<input type="checkbox"/> For information <input type="checkbox"/> For discussion <input checked="" type="checkbox"/> For ratification <input type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)
Resource implications Does this activity/proposal require the use of College resources to implement? If yes, please provide details.	No
Risk implications Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk? (If yes, please provide details)	Yes This is a requirement of governance within the Financial Memorandum. These Financial Statements will be submitted to the Regional Strategic Body and SFC following approval by the Board of Management.
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	Financial Sustainability Compliance Risk Management Strategic Reputation
<u>Equality and diversity</u> Does this activity/proposal require an Equality Impact Assessment? If yes, please give details:	No

Perth College UHI

<u>Data Protection</u> Does this activity/proposal require a Data Protection Impact Assessment? If yes, please give details:	No Click or tap here to enter text.
Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	No If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	Non Confidential
Freedom of information Can this paper be included in "open" business?	Yes

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

Further guidance on application of the exclusions from Freedom of Information legislation is available via:

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>
 and http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf



University of the
Highlands and Islands
Perth College

Report and Financial Statements for the Year Ended 31 July 2022

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

Ask Student Services for details.

www.perth.uhi.ac.uk

Perth College is a registered Scottish charity, number SC021209.

Contents

Key Management Personnel and Professional Advisers

Key Management personnel

Key management personnel are defined as members of the Senior Management Team and were represented by the following in the year ended 31 July 2022:

Name	Position
Dr Margaret Cook	Principal & Chief Executive and Accounting Officer
Lorenz Cairns	Depute Principal
Veronica Lynch	Vice Principal – External Engagement
Catherine Etri	Vice Principal – Academic
Iain Wishart	Vice Principal - Operations

External Auditor	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EB
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Internal Auditor	Henderson Loggie The Vision Building 20 Greenmarket Dundee DD1 4QB
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Bankers	Royal Bank of Scotland 12 Dunkeld Road Perth PH1 5RB
	Bank of Scotland 10-16 King Edward Street Perth

Solicitors	Thorntons Solicitors 17-21 George Street Perth PH1 5JY
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Performance report

Performance Overview

The Performance Report provides an overview of UHI Perth's performance in the academic year to 31 July 2022 covering:

- The Principal's Performance Statement;
- a statement of the purposes and activities of the College;
- the key issues and risks that could affect the College in delivering its strategic plan; and
- a performance analysis, financial review for the year, key risks affecting the College and social matters

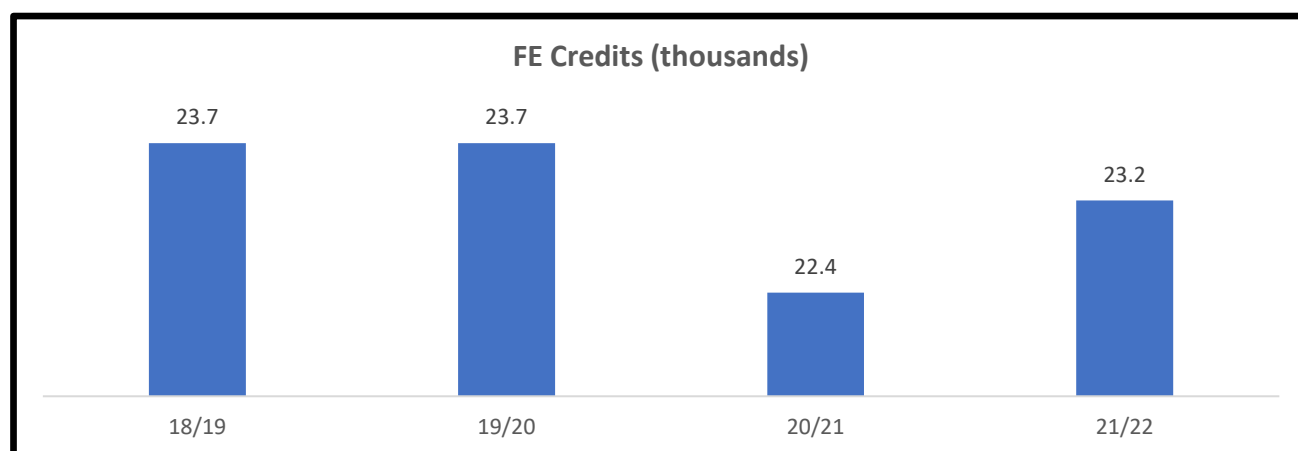
Principal's Performance Statement

Academic Year 2021/22

In the year when UHI Perth celebrated its fiftieth year in our Brahan building we achieved some excellent results. Staff and students again demonstrated dedication, resilience, commitment and innovation and a big thank you to you all.

Despite the continued challenges set by COVID-19 the college recorded an Adjusted Operating Position (AOP) surplus of £272,000. Good cost control was the key to this performance. The 2021/22 academic year saw a fall of just over 360 full-time equivalents (FTE's) which had a negative impact on our income. However, most of this downside was offset by:

1. Higher Further Education credits compared with 2020/21, by over 770 credits. The chart below shows that our credits in 2021/22 are close to pre COVID-19 numbers.
2. Strong managing agents numbers; and
3. Higher international student numbers. UHI Perth had more International students on-campus than 2020/21, a reflection of the evolving COVID-19 transition, and our Transnational Education (TNE) numbers were up by over 80%.



Performance report

Performance Overview

Other notable improvements in our KPI's were the NSS Overall Satisfaction score which improved by over 7% and the SSES Overall Satisfaction score which improved by 8%.

Our average staff FTE number increased very slightly in 2021/22 and required careful management to align with the movement in student numbers across the different categories. Our management of staff FTE's was an important contributor to our financial performance.

UHI Perth also received its formal report from Education Scotland which included positive comments around sector leading practice and we achieved the highest score possible.

The Outlook

While COVID-19 restrictions have lifted the outlook for 2022/23 is very challenging. There are many areas of uncertainty than could have a significant, negative, impact on the financial sustainability of the college. These risks include:

- HE student numbers.
- A "flat cash" funding outlook.
- National Bargaining outcomes.
- Job Evaluation.
- Inflation and especially the cost of energy.
- The continued impact on our commercial businesses.

The Senior Management Team and Board of Management will continue to monitor and managing these risks very carefully.

A New Strategy

An exciting development in 2021/22 was the completion and launch of our strategy for 2022 – 2027.

Our vision is to empower our learners to achieve their full potential through a transformational student experience.

Our strategy was developed over four pillars:

1. College Growth and Ambition
2. Excellence in Learning and the Learner Experience
3. Partnerships and Collaboration
4. Sustainability

Performance report

Performance Overview

And supported by six values:

1. Student Centred
2. Innovative
3. Ambitious
4. Respectful
5. Inclusive
6. Collaborative

Our strategy sets out the key strategic objectives of UHI Perth and had a significant level of input from our staff.

We understand that our strategy will need to be dynamic and evolve; as circumstances change, we will adapt.

Our strategic aims drive forward the Highlands and Islands Regional Outcome Agreement as well as ensuring full participation in Perth & Kinross Single Outcome Agreement Measures and Community Planning priorities.

The college works in partnership with relevant local and regional stakeholders to ensure the provision of high-quality curricula and sector engagement within the Regional Skills Assessment area of Tayside, but also shares common overall goals with the Regional Skills Assessment of the Highlands and Islands.

Areas of commonality between the Highlands and Islands Regional Outcome Agreement and the UHI Perth strategy:

- The need to increase the quantity and quality of local jobs
- To create a culture of employer investment
- To meet the skills needs of employers, including a need for workplace progression routes and pathways
- A need for flexible skills provision

The Tay Cities Deal incorporating Dundee, Angus, Perth and Kinross and North Fife, is taking forward regional investments to focus on inclusion, innovation and connectedness ensuring delivery of a smarter and fairer region. Within the Tay Cities Deal, the college is working on key projects in engineering, aviation, hospitality, creative industries, and digital resilience.

Performance report

Performance Overview

Regional Context of Our Strategy:

UHI Perth is one of the largest partners in the University of the Highlands and Islands (UHI).

UHI is an integrated university encompassing both further and higher education and part of a new breed of tertiary institutions, the only one in Scotland and one of only a few in Europe.

A diverse and flexible partnership serving their communities and connected to their needs offering flexible and supported learning from access level to PhD.

UHI have 31,000 students at the heart of the partnership and routinely exceeds student activity targets and surpasses many sector benchmarks of performance.

Summary

In summary 2021/22 delivered some excellent performance despite a number of challenges. The performance was delivered by the dedication, resilience, commitment and innovation of our staff and students. The outlook is very challenging but with careful monitoring, control and agility, supported by our new strategy, it should allow us to manage our financial sustainability.

This report provides a reliable reflection of our progress in 2021-22. In the face of the significant challenges facing Scotland's Colleges we maintained our focus on delivering an excellent student experience.

The members present their report and the audited financial statements for the year ended 31 July 2022.



Dr Margaret Cook
Principal & Chief Executive

Performance report

Performance Overview

Purposes and Activities

Legal Status

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

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

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

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

UHI Perth is one of the largest partners in the University of the Highlands and Islands (UHI).

UHI is an integrated university encompassing both further and higher education and part of a new breed of tertiary institutions, the only one in Scotland and one of only a few in Europe.

A diverse and flexible partnership serving their communities and connected to their needs offering flexible and supported learning from access level to PhD.

UHI has 31,000 students at the heart of the partnership and routinely exceeds student activity targets and surpasses many sector benchmarks of performance.

UHI Perth deliver courses at its main campus in Perth and in secondary schools across Perth and Kinross. We support work-based learning across a wide area, as well as collaborating with UHI in the ongoing development of its use of digital technology, providing access to expertise and curricula across Perth and Kinross, the Highlands and Islands and to our national and international partnerships.

The City of Perth is located within 50 miles of 90% of Scotland’s population, in the local authority of Perth and Kinross. The population of Perth and Kinross in 2021 was 151,900, a 0.1% increase from 2016. Unemployment rates are at 3.4% and its five year business survival rate is higher than the Scottish average. The 2021 Annual Participation Measure showed that 93.6% of 16–19-year-olds were in education, employment or training and personal development. UHI Perth is proud to serve the needs of its local area, as well as the wider Highlands and Islands Region and beyond.

UHI Perth provides a broad curriculum base with access to study at SCQF levels 2 to 12 in areas of local, regional, and national need in subjects grouped into five sector areas:

- Business, Management, Computing and Leisure;
- Creative and Cultural Industries;
- Science, Technology, Engineering and Maths;
- Applied Life Sciences; and
- Centre for Mountain Studies

Performance report

Performance Overview

UHI Perth also delivers a range of Modern Apprenticeship programmes supported by Skills Development Scotland (SDS), industry bodies and a range of commercial Vocational Qualifications (VQ).

School-college partnership provision is linked to relevant vocational pathways, and includes Foundation Apprenticeships in Business, Creative and Digital Media, Early Years, Engineering and Health Care.

Our Vision

Our vision is to empower our learners to achieve their full potential through a transformational student experience.

Our Values

To realise our vision we focus on our four pillars:

1. College Growth and Ambition
2. Excellence in Learning and the Learner Experience
3. Partnerships and Collaboration
4. Sustainability

and six core values

1. Student Centred
2. Innovative
3. Ambitious
4. Respectful
5. Inclusive
6. Collaborative

Key priorities

Our strategic aims drive forward the Highlands and Islands Regional Outcome Agreement as well as ensuring full participation in Perth & Kinross Single Outcome Agreement Measures and Community Planning priorities.

The college works in partnership with relevant local and regional stakeholders to ensure the provision of high-quality curricula and sector engagement within the Regional Skills Assessment area of Tayside, but also shares common overall goals with the Regional Skills Assessment of the Highlands and Islands.

Performance report

Performance Overview

Key Risks & Uncertainties

The Board of Management has responsibility for overseeing that the College identifies, mitigates and monitors strategic risk. The Audit Committee has delegated authority from the Board of Management to manage this process on their behalf.

The College operates a Strategic Risk Register which identifies the most significant risks to the College and also includes “common risks” as set out by the Executive Office of UHI. The Vice Principal of Operations is responsible for developing and managing the College Strategic Risk Register while the Senior Management Team (SMT) are responsible for ensuring that appropriate risk mitigation actions are implemented to address significant risks to the College’s operations and strategic objectives.

The Audit Committee receives an updated Strategic Risk Register on a quarterly basis. While many areas of risk are reviewed, the central focus for UHI Perth and across the sector are the current, heightened, risks to financial sustainability.

Many significant events including Brexit, the cost of COVID-19 and war in a part of Europe are starting to have a significant impact on the economy and College sector. The most recent Financial Forecast Return submitted to the Scottish Funding Council (SFC) highlighted the following risks:

1. **SFC Funding:** At the time of writing, it has been proposed that no additional funding will be available in the sector for the foreseeable future, referred to as “flat cash”. This is a significant risk to the financial sustainability of the college as it could be difficult to cover increases in staff costs and non-staff costs in the future. Risks that could affect cost increases are set out below.
2. **Student Numbers:** Post Brexit and COVID-19, the College have been impacted by falling Higher Education student numbers. We believe that this is due to universities changing their entry requirements which has increased their student numbers. This is a significant risk to the funding entitlement of the College now and in the future.
3. **Inflation:** While inflation has been stable and low for a number of years, there has now been a significant increase in inflation. This will impact our non-staff costs, especially energy costs. Significant increases in prices will result in demands for salary increases to meet inflationary pressure which will have a significant increase in our staff costs.
4. **Job Evaluation:** For several years there has been an exercise to review salary levels paid across the sector, all the way back to 2017. Funds have been made available by the SFC but any outcome in excess of the funds made available by the SFC will need to be met by the colleges. In addition to any potential income it has been indicated that if the exercise is not concluded in 2022/23, SFC funding support will be withdrawn leaving colleges to fund the full cost.

Performance report

Performance Overview

Key responses that are being taken by the College to mitigate the threat to financial sustainability include:

1. UHI 2024. Seven major initiatives have been initiated by the Executive Office of UHI. As noted above the current risks are not unique to UHI Perth and threaten the sector. UHI Perth are fully committed to and involved in these initiatives to manage the risks posed to our financial sustainability.
2. Board of Management Review: In addition to UHI 2024, UHI Perth's Board of Management will be carrying out a detailed review of the College so that actions can be taken, as required, to ensure the financial sustainability of the College.

Enterprise Risk Management

In 2021/22 the UHI Perth started transitioning away from our traditional Strategic Risk Management process to a framework of Enterprise Risk Management. Our new process will merge the latest risk management frameworks outlined by the Committee of Sponsoring Organisations (COSO) and ISO30001. Our new ERM framework will go live in 2022/23.

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Performance Analysis

Non-Financial Performance

Key Performance Indicators

Key Performance Measure	2021/22	2020/21		Percentage change
HE Recruitment FTEs	1,696.8	2,062.6	↓	Down 18%
FE Recruitment Credits	23,205	22,429	↑	Up 3%
NSS Overall Satisfaction	85%	77.4%	↑	Up 10%
SSES Overall Satisfaction	90%	82%	↑	Up 10%
Positive Destinations - FE	79%	79%	→	unchanged
Staff turnover	19%	13%	↑	Up 46%
Staff absences days per head	8.9	4.5	↑	Up 98%
Staff CPD days per employee	4.73	3.8	↑	Up 24%
Percentage of permanent teaching staff with Teaching Qualification in Further Education (TQFE)	56%	55%	↑	Up 2%
Number of staff delivering papers to conferences	4	1	↑	Up 300%
No of staff publications	3	6	↓	Down 50%

As discussed in the Principal's report and in the Student numbers section below HE Recruitment FTE's are down. This is considered to be due to the changes in university recruitment.

FE Recruitment credits fell in 2020-21 due to lockdown. As discussed in the principal's report we have now returned to pre covid numbers in 2021/22.

We have seen an increase turnover within our staff profile within 2021/22. We saw an increased number of staff taking retirement or voluntary severance as well as moving to another organisation for career development. Salary was not quoted as a significant factor.

The increase in staff absence is considered to be a return to normal following the Covid Pandemic and is expected to increase again in future years. This is discussed in more detail under Sickness Absence Rates.

The increase in staff with TQFE is because the normal amount of training was reduced in 2020-21 because lockdown. This meant that there was not sufficient training resource to maintain the previous level of the TQFE in the academic staff. This has now returned to normal so the KPI has increased back to where it was previously.

The number of staff delivering papers at conferences has increased again following the lifting of lockdown.

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Student Numbers

In a highly challenging recruitment environment, Perth College has seen an increase in FE credits and has reduction in HE Undergraduate and Postgraduate FTE's. As set out in our key risks & uncertainties the reduction in HE numbers is considered to be due to universities changing their entry requirements which has increased their student numbers and impacted on College numbers.

Perth College achieved over 100% of its FE Credits, 83% of its HE Undergraduate FTE's and 72% of its Postgraduate FTE's. The credits are set out in more detail below:

	Year ended 31 July 2022			Year ended 31 July 2021		
	Actual	Target	Variance	Actual	Target	Variance
Further Education credits	23,205	23,114	91	22,429	24,084	(1,655)
Undergraduate HE FTE's	1,696.8	2,046	(349.2)	2,062.6	1,992	70.6
Postgraduate FTE's	43.2	60.9	(17.7)	51.8	49.1	2.7

Financial Performance

Financial Results

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 2019 ("SORP"): 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2021/22 Government Financial Reporting Manual (FReM) and in accordance with applicable Accounting Standards.

They conform to the 2021/22 Accounts Direction for Scotland's Colleges ("the 2021/22 Accounts Direction") and other guidance issued by the SFC.

Perth College has achieved an operating deficit of £2.3m (2020/21 deficit of £1.6m) for the year ended 31 July 2022.

	Year ended 31 July 2022	Year ended 31 July 2021
	£'000	£'000
Operating deficit	(2,329)	(1,646)
Variance from prior year	(683)	382
Adjusted operating position	272	997
Variance from prior year	(725)	1,642

UHI Perth prepared budgets for the year ended 31 July 2022 suggesting that financial performance would fall behind prior year but achieve a breakeven AOP position with additional savings. With good cost controls we were able to achieve a positive AOP.

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Due to uncertainties around clawbacks and the timing of other income, we were unable to redeploy the AOP saving to other areas. Budgets for the year ended 31 July 2023 are considered to be more challenging.

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

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

Following their reclassification as central government bodies from 1 April 2014, colleges are also required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities.

Cash Budget for Priorities

Colleges have now each been given a fixed cash budget for priorities which must be spent on agreed government priorities. The College's spend of its cash budget for priorities, and the impact on the operating position for the academic year, is set out in the tables below.

	2021/22 £'000	2020/21 £'000
Table of cash budget for priorities spend		
Revenue Priorities		
2015-16 pay award	117	117
Estates capital development	308	304
Total impact on operating position	425	421
Capital Priorities		
Unfunded pension payments	104	108
Total Capital	104	108
Total cash budget for priorities spend	529	529

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

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

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

Performance report

Performance Analysis

Adjusted operating Position

The adjusted operating position of Perth College, as set out below, has decreased from a surplus of £1.0m to a surplus of £0.3m. The reasons for this are discussed in more detail in the Financial Performance.

	2021/22 £000	2020/21 £000
Adjusted Operating Position		
Surplus/(deficit) before other gains and losses	(2,329)	(1,646)
Add Back:		
Depreciation - net of deferred capital grant release (Note 1)	1,187	1,177
Pension adjustment – Net Service Cost (Note 2)	1,416	1,410
Pension adjustment – Net Interest Cost (Note 3)	102	164
Deduct:		
CBP allocated to loan repayments and other capital items (Note 4)	(104)	(108)
Adjusted Operating Surplus/(Deficit)	272	997

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

Note 2: The adjustments to the pensions charge represent the net service cost (i.e. the present value of projected benefits resulting from employee service in the current year less cash contributions paid).

Note 3: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets.

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

Financial Ratios

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

Performance report

Performance Analysis

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

	2021/22	2020/21
Operating Surplus/(Deficit) as % of Total Income	(8.51%)	(6.17%)
Non SFC Income as % of Total Income	35.46%	32.95%
Current Assets: Current Liabilities	1.13	1.04
Staff Costs as a % of Total Income	80.21%	80.78%
Ratio of days cash to total expenditure	46.9 days	51.7 days
Trade creditor days	36 days	29 days

There have been improvements in most of the ratios above in line with expectations.

The non SFC income percentage has increased due to the return of income from our commercial businesses and the reduction in HE main grant received from SFC.

Cash Flows and Liquidity

Days cash has decreased from 51.7 days to 46.9 days. This is primarily due to lower student support and childcare balances being held for repayment to SFC compared to prior year.

UHI Perth maintained a positive cash flow during the year. Liquidity has increased from 1.04 to 1.13. This increase is due to a reduction in current liabilities due largely to the reduction in student support funds held to be paid back to SFC.

Payment Performance

The College has a policy of paying its suppliers within 30 days of invoice unless other separate terms are in place, and excluding invoices held in dispute. Where possible, and in line with Scottish Government guidance, invoices are paid in the next available payment run following posting to the finance system. Creditor days (trade creditors divided by other operating expenditure) 36 days (2020/21: 29 days).

The increase in trade creditor days is due to the increased trade creditors balance at 31 July which has resulted from continued improvements in the time taken to receive invoices from suppliers and post them into the finance system

67% of invoices by value and 71% of invoices by number were paid within 30 days of invoice date. The average number of days for invoices paid within 30 days was 17 days. These figures do not exclude invoices in dispute or other invoices delayed for reasons outside our control.

We have introduced a “No PO, No Pay” approach during the year which has been communicated to all our suppliers in 2021/22 and we anticipate this further improving payment performance in future years.

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

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Performance Analysis

Treasury Policies and Objectives

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

Estates Strategy

The College continued to monitor and maintain the estate in line with the College's Strategic Plan 2016-21 and the new overall college strategy developed during the year. In year ended 31 July 2022 UHI Perth continued to develop and improve energy efficiency by carrying out upgrades to our mechanical and electrical equipment, such as boiler replacements and LED lighting, thus continuing to reduce our carbon footprint.

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

- A new estates strategy has been commissioned and the strategy will be based on the creation of a new carbon neutral campus. Faithful and Gould are the consultants who have been tasked with creating the new strategy which should be completed during 2023.
- Continuing to find ways to improve our carbon footprint.
- The development of the Perth based element of the Aviation Academy for Scotland on the College's Crieff Road Campus;
- Improving and re-purposing existing facilities to provide an integrated approach to the development and delivery of curriculum, research and wider stakeholder engagement within all areas. Examples include the delivery of a Sports Injury Clinic as well as a Beauty Therapy service, both run as student enterprises.

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

Investment has been made in carbon and energy use monitoring, waste management monitoring, increasing environmental awareness with staff and students and engaging with stakeholders on sustainable development initiatives. During 2021/22, examples have included:

- Continued installation of more energy efficiency services including LED Lighting, energy efficient boilers and waste minimisation efforts;
- The College influences emissions beyond its corporate boundaries through educating its students and staff in sustainability and climate change issues. Education on sustainability issues is included within the curriculum.

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Performance Analysis

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

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

Climate Change (Scotland) Act 2009

One of the College's Strategic priorities within its Regional Outcome Agreement is to deliver against the SFC National Performance Measures reduction in our gross carbon footprint.

UHI Perth continues to work towards carbon reduction and the carbon emissions figures are 1,646 tonnes of carbon dioxide equivalent ("tCO₂e") from 1,864 tCO₂e in 2015/16.

ICT Strategy

The ICT Department are focusing on themes to support the implementation of the ICT Digital Transformation Strategy to take the college and our stakeholders through a journey of digital confidence and competence that inspires and stimulates future thinking and innovation.

The themes are:

- Culture
- Service
- Sustainability
- Communication and Collaboration

Culture

By adopting a continual service improvement register the College is embracing an opportunity to map out where we are, where we want to be, how we will get there and prioritise our improvement activities and their impact.

By developing the 5-year ICT investment plan we ensure that we offer equality of access, allowing our staff and students to thrive in a digitally enabled environment.

Service

We have implemented the JISC Benchmark (Elevation) Tool to map Perth College ICT against the sector.

A program of works has begun to ensure that ICT services and facilities are designed to support our stakeholders by ensuring they are accessible, secure, and sustainable.

An infrastructure review has been undertaken and a new teaching room standard has been agreed with internal stakeholders for the duration of the ICT Strategy 2022 – 2025 that will allow our academics to dynamically deliver the curriculum in high quality, flexible and innovative environments.

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Sustainability

Through effective collaboration throughout the procurement cycle our suppliers are all committed to delivering benefits through improved value for money, improved goods, and services.

Our ICT hardware partner meet or exceed the minimum of Electronic Product Environmental Assessment Tool (EPEAT) Gold compliance.

A tripartite upcycling project has been established with Perth and Kinross Council, Academic Departments and the WEEE Centre to increase digital accessibility and skills to disadvantaged members of our community.

Communication and Collaboration

A key focus for the forthcoming year is the facilitation of digital solutions to enhance collaboration and communications that will allow our staff to work smarter using innovative flexible, secure, and accessible platforms, this is being achieved by embracing best of breed cloud systems, and scalable opportunities for shared ICT Services.

Equality & Diversity

Equality and Diversity Vision

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

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

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

Perth College's organisational equality outcomes 2021-2025 are:

- More learners than before are disclosing they are Care Experienced. These learners tend to have additional barriers which negatively impact attainment scores compared to their peers. We will work with the learners and other agencies to deliver interventions and support to narrow the attainment gap.
- There is an increase in learners disclosing mental ill health. These learners tend to have additional barriers impacting their attainment score compared to their peers. We will work with the learners and other agencies to deliver interventions and support to narrow the attainment gap.
- We recognise that there are gender imbalances across some areas of our curriculum, we will take active steps to promote accessibility of these programmes and challenge gender stereotyping.

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- We are committed to being an anti-racist organisation and will seek to eliminate racism in all of its forms throughout all parts of the College.
- The College has a declining proportion of staff disclosing a disability in comparison with the local population. We will look to ensure that our policies, processes and practices are supportive of recruiting and retaining disabled staff. We will focus on hidden disabilities and wellbeing at work.

A new Equality, Diversity and Inclusion Advisor was appointed by the College to lead on ensuring that the College delivers on these outcomes and also on our statutory reporting.

In October 2021 the output from the Board Lead Anti-Racism Short life Working Group was published following the work undertaken during 2020 and 2021. This output directly linked into one of our Equality Outcomes and is now monitored by our Equality, Diversity and Inclusion Committee.

Equality Reporting

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

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

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

Perth College has complied with its numerous statutory reporting requirements for the year ended 31 July 2022.

Perth College published one report and one action plan (available on our website):

- Anti-Racism Action Plan 2021
- Gender Pay Gap Report 2022

This report shows the College's progress in reducing our Gender Pay gap and the actions the College is looking to deliver on to deliver on its journey to become an Anti-Racist organisation.

Non-Financial Issues

Reputation

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

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

Stakeholder Relationships

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

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

In order to ensure our curriculum continues to meet current and future regional and national industry needs, continued engagement with Skills Development Scotland and industry bodies across our curriculum teams and directly into businesses. The College's Foundation, Modern and Graduate apprenticeship delivery relies on these strong industry relationships to ensure skills demands are met and delivery compliance is achieved. The College had strong performance in these areas during the year ended 31 July 2022.

The College's relationship with Perth and Kinross Council and its other Tay Cities regional partners through the Tay Cities Deal HE/ FE Forum and the Tay Cities Skills Board, Perth Development Board, Perth and Kinross Community Planning Partnership and the Strategic Education Group has been crucial to ensuring the College continues to be well regarded for its influence in economic and social transformation.

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

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

In partnership with our staff, trade unions and HISA, a greater focus on the student experience remains a high priority to the College. We are committed to investing in the Student Experience which is now a core part of our forward strategy and we are delighted to see the focus has begun and continues to show results.

Additional areas of focus are:

- a greater variety of student support and social groups.
- Use of digital accessibility funding to improve the digital experience for our students
- An ICT strategy that supports the aspiration to be a student-centred, digitally enabled college.

Alongside this, continued discussions have taken place with Trade Unions to ensure the health and safety and wellbeing of all staff groups. This included those staff working from home as well

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as those staff undertaking essential on campus services to students. Discussions with Trade Unions in relation to non-filling of vacancies or realigning roles where vacancies arise, as well as the identification of areas for savings within the College's 2022/23 budget.

Human Rights

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

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

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

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

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

Anti-Corruption and Bribery Matters

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

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

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

Perth College also participates in the National Fraud Initiative and has recently submitted datasets for the 2022/23 Exercise. Results of this exercise will be available and reviewed according to the prescribed timetable.

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

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These processes are being continually reviewed to ensure they are fit for purpose and achieving their aims.

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

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

Disclosure of Information to Auditor

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

**Approved by order of the members of the Board of Management on
14 December 2022 and signed on its behalf by:**



Dr Margaret Cook
Principal & Chief Executive

Accountability Report

Remuneration and Staff Report

The Accountability Report has three sections and is signed by the Chair and the Principal:

1. The Remuneration and Staff report;
2. The Corporate Governance report; and
3. The Parliamentary Accountability report

Remuneration and Staff Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2021/22 Government Financial Reporting Model (FReM) issued by HM Treasury.

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

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

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

Remuneration arrangements

Senior Management Team

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

Accountability Report

Remuneration and Staff Report

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

		12 months ended 31 July 2022		
Name	Role	Salary £000	Pension Benefit £000	Total £000
Margaret Cook	Principal	115-120	30-35	150-155
Lorenz Cairns	Depute Principal	85-90	20-25	105-110
Catherine Etri ¹	Vice Principal – Academic	55-60	-	55-60
Veronica Lynch	Vice Principal – External Engagement	85-90	50-55	135-140
Iain Wishart	Vice Principal - Operations	70-75	20-25	95-100
		12 months ended 31 July 2021		
Margaret Cook	Principal	110-115	25-30	135-140
Lorenz Cairns	Deputy	80-85	35-40	120-125
Catherine Etri	Associate Principal	65-70	30-35	100-105
Veronica Lynch	VP External engagement	80-85	45-50	125-130
Iain Wishart	Director of Finance	65-70	20-25	90-95

Senior Management Team members listed above are enrolled in either the STSS or LGPS pension schemes. These are both defined benefit schemes.

The pension benefits set out in the table above reflect the change in value of pension for each individual (less contributions paid by the individual). These pension benefits include additional pension accrued within the year, and any changes to the value of pension earned in all previous years as a result of salary increases. The pension amounts were higher in the year to 31 July 2022 due to salary increases for incremental progression and the cost-of-living increase. There had been no incremental progression in the year ended 31 July 2021 which is why the pension benefit was lower in that year.

The pension amounts in the table above do not represent the pension contributions paid for the staff listed. The actual amount of pension contribution paid for senior post holders is shown in Note 8 of these financial statements.

¹ Catherine Etri reduced from 1.0 FTE to 0.8 FTE during the year which resulted in a negative pension benefit figure because of the reduction in her CETV in a final salary scheme. She has since returned to 1.0 FTE so there will be a corresponding Pension benefit change next year.

Accountability Report

Remuneration and Staff Report

Higher Paid Employees

The following table shows the salary bandings of staff whose salary was in excess of £60,000.

Salary Band £000	2021/22 Number of staff	2020/21 Number of staff
60-70	3	6
70-80	1	0
80-90	2	2
100-110	0	0
110-120	1	1

Compensation for loss of office

Four employees left under a voluntary severance scheme during the year and one left on a departure agreed with SFC. In total they received a compensation payment of £91,206. No employees left under compulsory redundancy terms.

The table below summarises the exit packages by cost band.

Exit package cost band	Number of voluntary redundancies	Number of other departures agreed (including any compulsory redundancies)	Total number of exit packages by cost band
<£10,000	0	0	0
£10,000 to £25,000	3	1	4
£25,000 to £50,000	1	0	1
Total number of exit packages	4	1	5
Total cost (£'000)	75	16	91

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Remuneration and Staff Report

Pay Multiples

The College is required by the FreM to disclose the relationships between the remuneration of the highest paid official and the 25th, 50th and 75th percentile of remuneration of their workforce.

	2021/22	2020/21
	£	£
Median Remuneration	38,256	37,637
Mid-Point of Banded Remuneration of Highest Paid Official	117,500	112,500
Median Pay multiple	3.1	3.0
25th percentile pay ratio	24,462	23,361
25th percentile pay multiple	4.8	4.8
50th percentile pay ratio	38,526	37,637
50th percentile pay multiple	3.1	3.0
75th percentile pay ratio	43,357	42,537
75th percentile pay multiple	2.7	2.6

Accrued pension benefits

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

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

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

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

Contribution rates are set annually for all employees and are based on salary bandings. There is no automatic entitlement to a lump sum. Members may opt to give up (commute) pension for lump sum up to the limit set by the Finance Act 2004.

Cash Equivalent Transfer Value (CETV)

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

The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive a pension on retirement without reduction on

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account of its payment at that age; without exercising any option to commute pension entitlement into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued within the relevant scheme and may not be reflective of their total Local Government service or current appointment.

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

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

Real increase in CETV

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

Senior Management Team Pension

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

Name	Accrued pension at age at 31 July 2022	Accrued lump sum at pension age at 31 July 2022	Real increase in pension 1 August 2021 to 31 July 2022	Real increase in lump sum 1 August 2021 to 31 July 2022	CETV at 31 July 2021	CETV at 31 July 2022	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Margaret Cook	10-15	0-5	0-2.5	0-2.5	117	160	43
Lorenz Cairns	30-35	90-95	0-2.5	2.5-5	699	752	53
Catherine Etri ²	20-25	65-70	-	-	644	547	-
Veronica Lynch	30-35	30-35	2.5-5	0-2.5	458	510	52
Iain Wishart	0-5	0-5	0-2.5	0-2.5	21	44	23

² Catherine Etri reduced from 1.0 FTE to 0.8 FTE during the year which resulted in a negative pension benefit figure because of the reduction in her CETV in a final salary scheme. She has since returned to 1.0 FTE so there will be a corresponding Pension benefit change next year.

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Remuneration and Staff Report

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

The table below sets out the gender split of the Board of Management of Perth College based on all members who sat on the board during the year ended 31 July 2022.

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

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

Board of Management				Senior Management Team	
Non-Executive Board Members		Staff Board Members			
Male	Female	Male	Female	Male	Female
47%	53%	67%	33%	40%	60%

Staff Numbers and Costs

The table below sets out for UHI Perth. The below figures do not include staff costs for the subsidiary, Air Service Training (Engineering) Limited which has 32 FTE on permanent contracts and 1 FTE on temporary contracts. A full breakdown of staff numbers is set out in Note 6 of these accounts.

	Year ended 31 July 2022			Year ended 31 July 2021
	Permanent Staff	Other staff	Total	Total
Wages & Salaries (£'000)	13,508	1,261	14,769	14,587
Social Security Costs (£'000)	1,373	128	1,501	1,438
Other Pension Costs (£'000)	4,069	380	4,450	4,479
Total staff costs (£'000)	18,950	1,770	20,720	20,504
Average number of FTE	332	31	363	361

Based on headcount, the College employed 300 females (61%) and 195 males (39%) as at 31 July 2022.

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Sickness Absence Rates

The following table provides the total sick days lost, average sick days per head and percentage of working time lost for the years ended 31 July 2022 and 2021:

	Year ended 31 July 2022			Year ended 31 July 2021		
	Total sick days	Average sick days per head	% working time lost	Total sick days	Average sick days per head	% working time lost
Total	3,220	8.9	3.42%	2,263	4.50	2.24%

The cumulative sickness absence rates for the College for 2021/22 have increased compared to the year ended 31 July 2021 from 2.24% of working time lost to 3.42% of working time lost.

The reduced level of average sick days in the year ended 31 July 2021 can be partially attributed to the COVID-19 pandemic and a similar decrease in sickness absence levels was seen across the Education sector with staff either not being ill due to lack of contact with other people or the ability to work from home meant they were continuing to work despite not being well.

When comparing current levels to the year ended 31 July 2020, total sick days of 3,220 (2020: 4,049) is less, but the average sick days per head of 8.9 (2020: 7.9) is higher (7.9 (2020) compared to 8.9 (2022), which corresponds to the reduction in FTE from 398 in 2020 to 363 in 2022.

Policies in relation to disabled persons

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

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

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

- Gender Pay Gap Report 2022
- Mainstreaming Equality, Equality Outcomes, and Workforce and Students Profile 2021

The College also carries out an internal assessment of our Disability Pay Gap and the College is looking at engaging with the Disability Confident Scheme which encourages employers to think differently about disability and take action to improve how we recruit, retain and develop disabled people. There are a number of other initiatives which are being proposed for 2022-23 to support this area of work.

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Remuneration and Staff Report

Recruitment and Selection

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

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

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

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

Professional Development

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

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

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

Redeployment and Occupational Health

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

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

Perth College UHI has also worked with Access to Work to ensure adaptive equipment and training are provided to support employees who have a disability as defined by the Equality Act 2010. This scheme is actively utilised to support staff to remain at work.

Perth College UHI also has a contract with a local Counselling Service which offers staff the confidential opportunity to access up to six free counselling sessions in a 12 month period. If required additional counselling sessions are then agreed by the College

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Other employee matters

Equal Pay

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

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

The work of the National Job Evaluation Scheme for Support Staff within Colleges is still underway and no outcomes have yet been published. Until decisions and outcomes are known, the College continues to use its internal job evaluation scheme.

The furlough scheme was utilised as much as possible during the Covid-19 national lockdowns to support the College to allow them to continue to pay the full salaries of employees during the lockdown periods or until they were able to return to work.

Work Life Balance

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

Following the lifting of lockdown the college has followed a hybrid working model. This remains in place and is under review with a view to adopting a longer-term policy. There are also staff who have agreed flexible working arrangements in place and the College has allowed formal flexible working requests from day one of employment and also allowed staff to submit two requests during the year which exceeds statutory requirements.

Where staff work from home they are required to undertake Home Working Assessment and Display Screen Assessments to ensure that the home working is undertaken in a safe environment

The Senior Management team, in consultation with trade unions agreed to additional holiday entitlement for all employees during the year.

Conduct

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

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Exit

Members of staff will be treated fairly in circumstances where there is a reduction in the need for certain types of roles which saw the College implement a voluntary severance scheme during 2021/22 and in the application of disciplinary procedures where dismissal may be an outcome. The College also saw a small number of staff leave through ill-health retirement.

Health and Safety

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

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

To meet these criteria, the College will:

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

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

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

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

The College holds the Gold Award standard for Healthy Working Lives, evidencing our commitment to our staff, however this award overseen by Public Health Scotland has now been withdrawn.

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

Four sub-groups of this committee were in place for the period ending 31 July 2022, these being Covid-19 response group, Health and Wellbeing for Staff, Stress Management, Policies and Procedure Review Group. The Covid-19 response group was paused at the end of this period due to the normalisation of Covid-19 into daily lives and practices but will be reinstated if needed.

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

The Health, Safety and Welfare Advisor ensures there are regular departmental audits with associated actions plans and these are all brought for review to the Health and Safety Committee. From January 2022 to the end of July 2022, 12 audits were undertaken incorporating 17 areas of the College.

There were no external Health and Safety audits undertaken within the College within this time, however our nursery had an unannounced inspection by the Care Inspectorate in October 2021 which resulted in grades at level 4 or 5 in the areas inspected which is a significant improvement from previous audits.

Our priority is, and continues to be, to provide and maintain a safe work environment. We have provided training to increase the number of competent risk assessors, given direction and support for undertaking or refreshing our mandatory related online training and provided some of our management with accredited Health and Safety qualifications.

With the near return to normal for work and study, activity on site has increased but not to pre-pandemic levels. This resulted in the number of Accident and Incident occurrences increasing when compared to the previous year but remains lower than the year ending 31 July 2020.

Four additional members of the Corporate Management Team were enrolled on their Institute of Occupational Safety and Health (IOSH) Managing Safety programme.

An additional 10 staff have completed the General Risk Assessor training. This now gives a total of 80 competent assessors.

44 staff have completed the Mental Health First Aid training which teaches people how to identify, understand and help someone who may be experiencing a mental health issue.

Six staff have qualified or requalified as competent First Aiders after successful attendance at a British Red Cross First Aid at Work course and 10 staff have completed Emergency First Aid at Work widening our capability across the Campus to respond to incidents and accidents. We have also followed recommendations to conduct First Aid Refresher Training to maintain skills and confidence with 14 of our first aiders.

Following the "normal" resumption of business and the requirement to transport students for events such as Duke of Edinburgh Award, external sports activities and educational visits, we

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have had 11 staff attend MiDAS training. MiDAS is the Minibus Driver Awareness Scheme. It is a scheme that promotes a UK wide standard for the assessment and training of minibus drivers and is viewed as best practice. The scheme aims to enhance minibus driving standards and safe operation of minibuses.

Two members of the Estates teams also refreshed their training as Legionella safety competent persons.

Trade Unions

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

We are an active member of the Employer's Association to support National Bargaining dialogue, discussion and agreement. All of this highlights our commitment to partnership working and a no surprises relationship based on openness and transparency from management and the recognised Trade Unions.

Trade union officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
7	6.52

Percentage of time spent on facility time

Percentage	Number of employees
0%	
1-50%	7
51-99%	
100%	

Percentage of pay bill spent on facility time

Total cost of facility time:	£25,739
Total pay bill:	£20,719,155
Percentage of the total pay bill spent on facility time:	0.12%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	100%
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Remuneration and Staff Report

Employment Issues

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

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

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

- Treating people with respect;
- Encouraging, maintaining and promoting good relations;
- Applying policies, procedures and processes fairly and with due regard to every individual;
- Welcoming the differences between each person and value the contribution that they make to the cultural and social wellbeing of the College's working and learning environment; and
- Perth College also has an Equality, Diversity and Inclusivity Committee which monitors progress on equality matters and is a forum for consultation about matters which affect staff and students.

The majority of the Perth College's staff are female (61%) with men representing 39% of the workforce.

The College has a Professional Review process which includes a Career Long Professional Learning (CLPL) element to support the development of both Academic and Professional services staff, and an allocated CPD budget to support other professional development activities.

For Academic staff, a new Professional Review process was implemented during the year ending 31 July 2022 which was developed to meet the College's requirement for General Teaching Council for Scotland registration for lecturing staff. This required professional dialogue discussions between staff members and their line managers to be undertaken in a coaching style and all managers of academic staff undertook training to give them these skills.

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

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Corporate Governance Report

Overview

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

- The Corporate Governance report includes:
- a Directors' Report
- a Statement of Responsibilities of the Members of the Board of Management
- a Governance Statement

Directors Report

The Board of Management

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

Name	Date of Appointment/ (resignation)	Status	Committees Served to 31 Dec 2021	Committees Served from 01 Jan 2022
Brian Crichton	15 June 2016 Appointed as Chair 20 August 2018 Resigned as Chair 30 September 2022	Independent Member	Chairs' (chair); Finance & General Purposes; Remuneration;	Chairs (chair); Finance & Resources; Remuneration
Graham Watson	7 August 2020 (appointed Interim chair 1 October 2022)	Independent Member	Audit	Air Service Training (chair); Audit (until 1 October 2022); Chairs; Remuneration
Dr Margaret Cook	1 August 2017	Principal and Chief Executive	Academic Affairs (chair); Air Service Training; Chairs'; Engagement; Finance & General Purposes	Learner Experience (chair); Air Service Training; Chairs'; Strategic Development; Finance & Resources
Michael Buchanan	3 January 2022	Independent Member	n/a	Finance & Resources; Strategic Development
Andrew Comrie	24 September 2018	Independent Member	Academic Affairs; Audit	Finance & Resources; Strategic Development (chair); Chairs; Remuneration
Heather Cormack	7 August 2020	Independent Member	Finance & General Purposes	Finance & Resources; Strategic Development
Jim Crooks	15 June 2016	Independent Member	Audit (chair); Chairs'; Remuneration	Audit (chair); Chairs; Remuneration
Sheena Devlin	14 January 2019	Independent Member	Academic Affairs;	Learner Experience; Strategic Development

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Name	Date of Appointment/ (resignation)	Status	Committees Served to 31 Dec 2021	Committees Served from 01 Jan 2022
Jenny Hamilton	3 January 2022	Independent Member	n/a	Learner Experience; Strategic Development
Katrina Hodgson	20 August 2019	Independent Member	Engagement; Finance and General Purposes	Air Service Training; Finance & Resources (Chair) Chairs; Remuneration
Deborah Hutchison	1 November 2017 (31 October 2021)	Independent Member	Engagement (Chair); Finance and General Purposes	n/a
Ann Irvine	15 June 2017 (31 July 2022)	Independent Member	Audit; (Deputised as Chair of Audit for 2 meetings)	Audit
Fiona Martin	7 August 2020	Independent Member	Audit	Audit; Learner Experience
Debbie McIlwraith Cameron	3 January 2022	Independent Member	n/a	Audit
Craig Ritchie	24 September 2018 (5 August 2022)	Independent Member	Air Service Training Finance & General Purposes (Chair);	Air Service Training; Finance & Resources
Linton Scarborough	7 August 2020 (21 October 2021)	Independent Member	Air Service Training; Finance & General Purposes	n/a
Charlie Shentall	15 June 2017 (31 October 2021)	Independent Member	Air Service Training (chair); Chairs'	n/a
Derek Waugh	1 September 2022	Independent member	n/a	Finance & Resources
John Dare	14 June 2018	Staff Member	Engagement Finance & General Purposes	Finance & Resources; Strategic Development
Patrick O'Donnell	10 November 2020	Staff Member	Academic Affairs	Learner Experience; Audit
Madeleine Brown	1 July 2021 (30 June 2022)	Student Member	Audit	Learner Experience; Audit
Todor Pavlov-Kennedy	1 July 2021	Student Member	Academic Affairs; Finance & General Purposes	Finance & Resources; Learner Experience; Strategic Development
Liam Fowley	1 July 2022	Student member	n/a	Audit; Learner Experience

Graham Watson was appointed as interim chair on 1 October 2022. He was previously chair of the audit committee but is not sitting in that role whilst he has the interim chair role.

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Corporate Governance Report

Board Member – Committee Attendance

Name	Board	Academic Affairs	AST	Audit	Chairs	Engage ment	F&GP/ F&R	Learner Exp.	Strat Dev
Brian Crichton	5/5				4/4		4/5		
Michael Buchanan	3/3						2/3		2/2
Andrew Comrie	4/5	1/2			3/3	1/1	2/4		2/3
Heather Cormack	4/5						4/5		3/3
Jim Crooks	5/5			4/5	4/4				
Sheena Devlin	5/5	0/2				0/1		0/2	1/3
Jenny Hamilton	2/3							1/2	1/2
Katrina Hodgson	5/5		3/3			1/1	1/1		3/3
Debbie Hutchison	0/1				1/1	1/1	0/1		
Ann Irvine	4/5	1/2		5/5				0/2	
Fiona Martin	4/5	0/2		4/5				0/2	
Debbie McIlwraith-Cameron	3/3			2/2					
Craig Ritchie	4/5		3/5		4/4		5/5		
Linton Scarborough	0/1		0/1				0/1		
Charlie Shentall	0/1		1/1		1/1				
Graham Watson	4/5			4/5	2/3				
John Dare	2/5					1/1	2/5	4/5	2/3
Patrick O'Donnell	4/5	1/2						1/2	
Todor Pavlov-Kennedy	5/5	2/2				0/1	4/5	2/2	2/3
Madeleine Brown	3/5			4/5					
Margaret Cook	5/5	2/2	4/4		3/4	1/1	5/5	1/2	3/3
Miranda Landale (Co-Opted Committee Member)	n/a	1/2				0/1		1/2	
Derek Waugh (Co-Opted Committee Member)	n/a						3/3		

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Corporate Governance Report

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

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

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

Perth College UHI
Crieff Road
Perth PH1 2NX

Register of Members Interest

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

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

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

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

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

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

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

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Corporate Governance Report

Information Management

There were no significant data breaches during the year.

Appointments to the Board of Management

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

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

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

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Corporate Governance Report

Statement of Responsibilities of the Members of the Board of Management

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

In accordance with the Further and Higher Education (Scotland) Act 1992 the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial year.

The Board of Management is responsible for ensuring that proper accounting records are maintained which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2019 Statement of Recommended Practice – Accounting for Further and Higher Education Institutions, the relevant Government Financial Reporting Model (FReM) and other relevant accounting standards.

In addition, within the terms and conditions of a Financial Memorandum agreed between the SFC and the College's Board of Management, the Board, through its Chief Executive, the Principal, is required to prepare financial statements for each financial year which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that year.

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

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

The Board of Management has taken reasonable steps to:

- ensure that funds from the SFC, including those derived through the Regional Strategic Board, are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe;
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources;
- safeguard the assets of the College and prevent and detect fraud; and
- secure the economical, efficient and effective management of the College's resources and expenditure.

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:

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

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

Approved by order of the member of the Board of Management on 14 December 2022 and signed on its behalf by:



Graham Watson
Interim Chair

Accountability Report

Corporate Governance Report

Governance Statement

Statement of Corporate Governance and Internal Control

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

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

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

The Board conducts its business through a number of committees. Each committee has formally constituted terms of reference, which are reviewed on a regular basis.

Following an internal review of committees, the Board opted to amend the committee structure to improve business alignment, with the following changes:

Until 31 December 2021	From 1 January 2022
Audit Committee	Audit Committee
Chairs Committee	Chairs Committee
Remuneration Committee	Remuneration Committee
Finance & General Purpose Committee	Finance & Resources Committee
Academic Affairs Committee	Learner Experience Committee
Engagement Committee	Strategic Development Committee

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

Audit Committee

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

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

Accountability Report

Corporate Governance Report

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

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

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

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

Finance and Resources Committee (“the Finance Committee”)

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

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

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

Remuneration Committee

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

The details of the remuneration of senior post-holders for the year ended 31 July 2022 are set out in Note 8 of these Financial Statements.

Corporate Strategy

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

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Corporate Governance Report

Scope of Responsibility

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

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

The Purpose of the System of Internal Control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Perth College for the year ended 31 July 2022 and up to the date of approval of the annual report and financial statements.

Principal Risks and Uncertainties

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

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

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

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

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

Accountability Report

Corporate Governance Report

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

The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2022 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and accords with the Turnbull guidance on internal control, as applicable to the further education sector.

The Risk and Control Framework

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

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

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

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

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

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

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

UHI Perth's Internal Auditors gave the following opinion in their Annual Report to the Board of Management and Principal on the Provision of Internal Audit services for 2021-22 (the Internal Audit Report):

"In our opinion, with the exception of the follow up issues described in paragraph 1.11, the College has adequate and effective arrangements for risk management, control, and governance. This opinion has been arrived at taking into consideration the work we have undertaken during 2021/22 and in previous years since our initial appointment."

Accountability Report

Corporate Governance Report

The follow up issues referred to in the Internal Audit opinion are discussed in more details under Significant control issues and weaknesses below.

Review of Effectiveness

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

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

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

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

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

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

At its 12 December 2022 meeting, the Audit Committee carried out the annual assessment for the year ended 31 July 2022 by considering documentation from the Senior Management Team and the internal auditor and taking account of events since 31 July 2022. A further review will be performed by the Board of Management on 22 December 2022.

Significant Control Issues/Weaknesses

In the year ending 31 July 2022 one significant control weaknesses was identified. A further four weaknesses had already been identified in 2020/21 which still require actions beyond 31 July 2022. These weaknesses are identified in the table below and will be monitored in an action plan reported through the Audit Committee.

Area	Issue	Action
Financial management	On 26 October 2021 a duplicate payment of the college payroll was made. Despite efforts to stop the payment it could not be stopped.	The system control was implemented as soon as the issue occurred and the control continues to operate effectively.

Accountability Report

Corporate Governance Report

Area	Issue	Action
	<p>The issue arose an inputting error and from the ability for a single user to load and submit BACS payments.</p> <p>Had the BACS system required a separate user to submit the BACS payment, it would not have been made.</p>	<p>99% of the funds recovered at 31 July 2022.</p> <p>The follow up review has been undertaken and received a rating of satisfactory.</p> <p>Management consider this issue to be resolved.</p>
Asset Management	There is no complete asset register in place	There are separate fixed asset and IT registers. Work is ongoing to update the registers. This is now expected to be completed by July 2023.
Asset management	No comprehensive guidance in place to support the asset management process	Financial regulations have been reviewed and agreed by the board. Work is ongoing to produce detailed accompanying guidance
Asset management	No regular asset verification in place	Work is ongoing to implement these procedures
Staff Skills Profile, Staff Productivity and Performance	The HR system, CIPHR is no longer fit for purpose which has resulted in an increase in manual processes.	The tender process for a replacement of CIPHR has been commenced and a preferred supplier has been identified.

Going Concern

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

Impact of Covid-19

During lockdown in the UK all Board and Committee meetings continued as scheduled, using Microsoft Teams to meet virtually rather than in College. Since lockdown was lifted meetings have continued to operate using a hybrid of online and face to face to allow greater flexibility and efficiency.

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

The Board's External Effectiveness Review took place in June 2020 and continues to inform changes in how the Board meets moving forward. The next review will take place within three to five years of the previous review.

Accountability Report

Parliamentary Accountability Report

Parliamentary Accountability Report

We have no matters to report.

Approved by order of the members of the Board of Management on 14 December 2022 and signed on its behalf by:



Graham Watson
Interim Chair



Dr Margaret Cook
Principal and Chief Executive

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Perth College and its group for the year ended 31 July 2022 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statements of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, and Consolidated Statement of Cash Flow and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

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

Basis for opinion

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

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

of the college and its group to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

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

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

In preparing the financial statements, the Board of Management is responsible for assessing the ability of the college and its group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention to discontinue the operations of the college and its group.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

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

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

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

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

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

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

Matters on which we are required to report by exception

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

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

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.

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

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.

DocuSigned by:

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

Ernst & Young LLP

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

Date:

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

Perth College
Consolidated and College Statement of Comprehensive Income for the year ended
31 July 2022

	Notes	Year ended 31 July 2022		Year ended 31 July 2021	
		Group £000	College £000	Group £000	College £000
Income					
Funding council grants	2	17,664	17,664	17,900	17,900
Tuition fees and education contracts	3	5,977	4,201	5,687	4,139
Other grants and contracts	4	206	206	226	226
Other income	5	3,524	3,635	2,884	2,935
Total Income		27,371	25,706	26,697	25,200
Expenditure					
Staff costs	6	21,953	20,720	21,566	20,504
Other operating expenses	9	6,255	6,000	5,295	5,129
Depreciation	13	1,454	1,424	1,427	1,404
Interest and other finance costs	10	1	-	1	-
Total Expenditure		29,663	28,144	28,289	27,037
Surplus/(Deficit) before tax		(2,292)	(2,438)	(1,592)	(1,837)
Taxation	11	37	-	54	-
Surplus/(Deficit) for the year	12	(2,329)	(2,438)	(1,646)	(1,837)
Unrealised surplus on revaluation of land and buildings and Assets held for resale	30	4,509	4,509	-	-
Actuarial gain/(loss) in respect of pension schemes	22-23	7,649	7,649	7,351	7,351
Total Comprehensive Income / (Expenditure) for the year		9,829	9,720	5,705	5,514

The Statement of Comprehensive Income is in respect of continuing activities.

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 29 provides detail of the adjusted operating position on a central government accounting basis and presents the underlying surplus for the year.

Perth College
Consolidated and College Statement of Changes in Reserves for the year ended
31 July 2022

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
	Group	College	Group	College
Income & Expenditure Reserve				
Balance at 1 August	5,501	5,309	(869)	(869)
Surplus from the income and expenditure account	(2,329)	(2,438)	(1,645)	(1,838)
Other comprehensive (expenditure) /income	7,649	7,649	7,350	7,351
Transfers from revaluation reserve	665	665	665	665
Balance at 31 July	11,486	11,185	5,501	5,309
Revaluation Reserve				
Balance at 1 August	23,745	23,745	24,410	24,410
Impact of Revaluation	4,509	4,509	-	-
Transfer from Income & Expenditure reserve	(665)	(665)	(665)	(665)
Balance at 31 July	27,589	27,589	23,745	23,745

Perth College
Consolidated and College Balance Sheets as at 31 July 2022

	Notes	31 July 2022		31 July 2021	
		Group £000	College £000	Group £000	College £000
Non current assets					
Tangible fixed assets	13	43,837	43,633	40,635	40,501
Investments	14	-	20	-	20
Total non current assets		43,837	43,653	40,635	40,521
Current assets					
Stock		6	-	3	-
Trade and other receivables	15	3,052	2,531	2,397	1,883
Cash and cash equivalents	16	3,625	3,439	3,803	3,651
Total Current assets		6,683	5,970	6,203	5,534
Creditors – amounts falling due within one year	17	(5,897)	(5,301)	(5,973)	(5,382)
Net Current Assets / (Liabilities)		786	669	230	152
Total assets plus current assets / (liabilities)		44,623	44,322	40,865	40,673
Creditors – amounts falling after more than one year	18	(4,817)	(4,817)	(4,771)	(4,771)
Provisions					
Pension provision	19	(731)	(731)	(6,848)	(6,848)
Total net assets / (liabilities)		39,075	38,774	29,246	29,054
Unrestricted reserves					
Income & Expenditure reserve	31	12,217	11,916	12,349	12,157
Pension reserve	19	(731)	(731)	(6,848)	(6,848)
Revaluation reserve	30	27,589	27,589	23,745	23,745
Total reserves		39,075	38,774	29,246	29,054

The financial statements on pages 54 to 84 were approved by the Board of Management on 14 December 2022 and were signed on its behalf by:



Graham Watson
Interim Chair



Dr Margaret Cook
Principal and Chief Executive

Perth College
Cashflow Statement for the year ended 31 July 2022

	Notes	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Cash flow from operating activities			
Surplus / (Deficit) for the year		(2,329)	(1,646)
Adjustment for non-cash items			
Depreciation	13	1,454	1,427
Deferred capital grants released to income	2	(266)	(250)
(Increase) / Decrease in stocks		(3)	14
Decrease / (Increase) in debtors	15	(655)	(311)
(Decrease) / Increase in creditors	17-18	(84)	1,491
(Decrease)/ Increase in provisions		-	(84)
Pension costs less contribution payable		1,532	1,587
Taxation		37	54
Gain on sale of fixed assets included in SOCI		(1)	(2)
Adjustment for investing or financing activities			
Interest receivable	5	-	-
Interest payable	9	1	1
Taxation paid	11	(37)	(54)
Net cash flow from operating activities		(351)	2,227
Cash flows from investing activities			
Deferred capital grant	20	320	213
Payments made to acquire fixed assets	13	(147)	(288)
Sale of fixed assets		-	125
		173	50
Cash flows from financing activities			
Interest received	6	-	-
Interest paid	10	(1)	(1)
Amounts borrowed		-	-
Repayments of amounts borrowed	18	-	(3)
Net cash outflows from investing and financing activities		(1)	(4)
Increase in cash and cash equivalents in the year	16	(178)	2,274
Cash and cash equivalents at beginning of the year		3,803	1,529
Cash and cash equivalents at end of the year		3,625	3,803

1. Statement of Accounting Policies and estimation techniques

Basis of preparation

In accordance with the FReM, the College has prepared its financial statements on a going concern basis as we have not been informed by the Scottish Government through the Scottish Funding Council of the intention for dissolution without transfer of services or function to another entity of the Higher and Further Education provision within Perth and Kinross.

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

The activities of Perth College are over 65% funded by the Scottish Government through the Scottish Funding Council (SFC) to provide Higher and Further Education. The Board of Management and the SMT are responsible for ensuring that these funds are used to meet this purpose and the operations within the College to achieve this support ensuring financial sustainability for the College.

The College recorded a deficit of £2.3 million before other gains and losses during the financial year and total comprehensive income of £9.8 million. The College reported an adjusted operating surplus of £0.3 million after accounting for technical pension adjustments of £1.5 million, net depreciation adjustments of £1.2 million and cash budget for priorities of £0.1 million. Cash decreased by £0.2 million during the year.

At 31 July 2022, the College held no borrowings. The College is reporting a net asset position in these financial statements of £39 million. This includes a pension liability of £0.7 million for the College's share of the Tayside Local Government Pension Scheme (LGPS).

The College has updated the financial forecast for the next 12 months in line with the assumptions provided by the Scottish Funding Council which included assuming Colleges taking relevant actions to balance their underlying positions each year. Challenges around meeting credit targets means the College will potentially have funding clawed back by SFC and is taking steps to mitigate this.

Any clawback will put significant pressure on the college's cash position and, based on the potential clawbacks the College currently forecasts that there will be significant challenges that depend on the timing of any clawbacks. There has been no confirmation of timing or amount from SFC.

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

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

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

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

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

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

Basis of accounting

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

Basis of consolidation

The consolidated accounts include the financial statements of Perth College and its subsidiary undertaking made up to 31 July 2022. Intra group sales and profits are eliminated fully on consolidation.

Non-current assets - Tangible fixed assets

Land and buildings

Land and buildings are measured using the revaluation model and assets are revalued to fair value. Where appropriate Depreciated Replacement Cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used.

Perth College has a policy of ensuring a full revaluation takes place at least every five years with an interim valuation in year three of each five year cycle such that the fair value is not materially different to the current value. Due to the increases in costs associated with building projects the college has undertaken a desktop indexation exercise which has resulted in an increase in the valuation of the buildings on the Crieff Road site. The increase in valuation and write back of

depreciation charged since the last valuation have been transferred to the revaluation reserve. Depreciation and impairment losses are subsequently charged on the revalued amount over the remaining life of the assets.

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

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

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

Assets under construction

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

Assets held for sale

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

Equipment

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

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

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

Subsequent expenditure on existing fixed assets

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

Borrowing costs

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

Leased assets

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

Investments

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

Recognition of Income

Income from grants, contracts and other services rendered is included to the extent of the completion of the contract or service concerned. This is generally equivalent to the sum of the relevant expenditure incurred during the year and any related contributions towards overhead costs. Income from tuition fees is recognised in the period to which it relates. Income from donations is included to the extent of the relevant expenditure incurred during the year. Recurrent grants from the SFC are recognised in the period to which they relate.

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

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

Accounting for post-employment benefits

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

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

Professional Services staff may join the Local Government Pension Scheme (LGPS) which is administered by Dundee City Council. The fund is a defined benefit scheme, providing benefits

based on a career average revalued earnings (CARE) basis, which is contracted out of the State Earnings-Related Pension Fund.

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

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

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

In line with FRS102 where the calculation results in a net asset, recognition of the asset is limited to the extent to which UHI Perth is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. UHI Perth has assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus at 31 July 2022 is not recognised in line with the requirements of FRS 102. Therefore the share of assets not recognised is £5.3m. The unfunded pension liability cannot be netted off against the unrecognised asset so there is a net defined benefit liability of £731k.

Short term employment benefits

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

Stocks

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

Cash and Cash Equivalents

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

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

Financial Liabilities and Equity

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

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

Foreign Currency Translation

Transactions denominated in foreign currencies are recorded at the exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into sterling either at year end rates or, where there are related forward foreign exchange contracts, at contract rates. The resulting exchange differences are dealt with in the determination of income and expenditure for the year.

Taxation

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

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

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

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

Deferred Taxation

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

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

Provisions

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

the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in the statement of comprehensive income in the period it arises.

Revaluation reserve

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

Agency arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and these funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College's Statement of Comprehensive Income.

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Other key sources of estimation uncertainty

Tangible fixed assets

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

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

Local Government Pension Scheme

The present value of the Local Government Pension Scheme defined benefit liability depends on a number of factors that are determined on an actuarial basis using a variety of assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions, which are disclosed in note 24, will impact the carrying amount of the pension liability. Furthermore, a roll forward approach which projects results from the latest full actuarial valuation performed at 31 March 2020 has been used by the actuary in valuing the pensions liability at 31 July 2022. Any differences between the figures derived from

Perth College
Notes to the Financial Statements for the year ended 31 July 2022

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

In line with FRS102 where the calculation results in a net asset, recognition of the asset is limited to the extent to which UHI Perth is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. UHI Perth has assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus at 31 July 2022 is not recognised in line with the requirements of FRS 102. Therefore the share of assets not recognised is £5.3m. The unfunded pension liability cannot be netted off against the unrecognised asset so there is a net defined benefit liability of £731k.

Post Balance Sheet Events

There are no Post Balance Sheet Events.

2. Funding Council grants

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
SFC FE recurrent grant (including fee waiver)	8,476	8,476	9,162	9,162
University of the Highlands and Islands recurrent grant	7,344	7,344	6,576	6,576
FE Childcare funds (note 30)	260	260	287	287
Release of government capital grants	266	266	250	250
Other SFC grants	736	736	1,364	1,364
Other University of the Highlands and Islands grants	582	582	261	261
	17,664	17,664	17,900	17,900

3. Tuition Fees and education contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
UK Higher Education Students	2,944	2,944	3,484	3,484
UK Further Education Students	268	268	221	221
	3,212	3,212	3,705	3,705
Management of Skills Development Scotland Contract	989	989	434	434
Tuition fees of subsidiary	1,776	-	1,548	-
	5,977	4,201	5,687	4,139

4. Other grants and contracts

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Research Grants	187	187	226	226
Other grants and contracts	19	19	-	-
	206	206	226	226

5. Other income

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Residences and catering	815	815	265	265
Other income generating activities	1,591	1,605	1,267	1,267
Other income	1,118	1,215	1,054	1,216
Furlough income	-	-	298	187
	3,524	3,635	2,884	2,935

Perth College
Notes to the Financial Statements for the year ended 31 July 2022

6. Staff costs

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£'000	£'000	£'000	£'000
Wages and Salaries	15,838	14,769	15,514	14,587
Social security costs	1,615	1,501	1,529	1,438
Other pension costs	4,500	4,450	4,523	4,479
Total staff costs	21,953	20,720	21,566	20,504

All severance costs were approved by the Senior Management Team

Total staff costs split as follows:

Teaching departments - teaching staff	11,119	11,119	11,121	11,120
Teaching departments - other staff	1,901	1,901	1,561	1,561
Teaching departments - AST staff	743	-	609	-
Teaching support services	1,693	1,203	1,928	1,476
Administration and central services	2,942	2,942	2,895	2,895
Premises	886	886	786	786
Other income generating activities	609	609	652	652
Other income	528	528	427	427
Charge in relation to defined benefit pension	1,532	1,532	1,587	1,587
	21,953	20,720	21,566	20,504

Analysed as:

Staff on indefinite contracts	18,754	17,550	18,795	17,817
Staff on temporary contracts	1,667	1,638	1,184	1,100
Charge in relation to defined benefit pension	1,532	1,532	1,587	1,587
Teaching support services	21,953	20,720	21,566	20,504

6. Staff Numbers

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

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
Teaching departments - teaching staff	185	185	171	171
Teaching departments - other staff	7	7	7	7
Teaching support services	21	21	24	24
Administration and central services	107	107	104	104
Premises	25	25	25	25
Subsidiary (AST) staff	29	-	27	-
Other	18	18	30	30
	392	363	388	361
Analysed as:				
Staff on indefinite contracts	360	332	365	340
Staff on temporary contracts	32	31	23	21
	392	363	388	361

7. Higher paid staff

	Year ended 31 July 2022		Year ended 31 July 2021	
	Number of senior post holders	Number of other staff	Number of senior post holders	Number of other staff
£'000				
60-70	-	3	2	4
70-80	1	-	-	-
80-90	2	-	2	-
90-100	-	-	-	-
100-110	-	-	-	-
110-120	1	-	1	-
	4	3	5	4

8. Senior post holder emoluments

**Year ended 31 July
2022**

Group College
£000 £000

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

The number of senior post-holders including the principal was 5 5

Senior post-holder emoluments are made up as follows

Salaries	419	414
Pension Contributions	87	86
	506	500

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

Salary	119	111
Pension Contributions	27	25
	146	136

9. Other operating expenses

Year ended 31 July 2022 Year ended 31 July 2021
Group College Group College
£000 £000 £000 £000

Teaching Departments	871	910	452	613
Teaching support services	684	684	829	829
Administration and central services	1,233	1,233	1,145	1,145
Premises costs	1,927	1,705	1,715	1,490
Other income generating activities	251	179	240	138
Residences and catering	908	908	454	454
Other income	121	121	173	173
Other expenses – childcare grant	260	260	287	287
	6,255	6,000	5,295	5,129

Other operating expenses include:

Auditors remuneration

External audit	36	28	60	45
Internal Audit	24	24	14	14
Other services from external audit	2	-	5	-

Operating leases

Hire of plant and machinery	42	42	94	94
Hire of other assets	114	-	117	-

10. Interest payable

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Repayable within 5 years, not by instalments	1	-	1	-
	1	-	1	-

11. Taxation

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Taxation of subsidiary	37	-	54	-
	37	-	54	-

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

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
College's (Deficit)/Surplus for the year	(2,438)		(1,837)	
(Deficit)/Surplus generated by subsidiary undertaking	108		191	
	(2,330)		(1,646)	

13. Tangible Fixed Assets (Group)			
	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2021	41,216	5,661	46,877
Additions	-	147	147
Disposals	-	-	-
Revaluation	1,897	-	1,897
At 31 July 2022	43,113	5,808	48,921
Depreciation			
At 1 August 2021	1,306	4,936	6,242
Charge for the year	1,306	148	1,454
Disposals	-	-	-
Revaluation	(2,612)	-	(2,612)
At 31 July 2022	-	5,084	5,084
Net Book Value			
At 31 July 2022	43,113	519	43,837
At 31 July 2021	39,910	724	40,635
<p>Land & Buildings were not revalued during the year but an indexation process has been undertaken in line with changes in the RICS rebuild rates to ensure that any material change in valuation of land & buildings is accounted for. This exercise resulted in an increase in net book value of £4.5m.</p> <p>Inherited Land and buildings with a net book value of £5.7M have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.</p>			

13. Tangible Fixed Assets (College)			
	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2021	41,216	4,964	46,180
Additions	-	47	47
Disposals	-	-	-
Revaluation	1,897	-	1,897
At 31 July 2022	43,113	5,011	48,124
Depreciation			
At 1 August 2021	1,306	4,373	5,679
Charge for the year	1,306	118	1,424
Disposals	-	-	-
Revaluation	(2,612)	-	(2,612)
At 31 July 2022	-	4,491	4,491
Net Book Value			
At 31 July 2022	43,113	519	43,633
At 31 July 2021	39,910	590	40,501

14. Investments				
	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Investment in subsidiary company	-	20	-	20
	-	20	-	20
<p>The college owns 100% of the issued ordinary £1 shares of Air Service Training (Engineering) Limited, a company incorporated in Great Britain and registered in Scotland.</p> <p>The principal business activity of Air Service Training (Engineering) Limited is the provision of training and education in the field of aeronautical engineering.</p> <p>In the year to 31st July 2022, the Company made a profit after taxation of £110,001 which resulted in a net asset position of £320,749 at 31 July 2022. No gift aid donation was made to UHI Perth by AST.</p>				

15. Trade and other receivables

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Trade Debtors	406	242	501	117
Amounts owed by Subsidiary	-	21	-	89
Prepayments & accrued income	2,646	2,268	1,896	1,677
	3,052	2,531	2,397	1,883

16. Cash and cash equivalents

	At 31 July 2021	Cash Flows	At 31 July 2022
	£000	£000	£000
Cash and cash equivalents	3,803	(178)	3,625
At 31 July 2022	3,803	(178)	3,625

17. Creditors – amounts falling due within one year

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Trade creditors	560	424	417	358
Other creditors	401	391	329	321
Obligations under finance leases	4	4	4	4
Other taxation and social security	478	391	406	326
Accruals and deferred income	4,045	3,682	3,992	3,548
Deferred income – capital grants	270	270	262	262
Unspent student support funds	139	139	563	563
	5,897	5,301	5,973	5,382

18. Creditors – amounts falling due after more than one year

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Deferred income - capital grants	4,813	4,813	4,767	4,767
Obligations under finance leases	4	4	4	4
	4,817	4,817	4,771	4,771

19. Pension provision

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August	6,848	6,848	12,612	12,612
Actuarial (Gain)/Loss in Year	(11,932)	(11,932)	(7,351)	(7,351)
Less Actuarial gain not recognised under FRS102	4,283	4,283	-	-
Pension Service Cost in Year	1,532	1,532	1,587	1,587
At 31 July	731	731	6,848	6,848

The provision is solely in relation to defined benefit obligations relating to the liabilities under the College's membership of the Local Government Pension Scheme. Further details are given in note 21.

20. Deferred capital grants included within creditors

	Government	Non-Government	Total
	£000	£000	£000
Balance at 1 August 2021			
Land & Buildings	4,456	-	4,456
Equipment	574	-	574
	<u>5,030</u>	<u>-</u>	<u>5,030</u>
Cash received			
Land & Buildings	-	110	110
Equipment	47	-	47
	<u>47</u>	<u>110</u>	<u>157</u>
Reclassified from deferred income			
Land & Buildings	-	163	163
Equipment	-	-	-
	<u>-</u>	<u>163</u>	<u>163</u>
Released to income & expenditure account			
Land & Buildings	(155)	-	(155)
Equipment	(111)	-	(111)
	<u>(266)</u>	<u>-</u>	<u>(266)</u>
At 31 July 2022			
Land & Buildings	4,301	273	4,574
Equipment	510	-	510
	<u>4,811</u>	<u>273</u>	<u>5,084</u>

21. Defined benefit obligations

	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
Total pension cost for the year		
Scottish Teachers' Superannuation Scheme: contributions paid	1,915	1,864
Local Government Pension Scheme:		
Contributions paid	911	947
FRS102 charge	1,532	1,587
Charge to the Statement of Comprehensive Income	2,443	2,534
Total pension cost for year within staff costs	4,358	4,398

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

Scottish Teachers Superannuation Scheme

(a) UHI Perth 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. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions

(b) UHI Perth has no liability for other employers' obligations to the multi-employer scheme.

(c) 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

(d)(i) The scheme is an unfunded multi-employer defined benefit scheme.

(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where the (name of body) is unable to identify its share of the underlying assets and liabilities of the scheme.

(iii) The employer contribution rate for the period from 1 April 2021 is 23% of pensionable pay. The employee rate applied is variable and is anticipated to provide a yield of 9.4% of pensionable pay.

(iv) While a valuation was carried out as at 31 March 2016, it is not possible to say what deficit or surplus may affect future contributions. Work on the valuation was suspended by the UK Government pending the decision from the Court of Appeal (McCloud (Judiciary scheme)/Sargeant (Firefighters' Scheme) cases) that held that the transitional protections provided as part of the 2015 reforms was unlawfully discriminated on the grounds of age. Following consultation and an announcement in February 2021 on proposals to remedy the discrimination, the UK Government confirmed that the cost control element of the 2016 valuations could be completed. The UK Government has also asked the Government Actuary to review whether, and to what extent, the cost control mechanism is meeting its original objectives. The 2020 actuarial valuations will take the report's findings into account. The interim report is complete (restricted) and is currently being finalised with a consultation. Alongside these announcements, the UK Government confirmed that current employer contribution rates would stay in force until 1 April 2024.

Perth College
Notes to the Financial Statements for the year ended 31 July 2022

(v) UHI Perth's level of participation in the scheme is x% based on the proportion of employer contributions paid in 2020-21."

Local Government Pension Scheme (Tayside Superannuation Fund)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contributions made (including unfunded) for the year ended 31 July 2022 were £1,211k, of which employer's contributions totalled £911k and employee's contributions totalled £300k. The agreed contribution rates for future years are 17% for employers and range from 5.5% to 11.2% for employees, depending on salary.

21. Defined benefit obligations (continued)

	As at 31 July 2022 £000	As at 31 July 2021 £000
Principal actuarial assumptions		
The following information is based upon a full actuarial valuation of the fund at 31 March 2021 updated to 31 July 2022 by a qualified independent actuary.		
Discount rate	3.40%	1.60%
Pension increases	2.80%	2.80%
Salary increases	3.80%	3.80%
Inflation assumption (CPI)	2.80%	2.80%
Commutation of pensions to lump sums	0.00%	50.00%
Assumed life expectations from age 65 are	Years	Years
Retiring today		
Males	19.0	18.9
Females	22.3	22.2
Retiring in 20 years		
Males	20.4	20.3
Females	23.9	23.8
The Fair value of the College's estimated share of assets in the scheme at the balance sheet date	£'000	£'000
Equities	29,097	30,371
Gilts	1,045	2,179
Other bonds	5,466	5,092
Property	4,955	3,796
Cash	825	939
Alternatives	28	28
Total fair value of scheme assets	41,416	42,405
Actual return on Scheme assets	(1,242)	7,053

The return on the Fund for the year to 31 July 2022 is estimated to be -2.92%

21. Defined benefit obligations (continued)

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
The amount included in the balance sheet in respect of the defined benefit pension scheme is as follows:		
Fair value of scheme assets	41,416	42,405
Present value of scheme liabilities	(37,133)	(48,392)
Present value of unfunded liabilities	(731)	(861)
Less share of assets not recognised under FRS102	(4,283)	-
Net pensions liability	(731)	(6,848)

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

Amounts included in staff costs

Current service cost	2,327	2,357
Finance charges	102	164
Admin expenses	14	13
Total	2,443	2,534

Amount recognised in Other Comprehensive Income

Return on Fund assets in excess of interest	(1,923)	6,607
Other actuarial gains/(losses) on assets	-	2,236
Change in financial assumptions	16,485	(2,670)
Change in demographic assumptions	-	1,033
Experience gain/(loss) on defined benefit obligation	(2,630)	145
Changes in effect of asset ceiling	-	-
Less share of assets not recognised under FRS102	(4,283)	-
Amount recognised in Other Comprehensive Income	7,649	7,351

Movement in net defined benefit/(liability) during the year

Net defined benefit /(liability) in scheme at 1 August	(6,848)	(12,612)
Movement in year:		
Current service cost	(2,322)	(2,356)
Past service cost	(5)	(1)
Employer contributions	911	947
Net interest on the defined liability	(102)	(164)
Administration expenses	(14)	(13)
Actuarial gain or loss	11,932	7,351
Less share of assets not recognised under FRS102	(4,283)	-
Net defined benefit/(liability)	(731)	(6,848)

In line with FRS102 where the calculation results in a net asset, recognition of the asset is limited to the extent to which UHI Perth is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. UHI Perth has assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus at 31 July 2022 is not recognised in line with the requirements of FRS 102. Therefore the share of assets not recognised is £5.3m. The unfunded pension liability cannot be netted off against the unrecognised asset so there is a net defined benefit liability of £731k.

21. Defined benefit obligations (continued)

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Asset and liability reconciliation		
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	49,253	45,585
Current service cost	2,322	2,356
Interest cost	783	610
Change in financial assumptions	(16,485)	2,670
Change in demographic assumptions	-	(1,033)
Experience loss on defined benefit obligations	2,630	(145)
Estimated benefits paid net of transfers in	(840)	(991)
Past service Costs, including curtailments	5	1
Contributions by Scheme participants and other employers	300	308
Unfunded pension payments	(104)	(108)
Defined benefit obligations at end of period	37,864	49,253
Changes in fair value of Fund assets		
Fair value of Fund assets at start of period	42,405	32,973
Interest on assets	681	446
Return on assets less interest	(1,923)	6,607
Other Actuarial Gains/Losses	-	2,236
Administration expenses	(14)	(13)
Contributions by employer including unfunded	911	947
Contributions by Scheme participants and other employers	300	308
Estimated benefits paid plus unfunded net of transfers in	(944)	(1,099)
Fair value of Fund assets at end of period	41,416	42,405

22. Summary pension note

	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
The analysis of amounts charged to the Statement of Comprehensive Income (SOCl) is as follows		
Charged to staff costs		
Current service cost	(2,322)	(2,356)
Past service cost	(5)	(1)
Total charged to staff costs	(2,327)	(2,357)
Credit/charge for net return on pension scheme		
Interest income	681	446
Interest cost	(783)	(610)
Net interest charges	(102)	(164)
Credit/charge to other comprehensive income		
Return on assets	(1,923)	6,607
Other experience	(2,630)	1,178
Gains and losses arising on charges in financial assumptions	16,485	(2,670)
Less movement in Actuarial gain not recognised under FRS102	(4,283)	-
Actuarial Gain/(Loss)	7,649	5,115
Total charge to the SOCl	5,220	2,594
Analysis of the movement in deficit during the year		
Deficit in scheme at the start of the year	(6,848)	(12,612)
Service costs	(2,327)	(2,357)
Employer contributions	911	947
Net interest costs	(102)	(164)
Administration expenses	(14)	(13)
Actuarial gain/(loss)	11,932	7,351
Less movement in Actuarial gain not recognised under FRS102	(4,283)	-
Deficit in scheme at the end of the year	(731)	(6,848)

The actuaries considered the impact of new legal rulings impacting the liabilities in the fund. In relation to the new Goodwin judgement, the actuaries included a high-level assessment within their covering report but did not allow for the impact within the FRS102 report. Based on the most recent estimate, the employer's liabilities of the College would increase by approximately 0.1% as a result of the Goodwin judgement. The actuaries, and management do not consider this to be material for the financial statements.

23. Post balance sheet events

There are no post balance sheet events to report

24. Capital commitments

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Commitments contracted for at 31 July	397	397	143	143
	397	397	143	143

25. Lease obligations

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
At 31 July the College had minimum lease payments under non-cancellable operating leases as follows:				
Land and buildings				
Expiring within one year	110	-	110	-
Expiring within two and five years inclusive	110	-	220	-
Other				
Expiring within one year	15	15	23	23
Expiring within two and five years inclusive	7	7	10	10
	242	22	363	33

26. Related party transactions

Company	Member(s)	Position in organisation	Sales (£)	Purchases (£)
Colleges Scotland	Dr Margaret Cook	Director	30,301	-
APUC Limited	Dr Margaret Cook	Director	761	75,516
Perth & Kinross Council	Sheena Devlin	Executive Director	183,565	244,080
			214,627	319,596

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

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

Dr Margaret Cook and Brian Crichton are Trustees of The Development Trust. On this basis, The Development Trust accounts should be consolidated with the accounts of Perth College. For the year ended 31 July 2022, The Development Trust had net income of £16,489 and Net Assets of £65,130. Perth College have therefore decided not to consolidate the accounts on the basis of materiality.

27. Bursaries and other student support funds

					Year ended 31 July 2022	Year ended 31 July 2021
	Bursary	FE Hardship	EMA	Other	Total	Total
	£000	£000	£000	£000	£000	£000
Balance brought forward	449	59	24	31	563	41
Allocation received in year	2,163	130	73	140	2,506	2,970
Expenditure	(1,810)	(84)	(96)	(177)	(2,167)	(2,432)
Repaid to SFC/UHI (Clawback)	(702)	(59)	-	-	(761)	(15)
Balance carried forward	100	46	1	(6)	141	564

Represented by:

Repayable to SFC/UHI as clawback	100	46	1	-	147	564
Other amounts				(6)	(6)	-

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

28. Childcare funds

	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
Balance brought forward	241	80
Allocation received in year	370	526
Expenditure	(260)	(288)
Repaid to SFC/UHI (Clawback)	(241)	(77)
Balance carried forward	110	241
Represented by:		
Repayable to SFC/UHI as clawback	50	108
Retained by College for students	60	133

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

29. Government non-cash allocation for depreciation

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(2,330)	(2,438)	(1,646)	(1,837)
Add back: Non-cash allocation for depreciation	1,454	1,424	1,427	1,404
Deferred capital grant	(266)	(266)	(250)	(250)
Operating surplus/(deficit) on Central Government accounting basis	(1,142)	(1,280)	(469)	(683)

30. Revaluation reserve

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August	23,745	23,745	24,410	24,410
Disposal	-	-	-	-
Revaluation	1,897	1,897	-	-
Write back of depreciation on revaluation	2,612	2,612	-	-
Transfer to income and expenditure account	(665)	(665)	(665)	(665)
At 31 July	27,589	27,589	23,745	23,745

31. Income and Expenditure reserve

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August	12,348	12,158	11,743	11,744
Surplus/Deficit for the year	(2,328)	(2,439)	(1,647)	(1,838)
Transfer from revaluation reserve	665	665	665	665
Transfer from pension reserve	1,532	1,532	1,587	1,587
At 31 July	12,217	11,916	12,348	12,158

ACCOUNTS DIRECTION FOR SCOTLAND'S COLLEGES 2021/22

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and 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) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2021-22 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges and Glasgow Colleges' Regional Board must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2022.
5. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council

18 July 2022

14 December 2022

Ernst & Young
Atria One
144 Morrison Street
Edinburgh
EH6 6EX

This letter of representations is provided in connection with your audit of the consolidated and parent financial statements of Perth College ("the College") for the year ended 31 July 2022. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the consolidated and College financial statements give a true and fair view of the state of the Group and College's affairs as at 31 July 2022 and of its deficit for the year then ended in accordance with, for the College, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum and Accounts Direction.

We understand that the purpose of your audit of our consolidated and parent financial statements is to express an opinion thereon and that your audit was conducted in accordance with International Standards on Auditing (UK), which involves an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, and is not designed to identify - nor necessarily be expected to disclose - all fraud, shortages, errors and other irregularities, should any exist.

Accordingly, we make the following representations, which are true to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

A. Financial Statements and Financial Records

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated 31 May 2016, for the preparation of the financial statements in accordance with, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" and with

Appendix 1 – Unadjusted Audit Differences

the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum and Accounts Direction.

2. We acknowledge, as members of management of the Group and College, our responsibility for the fair presentation of the financial statements. We believe the consolidated and College financial statements referred to above give a true and fair view of the state of the Group and College's affairs as at 31 July 2022 and of its deficit for the year then ended in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum and Accounts Direction, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the consolidated and College financial statements are appropriately described in the financial statements.
4. As members of management of the Group and College, we believe that the Group and College has a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum for the Group and College that are free from material misstatement, whether due to fraud or error. We have disclosed to you any significant changes in our processes, controls, policies and procedures that we have made to address the effects of the COVID-19 pandemic on our system of internal controls and the effects of the conflict and related sanctions in Ukraine, Russia and/or Belarus on our system of internal controls.
5. We believe that the effects of any unadjusted audit differences, summarised in the accompanying schedule, accumulated by you during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

B. Non-compliance with law and regulations, including fraud

1. We acknowledge that we are responsible to determine that the Group and College's activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws and regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
4. We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the Group and College (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:
 - involving financial improprieties;
 - related to laws and regulations that have a direct effect on the determination of material amounts and disclosures in the consolidated and College's financial statements;

Appendix 1 – Unadjusted Audit Differences

- related to laws and regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the Group and College's activities, its ability to continue to operate, or to avoid material penalties;
- involving management, or employees who have significant roles in internal controls, or others; or
- in relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

C. Information Provided and Completeness of Information and Transactions

1. We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and all material transactions, events and conditions are reflected in the financial statements, including those related to the COVID-19 pandemic and including those related to the conflict and related sanctions in Ukraine, Russia and/or Belarus.
3. We have made available to you all minutes of the meetings of the College Board of Management and all standing committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: 12 December 2022
4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the Group and College's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the period end. These transactions have been appropriately accounted for and disclosed in the financial statements.
5. We believe that the methods, significant assumptions and the data we used in making accounting estimates and related disclosures are appropriate and consistently applied to achieve recognition, measurement and disclosure that is in accordance with FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" and with the Statement of Recommended Practice: Accounting for Further and Higher Education.
6. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
7. We have disclosed to you, and the Group and College has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
8. From 9 March 2022 through the date of this letter we have disclosed to you, to the extent that we are aware, any (1) unauthorized access to our information technology systems that either

Appendix 1 – Unadjusted Audit Differences

occurred or to the best of our knowledge is reasonably likely to have occurred based on our investigation, including of reports submitted to us by third parties (including regulatory agencies, law enforcement agencies and security consultants) , to the extent that such unauthorized access to our information technology systems is reasonably likely to have a material impact to the financial statements, in each case or in the aggregate, and (2) ransomware attacks when we paid or are contemplating paying a ransom, regardless of the amount

D. Liabilities and Contingencies

1. All liabilities and contingencies, including those associated with guarantees, whether written or oral, have been disclosed to you and are appropriately reflected in the financial statements.
2. We have informed you of all outstanding and possible litigation and claims, whether or not they have been discussed with legal counsel.
3. We have recorded and/or disclosed, as appropriate, all liabilities related to litigation and claims, both actual and contingent.

E. Going Concern

1. Note 1 to the financial statements discloses all the matters of which we are aware that are relevant to the Group and College's ability to continue as a going concern, including significant conditions and events, our plans for future action, and the feasibility of those plans.

F. Subsequent Events

1. Other than events described in Note 23 to the consolidated and College financial statements, there have been no events, including events related to the COVID-19 pandemic, and including events related to the conflict and related sanctions in Ukraine, Russia and/or Belarus, subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

G. Other information

1. We acknowledge our responsibility for the preparation of the other information. The other information comprises the Performance Report, the Accountability Report and the Remuneration and Staff Report.
2. We confirm that the content contained within the other information is consistent with the financial statements.

H. Pension estimates

1. We confirm that the significant judgments made in making the pension estimates have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the pension estimate.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty are complete and are reasonable in the context of applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum and Accounts Direction.

Appendix 1 – Unadjusted Audit Differences

4. We confirm that appropriate specialized skills or expertise has been applied in making the pension estimate.
5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements.

I. Estate valuation estimate

1. We confirm that the significant judgments made in making the estate valuation estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the estate valuation estimate.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty are complete and are reasonable in the context of applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 “The Financial Reporting standard applicable in the UK and Republic of Ireland” and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum and Accounts Direction.
4. We confirm that appropriate specialized skills or expertise has been applied in making the estate valuation estimate.
5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements.

J. Job evaluation estimate

1. We confirm that the significant judgments made in making the job evaluation estimate have taken into account all relevant information of which we are aware.
2. We believe that the selection or application of the methods, assumptions and data used by us have been consistently and appropriately applied or used in making the job evaluation estimate.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimate(s), including those describing estimation uncertainty are complete and are reasonable in the context of applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 “The Financial Reporting standard applicable in the UK and Republic of Ireland” and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum and Accounts Direction.
4. We confirm that appropriate specialized skills or expertise has been applied in making the job evaluation estimate.
5. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements.

K. Retirement Benefits

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with

Appendix 1 – Unadjusted Audit Differences

our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

L. Regulatory Compliance

1. We are unaware of any known or probable material instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements, and there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance.
2. All known matters of routine, normal, recurring nature has been disclosed, none of which involves any allegations of noncompliance with laws or regulations that should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.

M. Use of Funds

1. Funds from whatever source administered by the Group and College for specific purposes have materially been applied properly to those purposes and, if relevant, managed in accordance with relevant legislation, and any other terms and conditions attached to them.
2. Funds provided by the Scottish Funding Council have been materially applied in accordance with the requirements of the SFC Financial Memorandum with Fundable bodies in the College sector.

N. Compliance with requirements set out by the Scottish Funding Council and other applicable law and regulations

1. We confirm that we have complied with all requirements set out in the Scottish Funding Council Financial Memorandum, Terms and Conditions, and associated regulatory notices, including the accounts direction.
2. We further confirm that we have complied with the requirements of the Government Financial Reporting Manual (FReM) and the Scottish Public Finance Manual.

O. Relationship and transactions with Development Trust

1. Management has considered the College's relationship with the Perth College Development Trust, and concluded there is no basis for consolidation in the College financial statements on the grounds of materiality.

Yours faithfully,



(Vice Principal - Operations)



(Chairperson of the Board of Management)

Appendix 1 – Unadjusted Audit Differences

Unadjusted differences				
N o.	Description	Income and Expenditure Impact / £000's	Other Comprehensive Income	Balance Sheet Impact / £000's
1	<i>PO Accrual</i>	Cr Expenditure (176)		Dr Accruals 176

Perth College UHI

Paper No. 3

Committee	Board of Management
Subject	Perth College Annual External Audit Report 2021/22
Date of Committee meeting	22/12/2022
Author	Ernst & Young – External Auditors
Date paper prepared	15/12/2022
Executive summary of the paper	<p>Purpose:</p> <p>In line with the College's Financial Memorandum, the External Auditor is required to provide a report to the Audit Committee and to the Board of Management in relation to their audit of the College's Financial Statements.</p> <p>Impact:</p> <p>This report is presented to provide an assessment of the adequacy and effectiveness of the College's system of internal control, it's compliance with the Account's Direction and with the Code of Good College Governance.</p> <p>Course of Action:</p> <p>This report is presented for approval by the Board of Management.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	<p>Consultation has been undertaken with the Finance team, SMT and the College's external auditors (EY).</p> <p>This report was endorsed, subject to minor amendments, at the Joint Meeting of Finance & Resources and Audit Committees on 12 December 2022</p>

Perth College UHI

Action requested	<input type="checkbox"/> For information <input type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input checked="" type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)
Resource implications Does this activity/proposal require the use of College resources to implement? If yes, please provide details.	No
Risk implications Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk? (If yes, please provide details)	Yes An Annual External Audit report is a requirement of governance within the Financial Memorandum. This report will be published by Audit Scotland.
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	Compliance Risk Management Financial Sustainability Strategic Reputation
<u>Equality and diversity</u> Does this activity/proposal require an Equality Impact Assessment? If yes, please give details:	No

Perth College UHI

<u>Data Protection</u> Does this activity/proposal require a Data Protection Impact Assessment? If yes, please give details:	No Click or tap here to enter text.
Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	No If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	Non Confidential
Freedom of information Can this paper be included in "open" business?	Yes

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

Further guidance on application of the exclusions from Freedom of Information legislation is available via:

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>
 and http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

A background photograph of three students in a classroom. In the foreground, a young woman with curly brown hair and black-rimmed glasses is looking down at a tablet device. Behind her, a young man with dark curly hair and glasses is also looking down. To his right, another student is partially visible, also looking down. They appear to be in a classroom setting with blurred background elements.

Perth College

**Annual Audit Report to the
members of the Board of
Management and the Auditor
General for Scotland - year ended
31 July 2022**

15 December 2022



**Building a better
working world**

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About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Auditor General for Scotland has appointed us as external auditor of Perth College (the College) for financial years 2016/17 to 2021/22. As a result of the impact of Covid-19 our appointment was extended by a further 12 months to include the financial year 2021/22. We undertake our audit in accordance with the Public Finance and Accountability (Scotland) Act 2000 and our responsibilities as set out within Audit Scotland's Code of Audit Practice. This report is for the benefit of the College and is made available to the Auditor General for Scotland and Audit Scotland. This report has not been designed to be of benefit to anyone except the recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the recipients, even though we may have been aware that others might read this report.

Any party other than the Recipients that obtains access to this report or a copy (under the Freedom of Information Act 2000, the Freedom of Information (Scotland) Act 2002, through a Recipient's Publication Scheme or otherwise) and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law, Ernst & Young LLP does not assume any responsibility and will not accept any liability in respect of this report to any party other than the Recipients

Complaints

If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with Stephen Reid who is our partner responsible for services under appointment by Audit Scotland, telephone 0131 777 2839, email sreid2@uk.ey.com. If you prefer an alternative route, please contact Hywel Ball, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, or with how your complaint has been handled, you can refer the matter to Audit Scotland, 4th Floor, 102 West Port, Edinburgh, EH3 9DN. Alternatively you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Executive Summary: Key Conclusions from our 2021/22 audit

We have issued an unqualified audit opinion on the Group and College's 2021/22 financial statements.

We continued to review and update our risk assessment throughout the audit, including the materiality level applied. Our materiality levels were amended to reflect the increase in expenditure in 2021-22.

Financial Statements

We have concluded our audit of the Group and College's financial statements for the year ended 31 July 2022. Five audit adjustments were required to be made and there was one unadjusted differences that we were required to communicate. The draft financial statements and supporting working papers were provided in line with the agreed audit timetable, however some narrative sections were provided late. The financial statements and working papers were of a reasonable standard. Improvements have been made to the visual presentation of the statements, however further improvements could be made particularly in respect of the completeness of information included within the initial draft statements, particularly in respect of non-financial areas.

We concluded that the other information subject to audit, including the applicable parts of the Remuneration Report and the Annual Governance Statement were appropriate. We were satisfied that the disclosures reflect the College's compliance with the *Code of Good Governance for Scotland's Colleges*.

Going Concern

In accordance with the Government Financial Reporting Manual ('the FReM'), the College prepares its financial statements on a going concern basis unless informed by the Scottish Government of the intention for dissolution without transfer of services or function to another entity.

Under a revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The College has concluded that there are no material uncertainties around its going concern status, however it has continued to include enhanced disclosures around its future financial position in the financial statements to reflect the impact of Covid-19 and inflationary pressures. The Air Service Training (Engineering) Ltd is materially complete with the subsidiary auditors giving consideration to a material uncertainty opinion in respect of going concern. We note work in this area is ongoing however we have assessed the implications for the Group audit opinion and concluded that it does not impact our assessment of the Group's ability to continue as a going concern.

Wider Scope

We summarise the conclusions we reached in response to our work on the wider scope dimensions below.

Financial Sustainability



The financial environment in which the College operates was already challenging, and the Covid-19 pandemic alongside the impact of the economic and geopolitical environments, including supply chain challenges, has resulted in further, significant financial pressures, and creates a risk that the College will not be able to develop viable and sustainable financial plans.

The College submitted a financial forecast return in October 2022 to the Scottish Funding Council. Applying assumptions which management believe to be most realistic, the FFR outlines a cumulative underlying operating deficit position over the five years of £17.2 million.

Management continue to explore options to deliver savings and grow income, however the scale of the challenge is significant and will require collaboration both within the College and other stakeholders including across the UHI partnership. Our assessment of red reflects the ongoing challenges facing colleges and the level of risk and uncertainty outside the College's control which could impact its ability to deliver savings and grow commercial income.

Financial Management



The College reported an adjusted operating surplus of £0.27 million, representing a decrease of £0.7 million compared to 2020/21. We were satisfied that the College's financial monitoring and reporting was clear and consistent throughout the year. The College has an established budget setting and monitoring framework which includes presentation of financial updates to the Board and Finance and Resources Committee throughout the year. We are satisfied that the core financial management arrangements were not materially impacted as a result of Covid-19 or other external pressures with clear financial reporting continuing throughout the year. Since 2019/20, we have highlighted that there are opportunities to improve financial controls and capacity within the finance team with the recent double salary payment demonstrating the ongoing need for improvement in financial management capacity and capability. Following this incident, no changes have been made to improve the finance team capacity which poses a significant risk to the College of further control weaknesses being exposed. This should be addressed as a matter of urgency by the College.

Governance & Transparency



The key features of good governance remain in place at the College and have been operating effectively throughout the year. A hybrid meeting structure was implemented, after seeking the views of members.

The College's Annual Governance Statement continues to disclose weaknesses in internal control, although we continue to note progress against the Board's improvement plan with 94% of actions now being either complete or partially complete however the pace of actions being closed down has slowed.

We note that the Remuneration Committee reviewed the Principal's salary in year with an increase being awarded, however there was no clear evidence of consideration of the public sector policy when agreeing the revised remuneration.

Value for Money



2021/22 represented the final year of the College's current Strategic Plan and there has been significant focus from management and board members on the development of the new strategy during the year. Performance reporting has continued through use of the balanced scorecard and we note that performance has improved across 55% of the key performance indicators. From 2022/23, a new Enterprise Risk Management framework is being implemented and is aligned to delivery of the new strategic plan.

Public performance reporting is a key tool to enable stakeholders to assess the performance of the College. The College has not published a performance report on their website for the last 2 consecutive years. Both reports should be published as soon as possible and moving forward these should be made available on the website in a timely manner.



Introduction

Purpose of this report

As a result of the impact of Covid-19, Audit Scotland agreed to extend our appointment as external auditor of the College to 2021/22.

In accordance with the Public Finance and Accountability (Scotland) Act 2000 (“the Act”), the Auditor General for Scotland appointed EY as the external auditor of Perth College (the College) for the five year period 2016/17 to 2020/21. Our appointment term was extended by a further 12 months, to financial year 2021/22. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise our key findings and conclusions from our audit work. It is addressed to both members of the Board of management and the Auditor General for Scotland, and is presented to those charged with governance. This report is provided to Audit Scotland and will be published on their website.

We draw your attention to the fact that our audit was not designed to identify all matters that may be relevant to the College. Our views on internal control and governance arrangements have been based solely on the audit procedures performed in respect of the audit of the financial statements and the other procedures performed in fulfilling our Annual Audit Plan.

A key objective of our audit reporting is to add value by supporting the improvement of the use of public money. We aim to achieve this through sharing our insights from our audit work, our observations around where the College employs best practice and where practices can be improved. We use these insights to form our audit recommendations to support the College in improving its practices around financial management and control, as well as around key aspects of the wider scope dimensions of audit. Such areas we have identified are highlighted throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management. We also report on the progress made by management in implementing previously agreed recommendations.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as external auditor. Further information is available in Appendix B.

Scope and Responsibilities

The Code sets out the responsibilities of both the College and the auditor (summarised in Appendix A). We outlined these in our Annual Audit Plan, which was presented to the College's Audit and Risk Committee in June 2022.

Our review and reassessment of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £0.56 million. We considered whether any change to our materiality was required, including due to the Group's 2021/22 financial performance. As a result of increased expenditure in year, our materiality for the Group was revised to £0.59 million.

Our evaluation requires professional judgement and so takes into account qualitative as well as quantitative considerations. Factors which we consider include the perspectives and expectations of users of the financial statements as well as our risk assessment as to the likelihood of material misstatements arising in the financial statements.

We updated our assessment of materiality based on the 2021/22 financial performance. Planning materiality was increased from £0.56 million to £0.59 million.

Overall Materiality	Tolerable Error	Nominal amount
£590,000	£295,000	£29,500
2% of the Group's operating expenditure	Materiality at an individual account level	Level that we will report to committee

As outlined in our Annual Audit Plan, based on considerations around the expectations of financial statement users and qualitative factors, we apply lower materiality levels to the audit of the Remuneration Report and Related Party Transactions.

Financial statement audit

We are responsible for conducting an audit of the Group and College's financial statements. We provide an opinion as to:

- ▶ whether they give a true and fair view of the state of affairs of the Group and College as at 31 July 2022 and the deficit for the year then ended;
- ▶ whether they have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ▶ whether they 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).

We also review and report on the consistency of the other information prepared and published along with the financial statements. Our findings are summarised in Section 2 of this report.

Wider Scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider scope public audit:

- ▶ Financial management;
- ▶ Financial sustainability;
- ▶ Governance and transparency; and
- ▶ Value for money.

Our findings are summarised in Section 3 of this report.



Financial Statements audit

Introduction

The financial statements provide the Group and College with an opportunity to demonstrate accountability for the resources that it controls, and report on its overall performance in the application of those resources during the year.

This section of our report summarises the audit work undertaken to support our audit opinion, including our conclusions in response to the significant and other risks identified in our Annual Audit Plan.

The plan highlighted two areas that we identified as a significant risk of material misstatement or fraud risk:

- ▶ the risk of fraud in revenue and expenditure recognition (significant risk); and
- ▶ misstatements due to fraud or error (fraud risk).

Compliance with Regulations

As part of our oversight of the College's financial reporting process, we report on our consideration of the quality of working papers and supporting documentation prepared, predominantly by the finance team, to support the audit.

The financial statements were prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council (SFC), the Charities and Trustees Investment (Scotland) Act and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Management provided draft financial statements at the start of the audit, in line with the agreed timetable. The financial statements had been updated for the new requirements as outlined in the SFC's 2021/22 Accounts Direction for colleges. However, some narrative sections of the financial statements were not fully complete. Management should ensure that a clear timetable is in place for production of a complete set of financial statements and that this is circulated to and adhered to by staff outside the finance function who input to the financial statements.

The draft financial statements and supporting working papers were submitted for audit in line with planned timescales however some narrative sections had not been fully updated.

Audit Outcomes

We identified 5 adjusted audit differences arising from the audit which have been reflected within the financial statements and 1 unadjusted difference. In addition, a late adjustment was made to the financial statements by management due to the third party valuation of the College estate being delivered late. The adjusted differences related primarily to balance sheet classifications, unfunded liability and prepayment/accruals errors. Our overall audit opinion is summarised on the following page.

Group financial statements

The College prepares group financial statements, consolidating the results of the College and its subsidiary undertaking, Air Service Training (Engineering) Limited.

We are satisfied that the consolidated financial statements have been prepared appropriately with inter-company transactions eliminated in line with accounting requirements.

Our communications with the component auditors note that the audit of the subsidiary financial statements is materially complete with the exception of going concern. We have received responses to our group audit instructions. With the exception of the going concern matter above, no significant issues have been reported which impact the group.

Our audit opinion

Element of opinion	Basis of our opinion	Conclusions
Financial statements The financial statements provide a true and fair view of the state of affairs of the Group and College at 31 July 2022 and of the deficit for the year then ended. The financial statements are prepared in accordance with the financial reporting framework	We report on the outcomes of our audit procedures to respond to our assessed risk of misstatements, including significant risks within this section of our report. We did not identify any areas of material misstatement. We are satisfied that accounting policies are appropriate and estimates are reasonable. We have considered the financial statements against the financial reporting requirements, and additional guidance issued by the SFC and Audit Scotland.	We issued an unqualified audit opinion on the 2021/22 financial statements for the Group and College.
Going concern We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting	We conduct core financial statements audit work, including management's assessment of the appropriateness of the going concern basis. Wider scope procedures, including financial forecasts are considered as part of our work on financial sustainability.	In accordance with the work reported in this report, our audit opinion is unqualified in this respect.
Other information We consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit	We conduct a range of substantive procedures on the financial statements. Our conclusion draws upon: <ul style="list-style-type: none"> Review of committee minutes and papers, regular discussions with management, our understanding of the College and the sector. 	We are satisfied that the annual report materially meets the core requirements set out in the Accounts Direction.
Report on regularity of income and expenditure We are required to consider whether in all material respects the income and expenditure in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by Scottish Ministers	Our procedures include: <ul style="list-style-type: none"> Understanding the applicable enactments and guidance issued by the Scottish Ministers Performed detailed testing of income and expenditure testing to ensure transactions are in line with enactments and guidance 	We are satisfied that in all material respects income and expenditure are regular.
Matters prescribed by the Auditor General for Scotland Audited part of Remuneration Report has been properly prepared. The Performance Report and Annual Governance Statement are consistent with the financial statements and have been properly prepared.	We are required to report on whether the sections of the Remuneration and Staff Report, and Accountability Report have been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.	We have no matters to report.
Matters on which we are required to report by exception	We are required to report on whether: <ul style="list-style-type: none"> 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 no matters to report.]

Significant and fraud audit risks

Risk of Fraud in expenditure recognition

As we outlined in our Annual Audit Plan, ISA (UK) 240 requires us to assume that fraud risk from income recognition is a significant risk. In the public sector, we extend our consideration to the risk of material misstatement by manipulation of expenditure.

As outlined in our audit planning report, we rebut the risk of improper recognition of SFC core grant funding because there is no judgement in respect of this income stream. With regards to expenditure, we rebut the risk of improper recognition of payroll expenditure.

Specific procedures relating to significant risks

We undertake specific, additional procedures over income and expenditure streams where we identified a significant risk, including:

- ▶ Review and test all relevant income and expenditure policies against the relevant accounting standards and SORP;
- ▶ Review, test and challenge management around any accounting estimates on income and expenditure recognition for evidence of bias;
- ▶ Develop a testing strategy to test all material income and expenditure streams;
- ▶ Test all material grant income with performance conditions to ensure income is recognised correctly in line with the outlined requirements;
- ▶ Review and perform focused testing on income and expenditure around the year end to ensure correct recognition around cut-off between financial periods;
- ▶ Perform testing for any evidence of clawback of income where conditions for entitlement have not been met;
- ▶ Review and develop a testing strategy for Covid-19 related income streams, including additional Covid-19 related grant income; and
- ▶ Assess and challenge manual adjustments or journal entries by management around the year end for evidence of management bias and evaluation of business rationale and evidence.

Our conclusions

- ▶ Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.
- ▶ We identified 3 audit differences in respect of our detailed testing of income, expenditure and associated balance sheet accounts as set out in Appendix D.
- ▶ We have assessed the treatment of Covid-19 related income streams, including additional Covid-19 related grant income. We concur with management's accounting treatment for the revenue streams.

Risk of management override

Our Annual Audit Plan recognises that under ISA (UK) 240, management is considered to be in a unique position to perpetrate fraud in financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively. We respond to this risk on every engagement.

Risk of Fraud

We considered the risk of fraud, enquired with management about their assessment of the risks of fraud and the controls to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management's processes over fraud.

Testing on Journal Entries

We tested the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify potentially unusual journals based on posting patterns, amounts or areas of greater risk of judgement or incentive for management to adjust according to our identified risk areas for the audit. We evaluated the business rationale for any significant unusual transactions. In particular we considered:

- ▶ Journal entries made directly into the general ledger of a material nature to key accounts which are considered more likely to have an incentive to be manipulated;
- ▶ Journals entries made around year end; and
- ▶ Journals adjusting between income and expenditure accounts and capital accounts.

We identified no unusual journals which could not be explained by management or which indicated any additional risk of fraud.

Our conclusions

- ▶ We have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.
- ▶ There was no disagreement during the course of the audit over any accounting treatment or disclosure and we encountered no significant difficulties in the audit.

Judgements and Estimates

ISA (UK) 540 on accounting estimates was issued in December 2019 and was applicable to the 2020/21 audit for the first time with a continuing focus in 2021/22. In particular, risk factors relevant to the public sector included the following examples for consideration by auditors:

- ▶ a very high degree of estimation uncertainty caused by the need to project forecasts far into the future, such as liabilities relating to defined benefit pension schemes; and
- ▶ areas where there may be a lack of available comparators for estimates that are unique to the public sector, such as the valuation of important public assets (such as property, plant and equipment).

Our procedures included:

- ▶ Testing management's process method, key assumptions, data;
- ▶ Testing management's process-estimation uncertainty;
- ▶ Considering evidence from events up to the report date; and
- ▶ Developing our own point estimate of the appropriate estimate.

We reviewed each significant accounting estimate for evidence of management bias as outlined above, including retrospective consideration of management's prior year estimates.

Management disclosed its assessment of the critical accounting judgements and key estimates in the financial statements.

Accounting Policies

We considered the consistency and application of accounting policies, and the overall presentation of financial information. We consider the accounting policies adopted by the College to be appropriate. There were no significant accounting practices which materially depart from what is acceptable under the Further and Higher Education SORP 2019.

Our conclusions

- ▶ We did not identify any areas of significant estimation or judgement as part of our audit work where we disagreed with management over the accounting treatment.
- ▶ There were no significant accounting practices which materially depart from what is acceptable under the College's financial reporting framework.

Other Inherent Risk Areas

Our Annual Audit Plan highlighted additional areas of inherent risk. We identified no further areas of risk as part of our audit procedures. The results of our procedures on our inherent risk areas are summarised below.

Valuation of pension assets and liabilities

The College participates in two pension schemes: the Local Government Pension Scheme (Tayside Pension Fund) and the Scottish Teachers Superannuation Scheme (STSS). At 31 July 2022, the College's share of the local government pension scheme was originally a net asset totalling £6 million (2020/21: £6.8 million net liability). The actuary however had not allowed for the 2023 pension increase order which increases pensioner payments by CPI and a subsequent allowance of £1.72 million was made, reducing the net asset to £4.28 million. The pension asset has not been recognised within the College's financial statements in line with the College's accounting policy. This is on the basis that the asset is currently not anticipated to be recoverable either through refunds or reduced contributions.

The present value of the unfunded obligation in relation to early retirements agreed in previous years was £0.73 million (2020/21: £0.86 million).

Accounting for both schemes involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. The information disclosed is based on the FRS 102 report issued to the College by the actuary. ISAs (UK and Ireland) 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

Our approach included:

- ▶ obtaining an actuarial report at the year end date for the scheme and considering the reasonableness and consistency of actuarial assumptions underpinning such reports in conjunction with our internal specialists;
- ▶ performing substantive testing on the verification of the pension assets. Specifically, we engage with the auditor of Perth Council Pension Fund in line with the assurance protocols laid out by Audit Scotland. We also analysed the fund's estimated asset position at 31 July 2022 from the prior year end against expectations based on equity and other market movements;
- ▶ developing our own point estimate for the College's liabilities in the Fund and comparing to the actuary's assessment;
- ▶ assessing the work of the actuaries in considering the impact of legal rulings impacting the liabilities in the fund; and
- ▶ reviewing the calculation of the College's valuation of future early retirement liabilities at 31 July 2022, including the integrity of the underlying pensioner data used by the actuary and College.

Our conclusions

- ▶ We assessed the reasonableness of the calculation of the College's share of the Fund's assets and liabilities and concluded these are consistent with our expectations. No issues were reported by the auditor of the Fund in respect of the Funds controls or reported asset position.
- ▶ Assumptions used by the actuary and adopted by the College are considered to be generally acceptable. The sensitivities surrounding these assumptions have been correctly disclosed in the notes to the financial statements.
- ▶ One adjustment was made in respect of the College's unfunded liability totalling £0.73 million. Following adjustment, we are satisfied the unfunded liability has been calculated appropriately.

Valuation of Property, Plant and Equipment

The College's property, plant and equipment (PPE) portfolio totals over £43.8 million of assets (2021: £39.3 million). The valuation of these assets requires expertise and significant estimation. To meet the requirements of the accounting framework, the College values its property, plant and equipment on at least a 5 yearly cycle with regular desktop valuations in interim years.

For 2021/22, the College obtained a desktop valuation from their external valuer for land and buildings. The Group's PPE totals £43.8 million, an increase of £3.2 million from 2020/21. This movement includes additions of £0.15 million, depreciation of £1.4 million, and a revaluation gain of £4.5 million.

Given the significance of the balance within the financial statements, the number of assumptions that are made in the valuation we assigned an inherent risk to the valuation of property, plant and equipment.

To address the inherent risk, our work focused on the following key areas:

- ▶ Considered the work performed by the College's valuers, including the adequacy of the scope of the work performed, their professional capabilities and the results of their work.
- ▶ Sample tested key asset information used by the valuers in performing their valuation based on both size of asset value and our consideration of risk assigned to each valuation (e.g. floor plans to support valuations based on price per square metre).
- ▶ Ensured that the interim valuation has been appropriately reflected within the financial statements.
- ▶ Completed procedures designed to address the requirements of the revised ISA 540, as outlined earlier.

Our conclusions

- ▶ The valuation report for the College's estate was received late in the audit process. Our work in this area is therefore ongoing.
- ▶ One adjustment related to the College's valuation of assets in 2021/22 was made due to the late receipt of the valuation report from the College's valuer.
- ▶ We concluded that management has undertaken sufficient procedures in respect of valuation of the College estate.

Going concern

Under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained.

International Auditing Standard 570 Going Concern, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, requires auditors to undertake sufficient and appropriate audit procedures to consider whether there is a material uncertainty on going concern that requires reporting by management within the financial statements, and within the auditor's report. In accordance with the FReM, the College shall prepare its financial statements on a going concern basis unless informed by the relevant national body of the intention for dissolution without transfer of services or function to another entity.

However, under the revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. In light of the unprecedented nature of Covid-19, the ongoing cost of living crisis and inflationary pressures, we placed increased focus on management's assertion regarding the going concern basis of preparation in the financial statements, and particularly the need to report on the impact of financial pressures on the College and its financial sustainability. Management's going concern assessment and associated disclosures cover the 12 month period from the date of approval of the financial statements to December 2023.

After completing its going concern assessment in line with the information and support provided through earlier discussions in the audit process, the College has concluded that there are no material uncertainties around its going concern status. We have outlined our consideration of the College's financial position going forward in the financial sustainability section of this report. We considered this in conjunction with management's assessment on going concern, focusing on:

- ▶ the completeness of factors considered in management's going concern assessment;
- ▶ the integrity and robustness of the underlying cash flow forecasts supporting future financial projections, in particular if the College projects to require financial support during the going concern assessment period; and
- ▶ the completeness of disclosures in the financial statements in relation to going concern and future financial performance in line with the requirements of the SFC 2021/22 Accounts Direction.

Our conclusions

- ▶ We are satisfied that it remains appropriate for the College's financial statements to be prepared on a going concern basis, in particular recognising the SFC and UHI's confirmation they would provide support in cash flow management should it be required through the going concern period.
- ▶ We note that the auditors for the College's wholly owned subsidiary, Air Service Training (Engineering) Limited may issue a material uncertainty opinion in respect of going concern however this work is ongoing. We assessed the implications for the Group opinion and are satisfied that this does not impact our conclusions.



Wider Scope dimensions

Introduction

We are required to reach conclusions in relation to the effectiveness and appropriateness of the College's arrangements for the four wider scope audit dimensions.

We apply our professional judgement to risk assess and focus our work on each of the wider scope dimensions. For each of the dimensions, we have applied a RAG rating, which represents our assessment on the adequacy of the College's arrangements throughout the year, as well as the overall pace of improvement and future risk associated with each dimension.

- ▶ **Financial Sustainability:** Considers the medium and longer term outlook to determine if planning is effective to support service delivery.
- ▶ **Financial Management:** Considers the effectiveness of financial management arrangements, including whether there is sufficient financial capacity and resources, sound budgetary processes and whether the control environment and internal controls are operating effectively.
- ▶ **Governance and Transparency:** Considers the effectiveness of scrutiny and governance arrangements and the transparent reporting of financial and performance information.
- ▶ **Value for Money:** Considers whether value for money can be demonstrated in the use of resources and the focus on continuous improvement.

Financial Sustainability

**Our overall
assessment:
Red**



The financial environment in which the College operates was already challenging, and the Covid-19 pandemic alongside the impact of the economic and geopolitical environments, including supply chain challenges, has resulted in further, significant financial pressures, and creates a risk that the College will not be able to develop viable and sustainable financial plans.

The College submitted a financial forecast return in October 2022 to the Scottish Funding Council. Applying assumptions which management believe to be most realistic, the FFR outlines a cumulative underlying operating deficit position over the five years of £17.2 million. Management continue to explore options to deliver savings and grow income, however the scale of the challenge is significant and will require collaboration both within the College and other stakeholders including across the UHI partnership. Our assessment of red reflects the ongoing challenges facing colleges and the level of risk and uncertainty outside the College's control which could impact its ability to deliver savings and grow commercial income.

The context for financial sustainability in the College sector

The Scottish Government's 'Resource Spending Review' was published on 31 May 2022 and sets out the high level parameters for resource spend within future Scottish budgets up to 2026-27. The plan is focused on how the Scottish Government will allocate funding to achieve their strategic outcomes and priorities:

- ▶ Tackling child poverty;
- ▶ Addressing the climate crisis;
- ▶ Securing a stronger, fairer, greener economy; and
- ▶ Delivering excellent public services.

The review sets out that there will be no increases to the Scottish Funding Council budget, who in turn provide funding to the College sector. While the spending review is not a finalised budget, it provides the sector with an indication of likely funding allocations. Colleges Scotland estimates that Colleges are facing a real terms budget cut of £51.9 million in 2022/23.

The Scottish Parliament's Finance and Public Administration Committee, as part of its pre-budget setting scrutiny for 2023/24, launched a call for views on Scotland's public finances and the impact of both the cost of living crisis and public service reform in August 2022. This consultation has included seeking views on the priorities within the Resource Spending Review and how the Scottish Government should respond to inflationary pressures and the cost of living crisis within its 2023/24 budget.

The Scottish Funding Council published their report, 'Financial Sustainability of Colleges and Universities in Scotland' in March 2022.

The Covid-19 pandemic led to increased reliance on SFC income across the College sector, which will create further challenges if flat cash settlements occur in future financial years.

This paper set out that the sector had managed the impact of Covid-19 more positively than originally anticipated however the longer term financial sustainability remains challenging. The sector collectively was expected to deliver a combined surplus of £16.7 million for 2020/21 with two colleges expected to report adjusted operating deficits.

However, colleges remain heavily dependent on SFC grant funding with this income accounting for 79% of total income at a sector level in 2020/21. This illustrates the reliance that colleges have on funding which is expected to reduce in real terms moving forward. For colleges to remain financially sustainable, growth in other income as well as reductions in their cost base will be required. The continued impact of Covid-19 has resulted in challenges for colleges to achieve their student recruitment and retention targets as well as other income targets.

The Scottish Government and SFC are starting to take forward the recommendations within the SFC review on the provision and sustainability of further and higher education and research across Scotland, published in June 2021. The current financial outlook stresses the importance of the recommendations within this review being implemented as early as possible. A further update is expected in 2023 when the Scottish Government is due to set out the future role of the college and university sectors.

The turbulent financial environment creates significant challenges for college's to be able to prepare robust financial plans.

Medium term financial forecasting

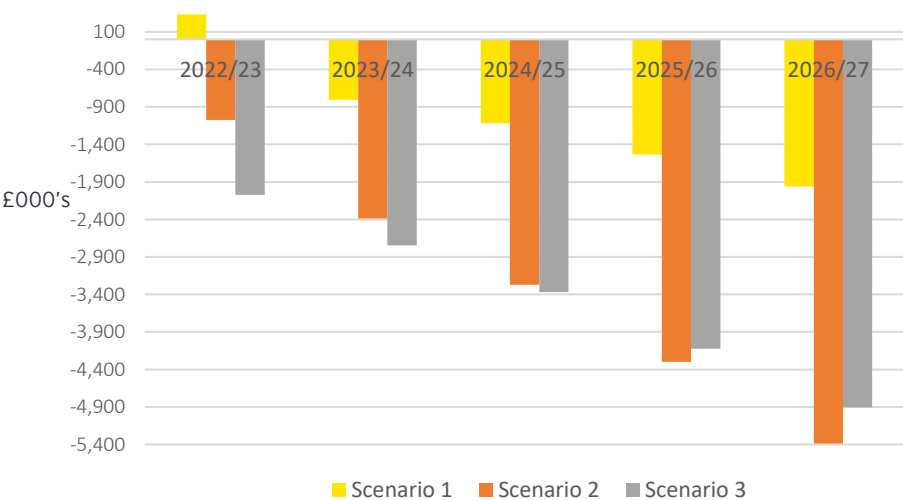
The College has prepared a five-year financial forecast for the period 2022 to 2027 and submitted this to the SFC in the form of the template Financial Forecast Return ('FFR'). The assumptions provided by the SFC were issued in August 2022 and therefore are not fully reflective of the current economic environment given the pace of change in areas such as inflation for both pay and non-pay costs. For example, the FFR assumes application of Scottish Government Public Sector Pay Policy with 2% pay awards assumed from 2023-24 onwards.

Three scenarios for the FFR were presented to the College's Board of Management in October 2022:

- ▶ Scenario 1, based on SFC assumptions.
- ▶ Scenario 2, based on assumptions agreed by the colleges Finance Directors' Group.
- ▶ Scenario 3, based on Perth College assumptions.

Each scenario presents a challenging outlook for the College as Exhibit 1 demonstrates. The cumulative underlying operating deficit across the 5-year period under worst case scenario (being scenario 3) is £17.215 million.

Exhibit 1: The College's FFR scenarios highlight the significant financial challenges facing the College in future periods and the significant savings and income growth required to deliver a balanced budget.



Source: Perth College Financial Forecast Return, October 2022

The College's forecasts recognise significant uncertainty in the current environment, particularly in relation to pay awards and inflation. Following several years of budget pressures, the College's ability to achieve savings both easily and quickly is challenging.

The College continues to consider areas where savings or income growth could be achieved, some of which may require more fundamental change. Two key reviews are currently being undertaken to support the College's financial sustainability:

- ▶ **UHI 2024:** Seven major initiatives have been initiated by the Executive Office of UHI. The current risks are not unique to UHI Perth and threaten the sector and therefore a collective approach across UHI is being progressed. The College are fully committed to and involved in these initiatives with a view to managing the risks posed to the College's financial sustainability.
- ▶ **Board of Management Review:** In addition to UHI 2024, the College's Board of Management will be carrying out a detailed review of the College so that actions can be taken, as required, to ensure the financial sustainability of the College.

Going concern cash flow forecasting

We outlined our work in respect of going concern earlier in this report. While the College has prepared its financial statements on a going concern basis as required by the FReM for a public body, it is required to consider its ability to meet liabilities as they fall due over the going concern assessment period to December 2023, being 12 months from the approval date for the financial statements.

As part of its financial forecasting arrangements the College has forecast its cash flow during this period, including testing a number of sensitivities which may be impacted by the current uncertainty around the 2022/23 and 2023/24 academic years as a result of pay and other inflationary pressures. As part of the FFR submission, the College has projected cashflows to 31 July 2023 with a closing balance of £3.9 million and £3.1 million to 31 July 2024.

While the College's FFR illustrates a strong cash position, this is based on Scenario 1 assumptions which are optimistic. Taking account of the significant risks to this position being achieved, the College will require a letter of support from SFC/UHI to confirm advances of funding will be made should they be required. On this basis, management has concluded that there is no plausible scenario where the College will require financial support to meet its liabilities during the going concern assessment period.

We note that the auditor's for the College's wholly owned subsidiary, AST Engineering Ltd may include a material uncertainty opinion in respect of going concern however work in this area is ongoing. Due to the College's central government classification, the College provided limited support to AST and only through their commercial income activity. Taking this into account, we do not believe that this presents a risk to the College's ability to continue as a going concern, however as explained earlier in our report, we have concluded that this does not impact our Group opinion.

Financial Management

**Our overall
assessment:
Red**



The College reported an adjusted operating surplus of £0.27 million, representing a decrease of £0.7 million compared to 2020/21. We were satisfied that the College's financial monitoring and reporting was clear and consistent throughout the year.

The College has an established budget setting and monitoring framework which includes presentation of financial updates to the Board and Finance and Resources Committee throughout the year. We are satisfied that the core financial management arrangements were not materially impacted as a result of Covid-19 or other external pressures with clear financial reporting continuing throughout the year.

Since 2019/20, we have highlighted that there are opportunities to improve financial controls and capacity within the finance team with the recent double salary payment demonstrating the importance of a strong control environment. Following this incident, no changes have been made to improve the finance team capacity which poses a significant risk to the College of further control weaknesses being exposed. This should be addressed as a matter of urgency by the College.

Financial performance and monitoring

The College reported a deficit of £2.33 million for the year (2020/21: £1.6 million). Following an actuarial gain of £7.6 million and a revaluation gain of £4.5 million, the College reported total comprehensive income of £9.8million (2020/21: £5.7 million). The College had an operating surplus after removal of non-cash accounting adjustments (relating to pension and capital accounting) of £0.27 million (2020/21: £0.99 million).

2021/22 was the second full financial year that the College had fully operated in the context of Covid-19 which continues to have an impact on student recruitment, retention and satisfaction. In addition, the ongoing economic and geopolitical uncertainty, including the cost of living crisis, has led to further financial challenges for the College. Particular challenges have been experienced in respect of higher education student numbers with 83% higher education undergraduate FTE's being achieved and 72% of its postgraduate FTE's being achieved. This resulted in a reduction of £0.87 million in income. The College was however able to improve upon the original budget position for 2021/22 by closely monitoring costs.

In line with previous years, the College's financial performance was monitored throughout the year by management and the Finance and Resources. There is evidence of financial monitoring, reporting and planning by the Board and Finance and Resources Committee through the financial year, up to the approval of the 2022/23 budget and Financial Forecast Return.

Throughout 2021/22 management reported budget pressures and variances through its management accounting. These were significant in the year, however we are satisfied these related to the impact of Covid-19 and other pay and non-pay inflation pressures on College operations and additional funding awarded late in the financial year.

Systems of internal control

Within the Annual Governance Statement, the College has concluded that they have obtained assurance that the system of internal control was operating effectively during the year with no exceptions or issues identified. Through our audit of the financial statements, we consider the design and implementation of key controls related to areas of significant risk to the financial statements. This work has included documenting the key internal financial controls and performing walkthroughs to ensure controls are implemented as designed.

We undertook an initial assessment of the financial control environment as part of our planning work in May 2022, and updated our understanding as part of the yearend audit. Our work did not identify any significant weaknesses in the College's systems of internal control. In particular, we have not identified any significant changes to the design and implementation of controls as a result of the impact of hybrid working arrangements.

Double salary payment and finance capacity

As reported in our 2020/21 Annual Audit Report, in October 2021, the College and subsidiary AST (Engineering) Limited, made a double salary payment to their staff of approximately £0.867 million. The incident was promptly identified by the College and steps were taken to try and prevent the payment from being made however the bank were unable to stop the payment once initiated. An internal investigation was undertaken and a detailed report provided to the Joint Finance and Resources and Audit committee in November 2021. This included identified control improvements which management have now implemented such as segregation of BACs authorisation.

Throughout 2021/22, management updated the Audit Committee on progress in recovering the monies due with the latest report in October 2022 outlining that 99.8% of funds had been recovered.

We highlighted in our prior year report that the incident highlighted the importance of the College's review of key financial processes and controls to prevent further such incidents. We noted that the review of financial processes should support further improvements in this area however it is noted that this will create additional pressures on an already stretched finance team. During 2021/22, capacity within the team has not improved and recruitment challenges have been encountered. Without increased capacity, the likelihood of further significant control errors occurring is high and could lead to further reputational damage to the College.

While we do note some improvements in process and controls, we also continue to note areas for further improvement, including areas of inefficiency and errors within financial accounting. The changes and improvements required will only be delivered once appropriate skills and capacity are in place within the finance team.

Following the double salary payment in October 2021, the importance of a strong control environment was emphasised. Since this date, the finance team capacity has not improved and therefore, there remains limited capacity to make improvements to financial controls and processes.

National Fraud Initiative (NFI)

NFI is a counter-fraud exercise co-ordinated by Audit Scotland and overseen by the Cabinet Office to identify fraud and error. The NFI exercise produces data matches by comparing a range of information held on public bodies' systems to identify potential fraud or error.

The College received matches for investigation and that the results of the investigation were recorded on the NFI system in line with the reporting timelines. We noted progress continued to be made by the College and that we had no matters to report.

Governance and Transparency

**Our overall
assessment:
Amber**



The key features of good governance remain in place at the College and have been operating effectively throughout the year. A hybrid meeting structure was implemented, after seeking the views of members.

The College's Annual Governance Statement continues to disclose weaknesses in internal control, although we continue to note progress against the Board's improvement plan with 94% of actions now being either complete or partially complete however the pace of actions being closed down has slowed.

We note that the Remuneration Committee reviewed the Principal's salary in year with an increase being awarded however there was no clear evidence of consideration of the public sector policy when agreeing the revised remuneration.

Annual Governance Statement

The College has demonstrated through the year that it has the key requirements for good governance. The key aspects of governance arrangements require to be disclosed in the Annual Governance Statement within the financial statements. We reviewed the governance statement against the requirements outlined in the SFC's 2021/22 Accounts Direction and our understanding of the College up to 31 July 2022.

This includes the requirements to conclude on the College's compliance with the 2016 Code of Good Governance for Scotland's Colleges, or to explain any areas of non-compliance. Our consideration of the governance statement has included:

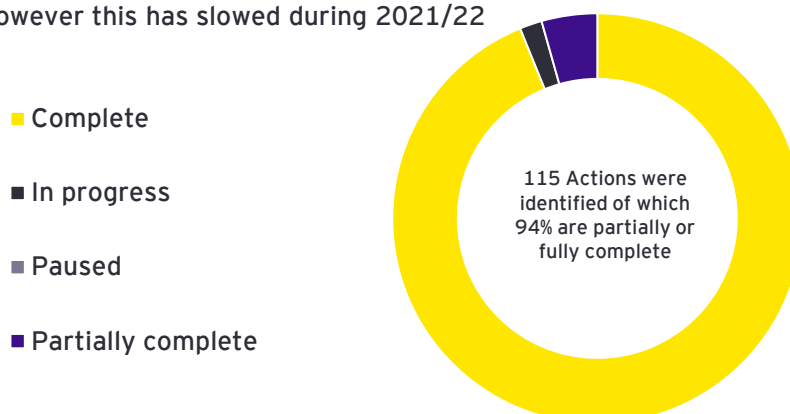
- ▶ Ensuring that the College has met all requirements of the SFC's 2021/22 Accounts Direction;
- ▶ Ensuring that the content of the statement is consistent with our understanding of the College's governance arrangements and any issues identified during the year; and
- ▶ Ensuring that the College has performed a self-assessment of compliance with the Code of Good Governance for Scotland's Colleges and that this assessment is reflected in the statement.

We were satisfied that it was consistent with both the governance framework, key findings from relevant audit activity and management's assessment of its own compliance with the Code of Good Governance for Scotland's Colleges.

Improvement Action Plan

The College responded to a number of external and internal audit reports in 2018/19 which identified a series of significant control weaknesses. As a result, the College developed a significant action plan to monitor progress both against audit recommendations and in further improvements identified by the Senior Management Team. As a result, 115 individual actions were identified. Progress against the action plan has been tracked by the College's planning and performance team and reported to the Audit committee. As Exhibit 1 notes, as at May 2022, 94% of actions are fully or partially complete.

Exhibit 2: Progress has been made against the Board's improvement plan however this has slowed during 2021/22



Source: Perth College Action Plan Monitoring Report, May 2022

Appendix E sets out our assessment of progress against the recommendations we made in prior year audits. We note good progress against each action and consider that this represents a significant achievement, particularly in light of the global pandemic and its impact on the sector more widely.

Governance Arrangements

Like all other public bodies in Scotland, the College moved to revised governance arrangements at the beginning of the UK lockdown period. Since March 2020, all Board and committee meetings continued as scheduled via remote working arrangements, and all relevant business continued to be considered as required. During 2021/22, the College has moved to a hybrid meeting structure for Committees and Board of Management meetings which is intended to continue moving forward.

Recommendation 1: The College should ensure that appropriate consideration is given to public sector pay policy in line with the requirements of the financial memorandum when considering senior management remuneration.

Principal Remuneration

During 2021/22, the College's remuneration committee commissioned a review of the Principal's remuneration. This was a desk-based benchmarking exercise of Principal salaries across the further education sector, taking account of staff numbers and income. Since the Principal's appointment in 2017, her salary had been uplifted in relation to cost of living increases. In May 2022, taking account of the findings of this exercise, the committee approved an increase to the Principal's salary of £8,500 or 7.71% to £120,000, from 1 September 2021. The review also proposed that the salary is reviewed on an annual basis moving forward. The financial memorandum between the College and both UHI and SFC states, 'the College must have regard to public sector pay policy set by the Scottish Ministers.' For 2021/22, public sector pay policy in Scotland limited increases for those earning £80,000 or more to £800. Our review of papers presented to the Remuneration Committee and committee minutes noted no evidence of consideration of public sector pay policy when the decision was made, however we have subsequently been informed that this was discussed and not minuted. The College should ensure that appropriate consideration is given to public sector pay policy in future when making senior management remuneration decisions and appropriate consultation occurs with SFC and UHI where this is not being followed.

Internal audit

Internal audit's opinion for the year was based on its agreed audit plan for the year, as approved by the Audit Committee and presented to the Audit Committee in December 2022. For 2021/22, the internal auditor's opinion notes that *'In our opinion, with the exception of the follow up issues described in paragraph 1.11, the College has adequate and effective arrangements for risk management, control, and governance. This opinion has been arrived at taking into consideration the work we have undertaken during 2021/22 and in previous years since our initial appointment.'*

The internal auditor highlighted specific concerns around the pace at which historic internal audit actions were being addressed with only eight of the 29 recommendations followed-up were assessed as 'fully implemented'.

Value for Money

Our overall assessment: Amber



2021/22 represented the final year of the College's current Strategic Plan and there has been significant focus from management and board members on the development of the new strategy during the year. Performance reporting has continued through use of the balanced scorecard and we note that performance has improved across 55% of the key performance indicators. From 2022/23, a new Enterprise Risk Management framework is being implemented and is aligned to delivery of the new strategic plan.

Public performance reporting is a key tool to enable stakeholders to assess the performance of the College. The College has not published a performance report on their website for the last 2 consecutive years. Both reports should be published as soon as possible and moving forward these should be made available on the website in a timely manner.

Strategic Plan

The College's Strategic Plan 2016-21 was published in June 2016 which set out four strategic objectives covering:

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

During 2021/22, the College has developed a new Strategic Plan for the period 2022-2027. The development of the new strategy has involved collaboration with Board members, management and key stakeholders including staff. The revised strategy identified four pillars:

- ▶ College Growth and Ambition;
- ▶ Excellence in Learning and the Learner Experience;
- ▶ Partnerships and Collaboration; and
- ▶ Sustainability.

KPI reporting

We reviewed the College's approach to public reporting and note that the College has a dedicated area of the website for Performance Indicators and External Review. We note that the College has published the results for 2019/20, with its commentary in July 2021 however no data has yet been published for 2020/21 or 2021/22. The College should ensure that performance information is shared in a timely manner on their website to enable stakeholders to assess the College's performance.

The College should aim to publish performance information on their website on a more timely manner. We also note that the new Strategic Plan is not yet available on the College website.

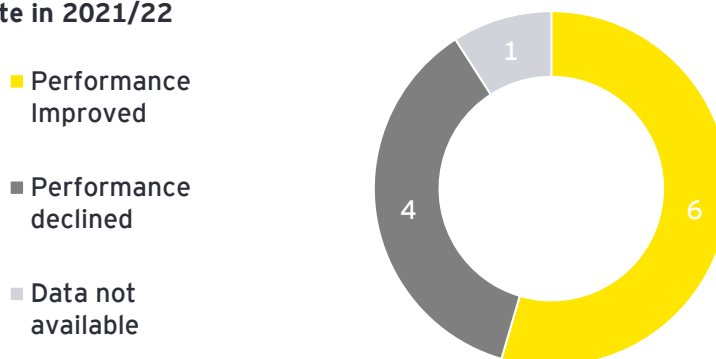
See Appendix E, prior year recommendation 2.

Performance Reporting

The College continues to report performance through the balanced scorecard to the Board throughout the year.

Exhibit 3 highlights that the College has improved performance against 55% of key performance indicators with 36% declining against prior year. This is in line with performance at the same point in 2020. A particular achievement for the College has been improvement in relation to student satisfaction from both the NSS survey and SSES. However, key areas for improvement relate to staff turnover and absence which should be focus areas for management moving forward. In a trend observed across the sector, the College has experienced a decline of 17.7% in higher education student numbers compared to 2020/21 which has resulted in a reduction in funding of £0.87million. The College continues to explore options to improve higher education recruitment however the scale of the challenge is significant and will create further pressures on the College's financial resources.

Exhibit 3: College improved performance in comparison to 2020/21 for the target set for 55% of the key performance indicators reported to date in 2021/22



Source: Perth College Financial Statements 2021-22, November 2022

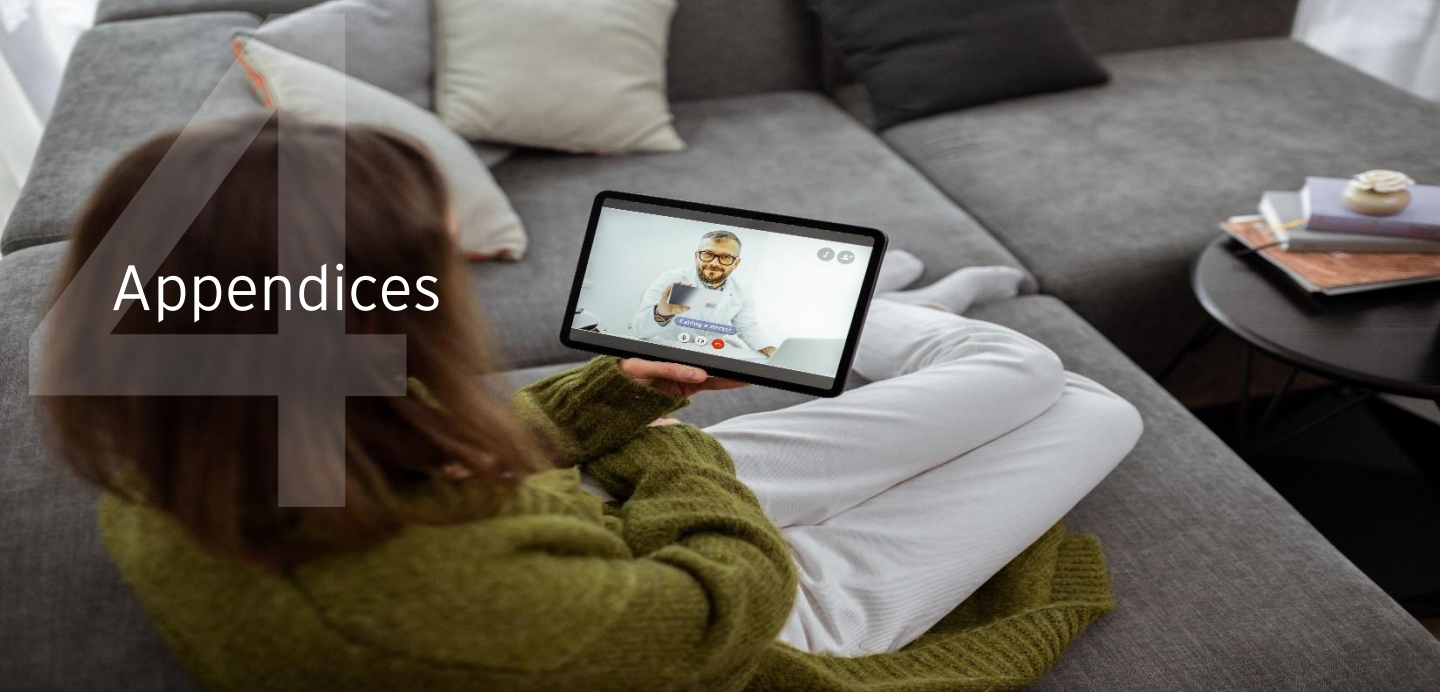
Risk Management framework

During 2021/22, the College started transitioning away from the existing strategic risk management process to a framework of Enterprise Risk Management. The new process will merge the latest risk management frameworks outlined by the Committee of Sponsoring Organisations (COSO) and ISO30001. The new ERM framework will go live in 2022/23.

A number of training and strategy sessions have been held with Audit Committee and Board members to support implementation of the revised approach.

Voluntary Severance Scheme

During 2021/22, 4 individuals left the College under voluntary severance agreements or redundancy with 1 other departure. We confirmed that the College had followed the procedures outlined within SFC's guidance for seeking approval for severance schemes and settlement agreements.



Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Audit Committee

D - Adjusted errors identified during the audit

E - Current and prior year recommendations

F - Timing and deliverables of the audit

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

Corporate Governance

Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit, risk and governance committees or equivalent) in monitoring these arrangements.

Financial Statements and related reports

Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

- ▶ preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.
- ▶ maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.
- ▶ ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.
- ▶ maintaining proper accounting records.
- ▶ preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.
- ▶ Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.

Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Standards of conduct / prevention and detection of fraud and error

Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- ▶ such financial monitoring and reporting arrangements as may be specified
- ▶ compliance with any statutory financial requirements and achievement of financial targets
- ▶ balances and reserves, including strategies about levels and their future use
- ▶ how they plan to deal with uncertainty in the medium and longer term
- ▶ the impact of planned future policies and foreseeable developments on their financial position.

Best Value

The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

Appendix B: Independence and audit quality

Professional ethical standards, and the Terms of our Appointment, require us to communicate all significant facts and matters that have a bearing on EY’s objectivity and independence as auditor of the College.

Matters that we are required to communicate	<p>The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.</p> <p>There are no relationships from 1 August 2021 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.</p>
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Confirmations	<p>We are not aware of any inconsistencies between the College’s policy for the supply of non audit services and FRC Ethical Standard. We are not aware of any apparent breach of that policy.</p> <p>We confirm that, in our professional judgment, Ernst & Young is independent, our integrity and objectivity is not compromised and we have complied with the FRC Ethical Standard.</p> <p>We confirm that your engagement team (partners, senior managers and managers and all others involved with the audit) and others within the firm, the firm and network firms have complied with relevant ethical requirements regarding independence.</p>
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Audit Fees		2021/22	2020/21
	Component of fee:		
	Total agreed auditor remuneration	£19,290	£18,890
	Additional audit procedures (see below)	£6,800	£8,400
	Audit Scotland fixed charges:		
	Pooled costs	£1,070	£1,220
	Audit support costs	£960	£800
	Total fee	£28,120	£29,310

The expected fee for each body, set by Audit Scotland, assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and meets the agreed timetable for the audit. It also assumes there is no major change in respect of the scope of work in the year.

Through the 2021/22 audit cycle we have discussed with management areas of the audit which required additional work beyond that usually expected for the College. The fee variation of £6,800 reflects our assumed additional work which will be required around the College’s financial sustainability and financial management risks outlined in this report, the additional work from the inclusion of the financial management and value for money wider scope dimensions, the follow up work from outstanding areas of focus in prior years, and the requirement to reduce materiality on our audit due to our expectation of errors taking account of prior year audit differences. For these areas we have agreed the fee noted in the table above with management and Audit Scotland, based on the additional time required at the contracted Audit Scotland rates.



Matters that we are required to communicate

International Standard on Quality Control (UK and Ireland) 1 (ISQC1) requires that a system of quality control is established, as part of financial audit procedures, to provide reasonable assurance that professional standards and regulatory and legal requirements are being complied with and that the independent auditor's report or opinion is appropriate in the circumstances.

The EY 2022 UK Transparency Report can be accessed on our website at [EY UK 2022 Transparency Report | EY UK](#). This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular. This includes our Audit Quality Report.

The disclosures are extensive. For example, they explain our outlook and how we are structured and governed, including the role of our Independent Non-Executives and how we apply the requirements of the UK's Audit Firm Governance Code. We refer to the quality of our audits and our commitment to recruiting, developing and diversifying our people and talent pool. We also explain how we manage our risks and remain innovative and technologically advanced in what we do and how we do it.

Maintaining high audit quality across all of our engagements is of paramount importance to us. Our transformational Audit Quality Programme continues and is a part of the global EY Sustainable Audit Quality Programme (SAQ).

Our Audit Quality Board (AQB) continues to oversee all matters relating to audit quality and sets the agenda for the Audit Quality programme. The AQB meets monthly and also holds an annual strategy session. The AQB reports to the EY UK Board. The AQB receives regular updates on regulatory matters, results of internal and external reviews, results of root cause analysis, resourcing, the SAQ programme and pursuit approvals, as well as a comprehensive dashboard on quality measures.

Our Audit Quality Support Team (AQST), which started within the SAQ programme, reviews 40 to 50 audits each audit cycle providing challenge and guidance to the engagement teams. These are in-depth reviews carried out by experienced auditors independent of the audit team. AQST reviews enhance the quality of both the audit under review and other audits on which team members apply the lessons learned. The AQST has now become a business-as-usual function.

Audit Quality Framework / Annual Audit Quality Report

Audit Scotland's Appointments and Assurance Team are responsible for applying the new Audit Quality Framework across all financial audits and performance and Best Value audits. This covers the quality of audit work undertaken by Audit Scotland staff and appointed firms. The team are independent of audit delivery and provide assurance on audit quality to the Auditor General and the Accounts Commission.

We support Audit Scotland in their commitment to reporting on audit quality through responding to requests for information and providing the results of internal quality reviews undertaken in respect of relevant public sector audits in Scotland.

The most recent audit quality report which covers our work at the College since appointment can be found at: [Quality of public audit in Scotland annual report 2021/22 \(audit-scotland.gov.uk\)](#)

Appendix C: Required communications

Required communication	Our reporting to you
Terms of engagement / Our responsibilities Confirmation by the audit, risk and governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties. Our responsibilities are as set out in our engagement letter.	Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice
Planning and audit approach Communication of the planned scope and timing of the audit, any limitations and the significant risks identified. When communicating key audit matters this includes the most significant risks of material misstatement (whether or not due to fraud) including those that have the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team.	Annual Audit Plan
Significant findings from the audit <ul style="list-style-type: none"> ▶ Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures ▶ Significant difficulties, if any, encountered during the audit ▶ Significant matters, if any, arising from the audit that were discussed with management ▶ Written representations that we are seeking ▶ Expected modifications to the audit report ▶ Other matters if any, significant to the oversight of the financial reporting process 	Annual Audit Plan Annual Audit Report
Going concern Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including: <ul style="list-style-type: none"> ▶ Whether the events or conditions constitute a material uncertainty ▶ Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements ▶ The adequacy of related disclosures in the financial statements 	Annual Audit Report
Misstatements <ul style="list-style-type: none"> ▶ Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation ▶ The effect of uncorrected misstatements related to prior periods ▶ A request that any uncorrected misstatement be corrected ▶ Corrected misstatements that are significant ▶ Material misstatements corrected by management 	Annual Audit Report
Fraud <ul style="list-style-type: none"> ▶ Enquiries of the audit, risk and governance committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the entity ▶ Any fraud that we have identified or information we have obtained that indicates that a fraud may exist ▶ A discussion of any other matters related to fraud 	Annual Audit Report

Required communication	Our reporting to you
Related parties Significant matters arising during the audit in connection with the entity's related parties including, when applicable: <ul style="list-style-type: none"> ▶ Non-disclosure by management ▶ Inappropriate authorisation and approval of transactions ▶ Disagreement over disclosures ▶ Non-compliance with laws and regulations ▶ Difficulty in identifying the party that ultimately controls the entity 	No significant matters have been identified.
Independence Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as: <ul style="list-style-type: none"> ▶ The principal threats ▶ Safeguards adopted and their effectiveness ▶ An overall assessment of threats and safeguards ▶ Information about the general policies and process within the firm to maintain objectivity and independence 	Annual Audit Plan This Annual Audit Report - Appendix B
Internal controls Significant deficiencies in internal controls identified during the audit	This Annual Audit Report - no significant deficiencies reported
Subsequent events Where appropriate, asking the audit, risk and governance committee whether any subsequent events have occurred that might affect the financial statements.	We have asked management and those charged with governance. We have no matters to report.
Material inconsistencies Material inconsistencies or misstatements of fact identified in other information which management has refused to revise	This Annual Audit Report
Consideration of laws and regulations <ul style="list-style-type: none"> ▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off ▶ Enquiry of the audit, risk and governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	Annual Audit Report or as occurring if material.
Group audits <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	Annual Audit Plan This Annual Audit Report

Appendix D: Adjusted errors identified during the audit

This appendix sets out the significant adjustments processed as part of finalisation of the financial statements. There were 5 adjusted differences and 1 unadjusted audit differences identified above our reporting threshold.

Adjusted differences				
N o.	Description	Income and Expenditure Impact / £000's	Other Comprehensive Income	Balance Sheet Impact / £000's
1	<i>Prepayments Adjustment</i>	Dr Expenditure 17		Dr Creditors 128 Cr Prepayments (145)
2	<i>Deferred Income adjustment</i>			Dr Deferred Income 134 Cr Debtors (134)
3	<i>Counselling Deferred Income</i>	Dr SFC Income 35		Cr Deferred Income (35)
4	<i>Job Evaluation reclassification</i>			Dr Accrued Income 1,728 Cr Accrued Expenditure (1,728)
5	<i>Recognition of unfunded pension liability</i>		Dr Actuarial gains and losses (731)	Cr Pension liability 731

Unadjusted differences				
N o.	Description	Income and Expenditure Impact / £000's	Other Comprehensive Income	Balance Sheet Impact / £000's
1	<i>PO Accrual</i>	Cr Expenditure (176)		Dr Accruals 176

Appendix E: Action Plan, including an update on prior year recommendations

This action plan summarises specific recommendations included within the 2019/20 and 2020/21 Annual Audit Report and the latest status in respect of management's agreed actions as well as current year recommendations.

Classification of recommendations

Grade 1: Key risks and / or significant deficiencies which are critical to the achievement of strategic objectives. Consequently management needs to address and seek resolution urgently.

Grade 2: Risks or potential weaknesses which impact on individual objectives, or impact the operation of a single process, and so require prompt but not immediate action by management.

Grade 3: Less significant issues and / or areas for improvement which we consider merit attention but do not require to be prioritised by management.

No.	Findings and recommendation	Management response / Implementation timeframe
1	<p>The College should ensure that appropriate consideration is given to public sector pay policy in line with the requirements of the financial memorandum when considering senior management remuneration.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response: We agree that we should clearly document our consideration of the public sector pay policy in line with requirements of the financial memorandum when considering senior management remuneration.</p> <p>Responsible officer: Chair of Remuneration Committee</p> <p>Implementation date: Immediately</p>

Prior year recommendations follow up

No.	Findings and recommendation	Original Management response	Update on status
1	<p>The College should ensure that the Board secretary has appropriate support to ensure governance activities continue as normal during any periods of absence.</p> <p>Minutes and papers of relevant Board and Committee meetings should be published on the College website in a timely manner.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response:</p> <p>We agree that the Board Secretary role should have a back-up to ensure governance activities continue as normal during any periods of absence. The College will identify and train a resource to provide back-up to the Board Secretary.</p> <p>Responsible officer:</p> <p>SMT</p> <p>Implementation date:</p> <p>August 2022</p>	<p>Improvements have been made in relation to the timeliness of publication of Board and Committee meeting minutes and papers on the College website however we note that the website is not fully up-to-date and therefore further improvements could be made to improve transparency.</p> <p>Our assessment: Ongoing</p>

N o.	Findings and recommendation	Original Management response	Update on status
2	<p>The College should ensure that the annual performance report is published on the College website on a timely manner to ensure key stakeholders have access to performance information.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response:</p> <p>We agree that the annual performance report must be published on the College website in a timely manner. The College will develop a checklist of all documents that must be published with relevant deadlines and ensure that the checklist is completed each month. This checklist will also be reviewed at each Audit Committee meeting. The checklist will be in place from the May/June 2022 Audit Committee meeting.</p> <p>Responsible officer:</p> <p>SMT</p> <p>Implementation date:</p> <p>June 2022</p>	<p>We note that the College website continues to only show the 2019/20 performance report for key performance indicators. The College should ensure both the 2020/21 and 2021/22 reports are published as soon as possible. Moving forward the reports should be published in a more timely manner.</p> <p>Our assessment: Incomplete</p>
3	<p>We consider that the Finance Team overall has had insufficient knowledge and experience, particularly in financial accounting, since December 2018.</p> <p>We also note that there were a number of historical issues with financial systems and approaches that College appointments within Finance were unable to address.</p> <p>The College must review the capacity and capability within the finance team to ensure that skills gaps are addressed.</p> <p>The Board needs to urgently ensure that there are appropriate arrangements established to provide strategic financial leadership.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>The structure and resourcing of the Finance Team has been an ongoing focus of SMT with additional resources being invested during 2018/19 provided to increase the capacity and broaden the experience in the department. All positions are now filled permanently with the exception of the Interim Head of Finance who was appointed on a fixed term contract to May 2020, pending a revised structure.</p> <p>Actions</p> <p>Structure review of Finance: Complete</p> <p>SMT recommendation for the appointment of a Director of Finance considered by the Remuneration Committee: Complete and approved</p> <p>Implement a CPD plan across the Finance Team: December 2020</p> <p>Responsible officer: Principal/ HoF Implementation date: December 2020</p>	<p>The finance team continues to face resourcing challenges and has experienced recruitment challenges. At present, the team carries key person dependency risks and is unable to deliver the improvements to processes and controls in a timely manner due to the team's capacity.</p> <p>Our assessment: Ongoing</p>

No.	Findings and recommendation	Original Management response	Update on status
4	<p>Our work has identified ongoing weaknesses in internal controls, including:</p> <ul style="list-style-type: none"> ▶ Reliance on paper based systems, which led to problems in relation to the retention of financial records. ▶ Lack of segregation of duties, including inadequate review of journal entries and lack of purchase orders. ▶ Financial systems that have not been kept up to date, including the payroll system, or are not fit for purpose, such as the fixed asset register. ▶ Significant delay in the transition to the Government Banking Service leading to the maintenance of unnecessary bank accounts. <p>The College must improve key financial controls to ensure that the weaknesses identified are addressed at pace.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>The reliance on paper based systems is recognised as a key contributor to weaknesses in our internal controls. This has caused particular issues in relation to our payroll. This was identified by SMT who added this to the risk register and commissioned internal audit work to quantify the extent of the issue.</p> <p>Steps already taken include</p> <ul style="list-style-type: none"> • Internal Audit Action Plan commissioned and partially actioned • Affected staff informed of issue and steps being taken to rectify and recompense • Amended the payroll system user access rights to ensure that that these are appropriate for user roles and remove all generic users from the payroll system • Strengthened controls around variations to staff salaries on the payroll system to reduce the opportunity for unauthorised entries to be added to the tracker and inadvertently processed • Introduced mechanisms to ensure that payroll checklists are always completed and held on file and that these checklists are always checked and signed off by someone independent of the payroll team prior to processing of the payroll. • Internal Audit commissioned to conduct evaluation of pensions and tax payments • Voluntary HMRC Disclosure made <p>Future Actions</p> <ol style="list-style-type: none"> 1. Develop transition plan towards electronic systems. Work underway towards consistent use of Purchase Orders: September 2020 2. Introduce quality monitoring of journal entries: February 2020 3. Complete bank transition: March 2020 4. Investment in a managed service for Ciphre: Underway 5. Implement Fixed Asset Register: July 2020 <p>Responsible Officers: VP, HoF, HoHR&OD, HoEst</p> <p>Implementation date: September 2020</p>	<p>While progress is continuing to be made, we note that the review of key financial controls and processes is ongoing.</p> <p>Our assessment: Ongoing</p>

No.	Findings and recommendation	Original Management response	Update on status
5	<p>Staff costs within the Financial Forecast Return have been reduced to reflect the savings required to return a balanced position, rather than as a result of an effective workforce plan. In our view, the Financial Forecast Return does not provide a robust medium term financial plan. The College urgently needs to develop effective medium term financial planning. This should be supported by scenario planning and ongoing monitoring.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>Actions</p> <p>Develop alternative scenarios, modelling and fiscal/ budget assumptions to more accurately forecast and monitor future financial impacts</p> <p>Undertake CMT and Board Development sessions on the creation of the FFR for 2021-26</p> <p>Responsible officer: HoF</p> <p>Implementation date: May - September 2020</p>	<p>The Board has considered the FFR, along with options to deliver a balanced adjusted operating position in the medium term. We do consider that there is scope for the College to develop their own medium term financial plan out with the FFR process particularly given the current economic environment.</p> <p>Our assessment: ongoing</p>
6	<p>The College has disclosed a number of significant weaknesses in procurement within its Governance Statement, including lack of competitive tenders for material contracts.</p> <p>The College must ensure that procurement weaknesses are addressed as a matter of urgency.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>SMT identified a weakness in this area and as a result took a number of corrective actions to ensure that appropriate systems and processes were addressed and that policies and procedures were up to date and communicated effectively to staff.</p> <p>SMT acknowledges the 2 areas of non compliance which were already in process of being addressed prior to the external audit being undertaken. These were a contract which is broader than a tendered service relationship and which had been in place since 2004 and which is subject to a current retender process. Secondly, a contract that required reporting to RSB which was undertaken retrospectively was non-compliant. This contract was funded through non-public funded sources</p> <p>SMT have already implemented a control system which includes:</p> <ul style="list-style-type: none"> ▶ APUC contract in place ▶ Revision of Procurement Strategy and Procedures ▶ Contracts register enabling forward planning of contract values, tenders and renewals ▶ Greater use of APUC Frameworks ▶ Implementing a consistent purchase order system ▶ Retendering of non-compliant contracts ▶ Discussions with RSB on rationales for exemptions to tender <p>Responsible officer: VP Implementation date: March - July 2020</p>	<p>We note that outstanding actions have been completed in year. No issues have been noted from the work performed.</p> <p>Our assessment: Complete</p>

Appendix F: Timing and deliverables of the audit

We deliver our audit in accordance with the timeline set by the College, in accordance with guidance from Audit Scotland. Below is a timetable showing the key stages of the audit and the deliverables through the 2021/22 audit cycle.

	Audit Activity	Deliverable	Timing
MAR			
APR	▶ Walkthrough Visit	Completion of internal documentation	April 2022
MAY			
JUN	▶ Audit planning and setting scope and strategy for the 2021/22 audit	Annual Audit Plan	April/May 2022
SEP			
OCT	▶ Year-end substantive audit fieldwork on unaudited financial statements	Audited Financial Statements	September/October 2022
NOV			
DEC	▶ Conclude on results of audit procedures	Issue Annual Audit Report	31 December 2022
	▶ Issue opinion on the College's financial statements	Submit Audit Scotland minimum dataset request	31 December 2022

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Perth College UHI

Paper No. 4

Committee	Board of Management
Subject	Internal Audit Annual Report 2021/22
Date of Committee meeting	22/12/2022
Author	Henderson Loggie
Date paper prepared	07/12/2022
Executive summary of the paper	This paper constitutes the Internal Audit Annual Report for 2021/22 and is issued to ensure compliance with the Public Sector Internal Audit Standards (PSIAS) Reporting Requirements, which states that “the College has responsibility for maintaining an effective internal audit activity”
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	<p>Consultation has been undertaken with SMT and appropriate department heads, and the College’s External auditors (Henderson Loggie).</p> <p>This paper was endorsed by the Joint meeting of Finance & Resources and Audit Committees on 12 December 2022.</p>
Action requested	<input type="checkbox"/> For information <input type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input checked="" type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)

Perth College UHI

<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>Yes/No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>Yes</p> <p>An Annual External Audit report is a requirement of governance within the Financial Memorandum.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>Compliance</p> <p>Risk Management</p> <p>Financial Sustainability</p> <p>Strategic Reputation</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p> <p>Click or tap here to enter text.</p>

Perth College UHI

Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	Yes/No If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	Non Confidential
Freedom of information Can this paper be included in "open" business?	Yes

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

Further guidance on application of the exclusions from Freedom of Information legislation is available via:

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Perth College UHI

Annual Report to the Board of Management and the Principal on the Provision of Internal Audit Services for 2021/22

Internal Audit report No: 2022/11

Draft issued: 2 December 2022

2nd draft issued: 5 December 2022

Final issued: 7 December 2022



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Annual Report and Opinion

Introduction

- 1.1 We were re-appointed in July 2021 as internal auditors of Perth College UHI ('the College') for the period 1 August 2021 to 31 July 2024 by one year to 31 July 2021 (with the option for the institution to extend for a further two 12 month periods, subject to mutual agreement. This report summarises the internal audit work performed during 2021/22.
- 1.2 The annual operating plan was based on a comprehensive Audit Needs Assessment (ANA) and three-year Strategic Plan, which involved dialogue with senior management, the Chair of the Board and the Chair of the Audit Committee.
- 1.3 The work undertaken in the year followed that set out in the approved Annual Internal Audit Plan for 2021/22 (contained within Internal Audit Report 2022/04 – Strategic Plan 2021 to 2024 and Annual Internal Audit Plan 2021/22 (issued in May 2022).
- 1.4 The reports submitted are listed in Section 2 of this report and a summary of results and conclusions from each assignment is given at Section 3.
- 1.5 An analysis of time spent against budget is set out at Section 4.

Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

- 1.6 The College has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:
 - Confirm our independence;
 - Provide information about the year's activity and the work planned for next year in this report; and
 - Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.
- 1.7 Self-assessment is undertaken through:
 - Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
 - Ensuring compliance with best professional practice, in particular the PSIAS;
 - Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
 - Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
 - Annual completion of a checklist to confirm PSIAS compliance.



Public Sector Internal Audit Standards (PSIAS) Reporting Requirements (continued)

- 1.8 External assessment is built into our firm-wide quality assurance procedures. Henderson Loggie LLP is a member of Prime Global, a global association of independent accountancy firms. Continued membership of Prime Global is dependent on maintaining a high level of quality and adhering to accounting and auditing standards in the provision of our services. Annual quality reviews are conducted to confirm our continuing achievement of this quality. The independent review conducted by MHA Macintyre Hudson in March 2019 included our internal audit service. Overall, the review confirmed that the firm's policies and procedures relating to internal audit were compliant with the PSIAS in all material respects.
- 1.9 In the intervening years between formal external assessment against PSIAS we conduct our own self-assessment annually. The result of our latest self-assessment, conducted in April 2022, confirms that our service is independent of the College and continues to comply with the PSIAS.

Significant Issues

- 1.10 All work conducted in 2021/22 assessed systems as either 'Good' or 'Satisfactory' and provided an unqualified audit opinion on College returns. There were no significant issues identifying major internal control weaknesses arising from our internal audit work. In general, procedures were operating well in the areas selected, but a few areas for further strengthening were identified and action plans have been agreed to address these issues.
- 1.11 We found that the College had made limited progress in implementing the internal audit recommendations followed-up as part of our 2021/22 Follow Up reviews. Only eight of the 29 recommendations followed-up were assessed as 'fully implemented'. Two recommendations were considered but not implemented, with 15 recommendations classified as 'partially implemented' and four categorised as 'little or no progress'.

Opinion

- 1.12 In our opinion, with the exception of the follow up issues described in paragraph 1.11, the College has adequate and effective arrangements for risk management, control, and governance. This opinion has been arrived at taking into consideration the work we have undertaken during 2021/22 and in previous years since our initial appointment.



Reports submitted

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2022/01	Student Activity Data (Credits) 2020/21	Audit opinion unqualified	3	-	-	3
2022/02	Student Support Funds 2020/21	Audit opinion unqualified	4	-	1	3
2022/03	Payroll Double Payment	Satisfactory	2	-	1	1
2022/04	Strategic Plan 2021 to 2024 and Annual Plan 2021/22	N/A	N/A	-	-	-
2022/05	Partnership Working	Satisfactory	4	-	1	3
2022/06	Income / Debtors	Satisfactory	2	-	-	2
2022/07	Payroll	Satisfactory	4	-	1	3
2022/08	Building Maintenance	Satisfactory	3	-	1	2
2022/09	Quality	Good	1	-	-	1
2022/10	Follow Up	N/A	19 of 29 recommendations will require further action	-	12	7

Overall gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.



Annual Internal Audit Report 2021/22

Recommendation grades are defined as follows:

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.



Summary of Results and Conclusions

Report No 2022/01 Student Activity Data 2020/21

Final Issued – November 2021

In accordance with the Credits Audit Guidance we reviewed and recorded the systems and procedures used by the College in compiling the returns and assessed and tested their adequacy. We carried out further detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily as described to us.

Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Price Group.

Our testing was designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to Credits Audit Guidance, COVID-19 related guidance at Annex D and the key areas of risk identified in Annex E.

Our report was submitted to the SFC on 10 November 2021. We reported that, in our opinion:

- the student data returns have been compiled in accordance with all relevant guidance.
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- on the basis of our testing we can provide reasonable assurance that the FES return contains no material misstatement.

Three recommendations were identified from our audit testing for 2020/21 including: for courses that are other than full-time, ensure that the required date input into SITS is calculated as the day on which 25 per cent of the total calendar days between the course start and end have passed; ensure that Credits claimed for students are based upon the value of the units listed on the student course record, which reflect the activity delivered in the year, and not based upon a default tariff; Ensure that part-time fee waiver forms are completed at enrolment in order to evidence entitlement to part-time fee waiver.

Report No 2022/02 – Student Support Funds 2020/21

Final Issued – November 2021

For the 2020/21 academic year two specific fund statements were required for audit:

- Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return; and
- Education Maintenance Allowance Return.

The audit objectives were to ensure that:

- The College complies with the terms, conditions and guidance notes issued by SFC, SAAS and the Scottish Government;
- Payments to students are genuine claims for hardship, bursary or EMA, and have been processed and awarded in accordance with College procedures; and
- The information disclosed in each of the returns for the year ending 31 July 2021, is in agreement with underlying records.

We were able to certify the FE Discretionary Fund, FE and HE Childcare Fund and Bursary Return for the year and submit this to the SFC without reservation.

The following observations were made in the covering letter which accompanied our Auditors' Report to the SFC on the College's EMA Return:

- EMA is a weekly allowance requiring 100% of agreed attendance at all timetabled sessions (subject to the impact of COVID-19 during 2020/21) and the EMA Guidance and Processes issued by the Scottish Government in August 2020 confirms that attendance data, absence and other information must be retained by administrators as part of the audit trail. We make one observation in relation to student attendance checking during the period following a cyber-attack on the University of the Highlands & Islands in early March 2021, which impacted key systems and services across the UHI partnership including at Perth. Following the cyber-attack the College's normal attendance and engagement reports were not fully operational for some time. For EMA payments made during the period from March through to May 2021 the College's Student Funding Team did however check students' enrolment status in the SITS student records system and payments were stopped if students were shown as withdrawn. Management stressed to academic staff the need to notify Student Records staff of any students that were not attending / engaging in lessons.
- There was one further minor point noted from our audit work. Total EMA payments of £98,640 were made by the College in the year-ended 31 July 2021 compared with £98,700 included in the monthly returns and year-end statement. The difference of £60 relates to an overclaim made during the year, which the College has advised will be adjusted in the monthly EMA return for November 2021.



Report No 2022/03 – Payroll Double Payment

Final Issued – February 2022

Overall grade: Satisfactory

The scope of this review focused on the issues raised in the letter dated 26 November 2021, which was issued by the Principal and Vice-Chancellor of UHI by email on 29 November 2021 to the Principal of Perth College UHI.

The table opposite notes each separate objective for this review and records our results.

Strengths

- The Director of Finance provided a 'Double Salary Payment Update' to the 29 November 2021 meeting of the College Audit Committee;
- The overpayment was entered onto a spreadsheet which has been maintained by the Financial Accountant and the two Finance Assistants, with input provided by the Head of HR and Organisational Development;
- Any repayments made by staff have been netted off against the running total on the spreadsheet and in the 'Employee advances' ledger code as staff have repaid the duplicate amounts paid;
- The spreadsheet is updated daily to reflect payments made through the College bank or to reflect cheques sent to the College by members of staff;
- The repayment process put in place involved input from the Head of HR and Organisational Development who had regular communication with trade unions regarding the wording of communications to staff;
- Almost all staff have responded positively to the communications from the College requesting repayment. In total 480 staff were affected by the salary overpayment and a total of 456 staff have now repaid their overpayment of salary. This leaves a total of 24 members of staff with outstanding balances due totalling £28,485.26;
- It is the intention that debt recovery action will continue to recover all of the outstanding amounts due by the end of the current financial year on 31 July 2022, with the exception of the staff on long term sick who will have longer term repayment arrangements;
- The College has now taken steps to remove the capability for any member of staff to load and authorise a payment through APT BACS. We conducted testing to confirm that the ability to load and authorise has been removed and obtained a screenshot of the error message which is now generated should a registered user attempt to load and authorise any payments; and

The objectives of the audit were to gain reasonable assurance that:	
1. A robust process for recovering the overpayment has been developed and invoked.	Good
2. The reasons for the double payment have been examined by the College and appropriate and timely steps have been taken to rectify any control weaknesses identified	Good
3. Regular written updates have been provided to the Principal and Vice-Chancellor of UHI on progress in recovering overpayments	Satisfactory
4. Reporting of the incident fulfils the requirements set out in the financial memorandum between Perth College UHI and UHI	Requires improvement
Overall Level of Assurance	
Satisfactory	



Annual Internal Audit Report 2021/22

Report No 2022/03 – Payroll Double Payment (continued)

- All APT BACS payments are now authorised by either the Financial Accountant or the management accountant in order to maintain a segregation of duties. This will be built into procedural notes as part of the ongoing COSO activity to document financial control processes within the College.

Weaknesses

- It was noted that although monthly summary updates have been produced, only the December 2021 has been shared with the Principal and Vice-Chancellor and the Director of Corporate Services within UHI; and
- Although the Director of Finance did take steps to contact the Director of Corporate Services in the Executive Office of UHI (along with a number of other stakeholders), to advise of the double payment incident, the Principal of the College did not inform the Principal and Vice-Chancellor directly as described in the Financial Memorandum.



Annual Internal Audit Report 2021/22

Report No 2022/04 – Strategic Plan 2021 to 2024 and Internal Audit Annual Plan 2021/22

Final Issued – May 2022

The purpose of this document was to present for consideration by management and the Audit Committee the annual operating plan for the year ended 31 July 2022. The plan was based on the proposed allocation of audit days for 2021/22 as set out in the Internal Audit Strategic Plan 2021 to 2024. The preparation of the Strategic Plan involved dialogue with senior management, the Chair of the Board and the Chair of the Audit Committee.

The outline scope, objectives and audit approach for each audit assignment to be undertaken, arrived at following discussion with the Director of Finance and consideration by other members of the College Senior Management Team, were set out in the report. The outline scopes were finalised after discussion with responsible managers in each audit area.



Report No 2022/05 – Partnership Working

Final Issued – October 2022

Overall grade: Satisfactory

This audit reviewed the adequacy and effectiveness of the processes and procedures for stakeholder mapping and planning and delivering partnership engagement. This included the specific review of the way in which the College engages with UHI (as Regional Strategic Body) in identifying opportunities, planning and delivering partnership activity.

The table opposite notes each separate objective for this review and records our results.

Strengths

- The College has articulated its vision for partnership working both with the UHI and regional partners within its revised College Strategy. There is synergy with the revised Strategy with the UHI Corporate Strategy and regional outcome agreements.
- There are sub-strategies for Business Engagement and International Working. Academic leads are also in process of developing business engagement plans for their sectors.
- Management interviewed were involved and committed to partnership working. They value their partnership within UHI and the benefits from collaborations with the UHI and their fellow academic partners.
- External stakeholder interviews noted that the College's Senior Management, Business Engagement, and International teams are committed to partnership working and regularly attend external regional forums, committees, and networking events.
- The College is a significant member of the Local Employability Partnership (LEP), and the Vice Principal for External Engagement is Chair.
- Feedback from UHI colleagues noted that the College's Senior management are active within the UHI and help shape the tertiary education pathways and meet its Regional Outcome Agreement (ROA).

The objectives of the audit were to gain reasonable assurance that:	
1. There is a process in place to identify key external stakeholders and to align them with regional strategic objectives.	Good
2. There is regular dialogue between the College and external stakeholders (including UHI) to facilitate the delivery of regional priorities through partnership activity	Good
3. Effective governance arrangements are in place for effective stakeholder/partnership working – specifically scrutiny and accountability arrangements	Good
4. The College has agreed a set of measures and targets to track progress and demonstrate the impact of partnership activity	Good
5. There is a common understanding between the College and UHI of the collective resources required to deliver regional priorities through partnership activity and the College works effectively with stakeholders to direct funding, assets and staffing in a sustainable partnership framework.	Requires improvement
Overall Level of Assurance	Satisfactory



Report No 2022/05 – Partnership Working (continued)

Strengths

- There are programmes from the Tay Cities Deals that rely on effective partnership working between internal and external stakeholders. For example, the College is in the process of developing a hospitality academy in partnership with a number of hospitality and tourism employers across the Tay Cities Region including the prominent Gleneagles Hotel. In recognition of the industry needs to attract a more diverse workforce to the sector, the Hospitality Skills Programme will focus on attracting new talent to the industry through broader engagement with young people and with those keen to return to the workforce. Alongside this, the College has engaged with a number of hospitality employers to leverage its international partnerships to attract students from India, Nepal and China into the pathway. Discussions with external stakeholders from Skills Development Scotland and Perth and Kinross Council noted good awareness of the status of the programme.
- Where possible, the College documents the agreed vision, purpose, and objectives of the partnership. For example, the Tay Cities Hospitality Initiative has a Memorandum of Understanding established with the hotel. A Project Manager role is currently advertised to support the College to progress arrangements.
- The Highland and Islands Regional Outcome Agreement (ROA) 2021/22 contains details of key deliverables and actions, setting out how the ROA will be delivered with targets and milestones set to measure achievement. Achievement of outcomes is regularly reported and discussed at regional meetings.
- The Perth and Kinross Single Outcome Agreement 2013-2023 and Community Planning Partnership (CPP) sets local objectives for the area. The College has an active School Partnership programme with 11 school partnerships and outcomes are monitored by the Perth and Kinross Council's Community Planning Partnership Board.
- The College has been actively engaged with the development of the CPP Local Outcome Improvement Plan with key deliverables led by the College, particularly in relation to employability and skills outcomes.



Report No 2022/05 – Partnership Working (continued)

Strengths

- There are clear roles, lines of accountability and communication within the College governance framework that are operating effectively. There is a key management group – Curriculum Business Planning Group – that takes a strategic and operational role to monitor progress and identify risks. It is Chaired by the VP External Engagement and is attended by the VP-Operations and staff from Business Development, International and Senior Academic staff. Outcomes are reported to the CMT and externally to the UHI via the External Partnerships Steering Committee (EPSC).
- The College has worked with other UHI partners in recent years to ensure that College risks are also considered within the wider context of the UHI partnership. There is now greater visibility of partnership risks with a standard risk register format in use across the UHI and improved sharing of risk registers by partners. A revised risk register format linking back to the College Strategic KPI's is under development to embed further improvements and alignment back to the College Strategic Plan.

Weaknesses

- College management are not actively using the UHI Microsoft Dynamics CRM system to record relationships and to track commercial leads due to UHI Licensing, lack of transparency on the ownership of the data, as well as intraregional risk to the College in sharing potentially competitive information across the UHI. An agreement for use of Microsoft Dynamics CRM should be reached with UHI that is mutually beneficial to both parties. The use of the Raisers Edge system for alumni and philanthropic leads is utilised by Perth College with UHI as lead so a similar model could apply to the MS Dynamics system for mutual benefit.
- Resource to deliver on the College's strategic objectives particularly in relation to partnership working should be identified and succession planning for key roles. The associated risks for delivering on key strategic partnerships should also be identified and mitigating controls and actions identified for monitoring purposes, such as by the Curriculum Business Planning Group.



Report No 2022/05 – Partnership Working (continued)

Weaknesses

- The process for the UHI approving international commercial opportunities as slow and bureaucratic. The process can often take several weeks to months mainly due to a lack of resource within UHI and complex governance structures. As part of the review of shared services at UHI, the UHI partnership should agree the optimal reporting framework to streamline the UHI review and approval of commercial and international proposals raised by its academic partners, including Perth College UHI.
- The UHI and Perth College UHI management require to mutually agree the financial arrangements between parties. This agreement should be documented for transparency, such as an appendix to the terms and conditions set out in their Memorandum of Understanding. The agreement should also document the terms and conditions of the partnership, including decision making, intellectual property, copyright, data sharing and ownership of commercial and marketing data.

Report No 2022/06 – Debtors & Income

This audit focused on the systems of internal control in place within the College in relation to commercial income generating activities, education contracts, and other income. In addition, debt management and recovery procedures were also reviewed.

The table opposite notes the specific objectives for this review and records the results.

Strengths

- The College has up-to-date and comprehensive Financial regulations;
- The Finance Department team is responsible for managing the income and debtor processes and use the BluQube accounting system, which provides centralisation of the financial recording processes and allowing an audit trail to be retained against each student account that is linked to SITS, the student record database;
- Sales invoices are promptly and correctly raised to relevant customers;
- Credit notes are appropriately allocated and approved by the budget holders; and
- Our testing confirmed that the existing practices for debt recovery; the use of debt collection agencies; and write-off processes for bad debts were conducted in line with the Financial Regulations.

Weaknesses

- It was observed that there are no documented and formally approved procedure notes in place to guide staff, covering the processes for raising sales invoices, providing appropriate audit trail to credit notes and recover debts. We were advised that the procedural guidance for raising sales invoices is currently being drafted and that it is intended to be introduced later in financial year 2022/23. Therefore, management are aware of the issue and the weakness is being addressed. However, we have provided two recommendations, in relation to the contents of the new procedural guidance, which are intended to help shape the new procedures to ensure that they reflect current practice and to further strengthen existing controls.

Final Issued – October 2022

Overall grade: Satisfactory

The objective of this audit was to obtain reasonable assurance that:	
1. Invoices / claims are raised promptly in respect of income due to the college	Satisfactory
2. Credit notes are appropriately authorised before issue	Satisfactory
3. Adequate debt management and recovery procedures are in place and are consistently followed in practice	Satisfactory
Overall Level of Assurance	Satisfactory



Annual Internal Audit Report 2021/22

Report No 2022/07 – Payroll

This audit considered the key internal controls in place over the College's spend on staff costs. Our audit reviewed the processes in place within both the Human Resources and Payroll teams. This covered the payment of staff expenses and additional hours.

The table opposite notes each separate objective for this review and records our results.

Strengths

- Management has a strong awareness of the inefficiencies ingrained in the current payroll process and are in the process of procuring a new HR and Payroll system, which will reduce the level of manual intervention presently required by HR and Payroll teams;
- Despite the inefficiencies noted above, we confirmed that the payroll is processed in compliance with requirements and gross pay for the sample reviewed was paid accurately and on time;
- Starters and leavers are processed in line with College procedural requirements;
- Employee information retained on Ciphre aligns to the information recorded in employee records;
- There are audit trails for the calculations and reconciliations completed, providing assurance that all relevant checks and balances are being consistently undertaken by Payroll;
- Changes to employee standing data is being dealt with appropriately; and
- There is sufficient record keeping and audit trails in place to demonstrate segregation of duties between those providing information (HR), processing information (Payroll) and implementing the pay (Finance) and audit trails are retained to demonstrate that proper authorisation, processing and recording of payments was adopted.

Final Issued – December 2022 Overall grade: Satisfactory

The objectives of the audit were to gain reasonable assurance that:	
1. Correct calculation of gross pay and deductions	Good
2. Correct calculation of employer national insurance and superannuation contributions	Good
3. Part-time lecturers, overtime and staff expenses payments are properly authorised	Satisfactory
4. Approval and checking of changes to employee standing data	Good
5. Starters and leavers are properly treated and enter and leave the system at the correct dates	Requires improvement
6. Proper authorisation, processing and recording of payments	Good
Overall Level of Assurance	Satisfactory



Report No 2022/07 – Payroll (continued)

Weaknesses

- Recently revised SPPA percentages had not been updated on the Payrite system, resulting in employee contributions being incorrectly calculated for one of the 15 individuals sample tested. We confirmed that this had been an oversight by management. Adjustments were made in the October 2022 pay run. Compensating controls have subsequently been introduced to prevent recurrence and the recommendation was completed during the course of our audit fieldwork;
- The process for completing and processing timesheets is a manual one, leading to several inbuilt inefficiencies. As part of the procurement process for the new HR and Payroll System, management should explore the potential inclusion of a timesheet module which will automate the submission and approval of timesheets for effective and efficient review and processing by the HR and Payroll teams;
- Timesheets should be submitted at the end of each month worked. However, this is not always the case and staff we observed instances where staff are submitting timesheets several months late. Timesheet Guidelines should be documented and communicated to all SDDs, line managers and staff paid through timesheets to ensure awareness of cut off thresholds;
- The current process deployed by line managers, to communicate the start dates of new employees on the Contract Spreadsheet, is inefficient. This has resulted in several instances of employees working for several weeks without contracts due to the fact that due diligence checks were not in place. The process for communicating starter dates should be improved to ensure that any red flags are identified promptly by HR; and
- Record keeping arrangements for leavers should be strengthened to ensure that all relevant information, such as leaver forms or contract extensions, are routinely retained on file. Consideration should be given to the recording of file contents on a checklist, in the absence of automated controls typically found in a document management system.



Report No 2022/08 – Building Maintenance

This review has examined the extent to which the College's forward planning would support lifecycle maintenance for the College's estate, given the limitations on available funding.

The table opposite notes each separate objective for this review and records the results.

Strengths

- The governance oversight of the Estates operational activities is assigned to the College's Finance and Resource Committee (FRC). The Head of Estates provides updates at each FRC meeting, covering a range of topics, including the Strategy and master plan development. Updates on estates matters are also provided to the Board;
- A condition survey was undertaken across the entire College estate in February 2021, which was conducted by external consultants Faithful+Gould / Atkins Building Surveyors. This survey involved visual inspections, providing information in respect of physical condition of each building and all maintainable and replaceable assets. The results of the surveys informed the forward maintenance works, the maintenance backlog details, and provided updates to asset registers (which record details on the age, condition and remaining life of assets). For each survey conducted, we noted that a list of prioritised estimated costs for renewal of assets had been compiled; and
- Our testing confirmed that an effective cyclical maintenance inspection programme, including Water Hygiene (Legionella management), Intruder alarms, Electrical safety and Portable Appliances Testing, is in place to ensure ongoing statutory compliance under the legal and regulatory framework.

Final Issued – December 2022 Overall grade: Satisfactory

The objective of this audit was to obtain reasonable assurance that:	
1. The College has an Estates Maintenance Strategy in place which is aligned with the College's strategic planning objectives and other relevant strategies	Satisfactory
2. Oversight of the Estates Maintenance Strategy, including review of implementation and funding risks, have been aligned to an appropriate committee reporting to the Board	Satisfactory
3. Progress made on lifecycle maintenance projects, and expenditure against budget is monitored by management and an appropriate committee(s). The process includes arrangements to ensure value for money is achieved	Requires improvement
4. Regular condition surveys are undertaken, and other good quality information is available, to inform asset management decisions	Satisfactory
5. Plans are in place to maintain the College's assets in good condition, as economically as possible, and in line with manufacturer's warranty conditions, in order to meet changing and rising standards as far as they can be foreseen	Satisfactory
6. There is a comprehensive cyclical testing and maintenance programme that covers all items requiring regular testing or maintenance under the relevant legal and regulatory framework	Good
Overall level of Assurance	Satisfactory



2022/08 – Building Maintenance (continued)

Weaknesses

- We were advised that the Estates Strategy / Feasibility Study and master plan are currently being developed in order to provide a strategic overview of the College's Estate and bring together a broad range of information (at a specific point in the project lifecycle). The work in progress around the overarching Estates Strategy is reflected within the College's Strategy 2022-27, thus ensuring alignment between the Estates Strategy (and supporting plans) and the College's agreed strategic priorities. We have not raised a specific recommendation in relation to this finding as we recognised that management are aware of the position and the issue is being appropriately addressed;
- It was observed that the Estates updates provided to the FRC and to the Board do not include details on for completed statutory and reactive maintenance, projected costs for ongoing maintenance requirements and information on maintenance backlog. From discussion with the Head of Estates it was also found that the College does not have in place a facilities management software; and
- Whilst we confirmed that asset management decisions are informed by various inspections and condition surveys, it was observed that there is no longer-term proactive rolling programme of condition surveys and inspections at the College.



Report No 2022/10 – Follow Up Reviews

Final Issued: December 2022

Overall grade: N/A

We carried out a follow-up review of the recommendations made in the following Internal Audit reports finalised during 2020/21, which included recommendations from earlier reports where previous follow-up identified that the recommendations were outstanding:

- Internal Audit Report 2021/04 – Asset Management
- Internal Audit Report 2021/05 – Corporate Planning
- Internal Audit Report 2021/06 – Student Recruitment and Retention
- Internal Audit Report 2021/07 – Follow Up 2020/21
- Internal Audit Report 2021/08 – Staff Skill, Staff Productivity & Performance Management

The College has made limited progress in implementing the recommendations followed-up as part of this review with eight of 29 (27%) recommendations being categorised as 'fully implemented', 15 (52%) of recommendations classified as 'partially implemented', and four (18%) categorised as 'little or no progress'. These 19 recommendations will be subject to follow-up at a later date.

Two of the recommendations have been categorised as 'Considered but not Implemented'

The first of these relates to action **R3** from report 2020/06 - Procurement and Creditors, which was followed up in 2020/21 as part of the previous report 2021/07 – Follow Up 2020/21. The recommendation relates to the undertaking of PECOS training for the Procurement Team. While this training was initiated, it has subsequently been put on hold due to the College decision to shift processing of purchases away from PECOS and to the finance system, bluQube. Training has been delivered on the new system, meaning the original recommendation is no longer applicable.

The second recommendation categorised as 'considered but not implemented' is **R1** from report 2021/08 – Staff Skills Profile, Staff Productivity and Performance Management. The original recommendation stated that "It is our view the current arrangements would be enhanced by the inclusion of the Head of HR and Occupational Development in the monthly meetings on the review of staffing establishment with Finance, Sector Development Directors and the Associate Principal which commenced in April 2021. However, it has subsequently been clarified that the inclusion of the Head of HR and Occupational Development in these particular monthly meetings would not be appropriate.

Our findings from each of the follow-up reviews has been summarised below:



Annual Internal Audit Report 2021/22

From Original Reports			From Follow-Up Work Performed				
Area	Rec. Priority	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	Not Past Agreed Completion Date	Considered But Not Implemented
2021/04 – Asset Management	3	-	-	-	-	-	-
	2	3	-	3	-	-	-
	1	1	-	1	-	-	-
Total		4	-	4	-	-	-
2021/05 – Corporate Planning	3	-	-	-	-	-	-
	2	-	-	-	-	-	-
	1	1	1	-	-	-	-
Total		1	1	-	-	-	-
2021/06 – Student Recruitment and Retention	3	-	-	-	-	-	-
	2	-	-	-	-	-	-
	1	3	2	1	-	-	-
Total		3	2	1	-	-	-
2021/07 – Follow Up 2020/21	3/A	-	-	-	-	-	-
	2/B	6	1	4	-	-	1
	1/C	3	1	2	-	-	-
Total		9	2	6	-	-	1
2021/08 – Staff Skill, Staff Productivity & Performance Management	3	-	-	-	-	-	-
	2	5	-	3	2	-	-
	1	7	3	1	2	-	1
Total		12	3	4	4	-	1
Grand Totals		29	8	15	4	-	2



Time Spent - Actual v Budget 2021/22

	Report number	Planned days	Actual days feed	Days to fee at Nov 2022	Days to spend / WIP	Variance
Student Experience						
<i>Quality</i>	2022/09	5	5	-	-	-
Staffing Issues						
<i>Payroll</i>	2022/07	5	5	-	-	-
Estates & Facilities						
<i>Building Maintenance</i>	2022/08	4	4	-	-	-
Financial Issues						
<i>Income / Debtors</i>	2022/06	4	4	-	-	-
Organisational Issues						
<i>Partnership Working</i>	2022/05	5	5	-	-	-
Other Audit Activities						
Credits Audit	2022/01	5	5	-	-	-
Bursary, Childcare and Hardship Funds	2022/02	4	4	-	-	-
EMA	2022/02	1	1	-	-	-
Management and Planning	2022/04	3	3	-	-	-
Follow-up reviews	2022/10	2	2	-	-	-
Payroll Double Payments	2022/03	5	5	-	-	-
Audit Needs Assessment	2022/04	2	2	-	-	-
Total		<u>45</u> =====	<u>45</u> =====	<u>-</u> =====	<u>-</u> =====	<u>-</u> =====



Proposed Operational Plan for 2022/23

- 5.1 Following our re-appointment as internal auditors for the period 1 August 2021 to 31 July 2024, a Strategic Plan was formulated, covering the three-year internal audit cycle from 2021 to 2024. The preparation of the Strategic Plan involved dialogue with senior management, the Chair of the Board and the Chair of the Audit Committee, and a review of various College documents, previous internal audit reports and the College's Strategic Risk Register.
- 5.2 The proposed annual operating plan, below, for 2022/23 reflects the allocation set out in Year 2 of the approved Strategic Plan 2021 to 2024.

Proposed Allocation of Audit Days

	Category	Priority	Planned 22/23 Days
Reputation			
<i>Publicity and Communications</i>	Gov	M	
<i>Health and Safety / Wellbeing</i>	Gov	H	
Student Experience			
<i>Curriculum</i>	Perf	M	
<i>Quality</i>	Perf	M	
<i>Student support</i>	Perf	M	
<i>Student recruitment and retention</i>	Fin/Perf	M/H	
<i>Student welfare – Duty of Care</i>	Perf	M	
<i>Students Association</i>	Gov	L/M	
Staffing Issues			
<i>Staff recruitment and retention</i>	Perf	M	
<i>Staff development</i>	Perf	M	
<i>Payroll</i>	Fin	M/H	
<i>Teaching staff utilisation</i>	Perf / Fin	M	
Estates and Facilities			
<i>Building maintenance</i>	Fin/Perf	M/H	
<i>Estates strategy / capital projects</i>	Fin/Perf	M	
<i>Space management / room utilisation BPR</i>	Perf	H	5
<i>Asset / fleet management</i>	Perf	M	
Financial Issues			
<i>Budgetary control</i>	Fin	M	
<i>Student invoicing and debt management</i>	Fin	M	
<i>General ledger</i>	Fin	L	
<i>Procurement and creditors / purchasing – Sustainable procurement</i>	Fin	M/H	5
<i>Debtors / Income</i>	Fin	M/H	
<i>Cash & Bank / Treasury management</i>	Fin	M	
<i>Fraud Prevention, Detection and Response</i>	Fin	M	
<i>Financial sustainability</i>	Fin	H	



Proposed Allocation of Audit Days (continued)

	Category	Priority	Planned 22/23 Days
Commercial Issues			
<i>Business Development</i>	Fin/Perf	M	
<i>External Activities</i>	Gov/Fin/Perf	M	
Organisational Issues			
<i>Risk Management</i>	Perf	M/H	
<i>Business Continuity</i>	Perf	M	5
<i>Corporate Governance</i>	Gov	M	
<i>Corporate Planning</i>	Perf	M	
<i>Performance reporting / KPIs</i>	Perf	M/H	4
<i>Partnership Working (incl. Regional Engagement)</i>	Gov/Perf	H	
<i>Equalities</i>	Gov	L/M	
<i>Environmental Sustainability</i>	Gov/Perf	M	
Information and IT			
<i>Cyber security</i>	Perf	M/H	
<i>Data protection / records management</i>	Gov	H	5
<i>FOI</i>	Gov	M	
<i>ICT and Digital Transformation Strategy implementation (with specific focus on digital capability)</i>	Perf	M/H	
<i>Licencing</i>	Perf	L	
Other Audit Activities			
Credits Audit	Required		5
Bursary, Childcare and Hardship Funds Audit	Required		4
EMA Audit	Required		1
Management and Planning)			3
External audit / SFC)			
Attendance at Audit Committee)			
Follow-up reviews			2
Payroll Double Payment			
Audit Needs Assessment			
Total			39
			=====

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Perth College UHI

Paper No. 5

Committee	Board of Management
Subject	Audit Committee Annual Report to the Board of Management 2021/22
Date of Committee meeting	22/12/2022
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	15/12/2022
Executive summary of the paper	<p>Purpose:</p> <p>In line with the College's Financial Memorandum, the Audit Committee is required to produce an annual report to the Board of Management.</p> <p>Impact:</p> <p>This report is presented to the Board of Management primarily to provide an assessment of the adequacy and effectiveness of the College's system of internal control.</p> <p>Course of Action:</p> <p>This paper is presented to the Board of Management for approval.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	This paper was presented to Audit Committee for consideration at their meeting of 12 December 2022 prior to submission to the Board of Management.
Action requested	<input type="checkbox"/> For information <input type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input checked="" type="checkbox"/> Strongly recommended for approval

Perth College UHI

<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>Yes/ No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>Yes/ No</p> <p>This is a requirement of governance within the Financial Memorandum.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>Compliance</p> <p>Risk Management</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p> <p>Click or tap here to enter text.</p>

Perth College UHI

Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	Yes/ No If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	Non Confidential
Freedom of information Can this paper be included in "open" business?	Yes/ No

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

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 and http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Audit Committee Annual Report to the Board of Management

Academic Session 2021-22

1 Introduction

The Scottish Funding Council's mandatory requirements require the Audit Committee to produce a report to the Board of Management primarily to provide an assessment of the adequacy and effectiveness of the College's system of internal control.

The Smith Guidance to Audit Committees also suggests that this annual report should focus on internal financial control and be provided to the Board prior to the signing of the financial statements and the Board's statement of responsibilities in particular.

This report covers the accounting period of 12 months to 31 July 2022.

The terms of reference of the Audit Committee are attached for information at **Appendix 1**. During the period under review the Committee met on 4 occasions: 04 October 2021, 29 November 2021, 16 March 2022 and 31 May 2022. Details of the membership of the Committee during this period are shown at **Appendix 2**.

2 Internal Audit

Henderson Loggie were re-appointed as the College's Internal Auditors in July 2016 for the period 1 August 2016 to 31 July 2020. An extension of this contract was implemented in March 2020 to enable completion of internal audits for the period to July 2021. This extension was implemented as a COVID related tender exemption.

A subsequent tender process was implemented for the 3-year period to July 2025, whereupon Henderson Loggie were reappointed as the College's Internal Auditors.

A comprehensive Audit Needs Assessment (ANA) and three-year Strategic Audit Plan was presented to, discussed with and approved by, Audit Committee at the meeting held on 16 March 2022 based on consideration of areas of higher risk and need from a review of the College's Strategic Risk Register, and a review of previous internal audit coverage.

The agreed plan focused on the key strategic risks of reputation, student experience, staffing, Estates & Facilities, Finance, Commercial, Organisation and Information & IT, alongside required annual audits and follow-up reviews. It was agreed that the number of Internal Audit days be increased to better reflect current risk, and would total 122 days over the 3-year period of the Plan, with 45 days assigned to 2021/22.

The Annual Report of the Internal Auditors for 2021/22 was considered by the Audit Committee at its meeting on 12 December 2022. In the 2021/22 Annual Report, Henderson Loggie state that:

“In our opinion, with the exception of the follow up issues described in paragraph 1.11, the College has adequate and effective arrangements for risk management, control, and governance. This opinion has been arrived at taking into consideration the work we have undertaken during 2021/22 and in previous years since our initial appointment.”

In Section 2 of the Annual Report prepared by Henderson Loggie a summary of the results and conclusions relating to the audit work carried out by them in the following areas is given. Recommendations were made by Henderson Loggie in each of the internal audit reports, as follows:

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2022/01	Student Activity Data (Credits) 2020/21	Audit opinion unqualified	3	-	-	3
2022/02	Student Support Funds 2020/21	Audit opinion unqualified	4	-	1	3
2022/03	Payroll Double Payment	Satisfactory	2	-	1	1
2022/04	Strategic Plan 2021 to 2024 and Annual Plan 2021/22	N/A	N/A	-	-	-
2022/05	Partnership Working	Satisfactory	4	-	1	3
2022/06	Income / Debtors	Satisfactory	2	-	-	2
2022/07	Payroll	Satisfactory	4	-	1	3
2022/08	Building Maintenance	Satisfactory	3	-	1	2
2022/09	Quality	Good	1	-	-	1
2022/10	Follow Up	N/A	19 of 29 recommendations will require further action	-	12	7

Recommendation grades are defined as follows:

Priority 1 – Issues subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.

Priority 2 – Issues subjecting the College to significant risk and which should be addressed by management.

Priority 3 – Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

The Internal Audit Reports referred to above were reviewed in detail by the Audit Committee and accepted.

3 External Audit

Ernst & Young was appointed by Audit Scotland as the College's external auditors from Academic Year 2017.

A draft external Audit Annual Report 2020/21 was reviewed at the Finance and Resources Committee on 12 December 2022 and will be reviewed by the Board of Management at a meeting on 22 December 2022, and by the Auditor General.

The draft Financial Statements including accounting policies, disclosures and the external auditor's opinion for the year ended 31 July 2022 were submitted to the Committee on 12 December 2022 and after full discussion were approved and presented for ratification by the Board at a meeting on 22 December 2022.

The Corporate Governance statement included in the audited Financial Statements for the year ended 31 July 2022 was reviewed along with the Financial Statements.

4 Effectiveness of the Audit Committee

A 'Review of Meeting' item at the end of every agenda was continued by the Audit Committee throughout 2021/22. This was to enable members the opportunity to reflect on and discuss the effectiveness of the meeting. No concerns about the conduct of the meetings have been raised.

5 Value for Money

The College continues to work closely with Government forums and Advanced Procurement for Universities and Colleges (APUC) and follows the guidelines that have been developed to support the sector in line with best practice.

In response to a recognition of the need to improve procurements procedures, in November 2018 the College made the decision to buy-in direct support from APUC has contracted APUC to provide direct support in the development of more robust systems and processes. Initially, this was obtained via a remote support arrangement with the Head of Procurement – UHI Shared Service (APUC), however since July 2019 a member of APUC staff has been contracted to work directly for the College to take the project forward.

6 Review of the Effectiveness of Internal Control and Risk Management

The Committee undertook a formal review of the effectiveness of internal control and risk management in November 2016. This report is based on guidance produced by the Turnbull Committee and invites the Board to confirm that:

- It is satisfied with the scope, frequency and quality of the reports received during the year.
- It is satisfied with the College's ability to respond to changes in the operating environment.
- It is satisfied with the scope and quality of senior level involvement in monitoring risks.
- It is satisfied with the extent and frequency of reports to the Board.
- It agrees that there had been no significant control failings or weaknesses identified during the year.
- It is satisfied with its public reporting processes.

It is recommended that an informal review of effectiveness is undertaken on an annual basis. During the financial year 2021/22, Audit Committee reviewed the internal Audit plan and took the decision to prioritise Audit days towards Payroll, Buildings Maintenance and Quality, as these were felt to be higher risk issues for the College.

7 Other Matters

The College Governance Manual, including the Terms of Reference for Board Sub-Committees, was fully reviewed during 2020 and the revised edition approved by the Board on 10 June 2020. Subsequent to this review, the title and/or nature of the 4 Standing Committees of the College were reviewed during 2021, and new Terms of Reference for each Committee were agreed.

In addition, Audit Committee reviewed the College's Code of Good Governance Compliance Checklist at its meeting on 04 October 2022, to provide comfort to Audit Committee that the College maintains its required levels of compliance.

8 Opinion and Conclusion

It is the opinion of the internal auditors, Henderson Loggie CA, accepted and endorsed by the Audit Committee, that the College operates adequate and effective internal control systems as defined in the audit needs assessment and that proper arrangements are in place to promote and secure value for money.

It is the opinion of the external auditors, Ernst & Young, and endorsed by the Audit Committee that the financial statements give a true and fair view and are properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder.

It is the opinion of the Committee that the Board of Management's responsibilities as described in the Responsibilities of the Board of Management Statement included in the financial statements for the year to 31 July 2022 have been satisfactorily discharged.

It is also the opinion of the Committee that compliance with the SFC audit requirements as incorporated in Financial Memorandum have been ensured, whilst noting the Disclosures detailed within Appendix 3.

Perth College UHI Audit Committee, 12 December 2022

AUDIT COMMITTEE

Membership

No fewer than 3 members of the Board of Management.

One place reserved by invitation for a Student Member of the Board, as nominated by HISA Perth.

One place reserved by invitation for a Staff Member of the Board, to be determined by Staff Members of the Board

- Board members not eligible for appointment are the Chair of the Board, the Principal, the Chair of the Finance & Resources Committee, the Staff Board Member nominated to Finance & Resources Committee, and the Student Board Member nominated by HISA Perth to Finance & Resources Committee.
- No member of the Finance and Resources Committee shall also be a member of the Audit Committee.
- The Chair of the Board, the Principal and the Chair of the Finance and Resources Committee shall be invited to attend meetings.
- The Committee may sit privately without any non-members present for all or part of a meeting if they so decide.
- The College Executive will attend meetings at the invitation of the Committee Chair and provide information for Agenda items

In attendance

Principal

Vice Principal (External)

Vice Principal (Operations)

Depute Principal

Quorum

The Quorum shall be 3 members.

Frequency of Meetings

The Committee shall meet no less than three times per year.

Objectives

The Audit Committee's main responsibilities include advising the Board on whether:

- There are systems in place to ensure that the College's activities are managed in accordance with legislation and regulations governing the sector.
- A system of governance, internal control and risk management has been established and is being maintained, which provides reasonable assurance of effective and efficient operations and produces reliable financial information.

- There are systems in place to ensure the Committee engages with financial reporting issues

Terms of Reference

Internal Control

1. Reviewing and advising the Board of Management of the internal and the external auditor's assessment of the effectiveness of the college's financial and other internal control systems, including controls specifically to prevent or detect fraud or other irregularities as well as those for securing economy, efficiency and effectiveness; and
2. Reviewing and advising the Board of Management on its compliance with corporate governance requirements and good practice guidance including a strategic overview of risk management.
3. Strategic oversight of Health and Safety, Freedom of Information and Data Protection on behalf of the Board.

Internal Audit

1. Advising the Board of Management on the selection, appointment or reappointment and remuneration, or removal of the internal audit provider.
2. Advising the Board of Management on the terms of reference for the internal audit service.
3. Reviewing the scope, efficiency and effectiveness of the work of internal audit, considering the adequacy of the resourcing of internal audit and advising the Board of Management on these matters.
4. Advising the Board of Management of the Audit Committee's approval of the basis for and the results of the internal audit needs assessment and the strategic and operational planning processes.
5. Approving the criteria for grading recommendations in assignment reports as proposed by the internal auditors.
6. Reviewing the internal auditor's monitoring of management action on the implementation of agreed recommendations reported in internal audit assignment reports and internal audit annual reports.
7. Considering salient issues arising from internal audit assignment reports, progress reports, annual reports and management's response thereto and informing the Board of Management thereof.
8. Informing the Board of Management of the Audit Committee's approval of the internal auditor's annual report.
9. Ensuring establishment of appropriate performance measures and indicators to monitor the effectiveness of the internal audit service.

10. Securing and monitoring appropriate liaison and co-ordination between internal and external audit.
11. Ensuring good communication between the Committee and the internal auditors.
12. Responding appropriately to notification of fraud or other improprieties received from the internal auditors or other persons.
13. Reviewing the Risk Management Register.

External Audit

The appointment of external auditors to the College is directed by Audit Scotland.

1. Considering the college's annual financial statements and the external auditor's report prior to submission to the Board of Management by the Finance Committee. Care should be taken, however, to avoid undertaking work that properly belongs to the Finance and General Purposes Committee. If within its terms of reference, the Committee should consider the external audit opinion, the Statement of Members' Responsibilities and any relevant issue raised in the external auditor's management letter.
2. Reviewing the external auditor's annual Management Letter and monitoring management action on the implementation of the agreed recommendations contained therein.
3. Advising the Board of Management of salient issues arising from the external auditor's management letter and any other external audit reports, and of management's response thereto.
4. Reviewing the statement of corporate governance.
5. Establishing appropriate performance measures and indicators to monitor the effectiveness of the external audit provision.
6. Reviewing the external audit strategy and plan.
7. Holding discussions with external auditors and ensuring their attendance at Audit Committee and Board of Management meetings as required.
8. Considering the objectives and scope of any non-statutory audit work undertaken or to be undertaken, by the external auditor's firm and advising the Board of Management of any potential conflict of interest.
9. Securing appropriate liaison and co-ordination between external and internal audit.

Value for Money

1. Establishing and overseeing a review process for evaluating the effectiveness of the college's arrangements for securing the economical, efficient and effective

management of the college's resources and the promotion of best practice and protocols, and reporting to the Board of Management thereon.

2. Advising the Board of Management on potential topics for inclusion in a programme of value for money reviews and providing a view on the party most appropriate to undertake individual assignments considering the required expertise and experience.
3. Advising the Board of Management of action that it may wish to consider in the light of national value for money studies in the further education sector.

Advice to the Board of Management

1. Reviewing the college's compliance with the Code of Audit Practice and advising the Board of Management on this.
2. Producing an annual report for the Board of Management.
3. Advising the Board of Management of significant, relevant reports from the Scottish Funding Council and National Audit Office and successor bodies and, where appropriate, management's response thereto.
4. Reviewing reported cases of impropriety to establish whether they have been appropriately handled.

Appendix 2 - Membership of the Audit Committee during the period 1 August 2021 – 31 July 2022

Jim Crooks (Chair)

Ann Irvine (Vice Chair)

Graham Watson

Fiona Martin

Madeleine Brown (resigned 30 June 2022)

PERTH COLLEGE

Audit Committee

Annual Assessment of Effectiveness of Internal Control

1 Introduction

The Board of Management is required to make a statement on corporate governance in the annual accounts, in accordance with the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012. To support its statement on corporate governance, the Board should undertake an annual assessment of the effectiveness of internal control systems and risk management.

2 Review of Reports Received During the Year

During 2021/22, the Audit Committee received the following internal audit reports from Henderson Loggie:

Audit Action Plan 2021/22-2024/25
2020/21 Student Activity Data
Student Support Funds 2020/21
Student Recruitment & Retention
Staff Skills
Payroll Overpayment
Follow-Up Reviews

All recommendations therein and the College response to them are noted. The College's actions in response to previous Internal Audit report recommendations are monitored by the Audit Committee.

During 2021/22, the Finance and Resources Committee and the Board received quarterly reports on income and expenditure against budget. Reports were also provided on assets and liabilities. Variance reporting was used to highlight areas of risk and compensating action was taken.

The Board is invited to confirm that it is satisfied with the scope, frequency and quality of the reports received during the year, as set out above.

3 Changes During the Year

Changes and developments in the external operating environment which were substantive agenda items at the Committee meetings in 2021/22 are listed as follows:

1. SFC Funding: Continued limitations in funding for the College sector coalesced during 2021/22, and future funding restrictions will be applied in the sector for the foreseeable future. This is a significant risk to the financial sustainability of the college as it could be difficult to cover increases in staff costs and non-staff costs in the future.
2. Student Numbers: Post Brexit and COVID-19, the College have been impacted by falling Higher Education student numbers. It is believed that this is due to universities changing their entry requirements which has increased their student numbers. This is a significant risk to the funding entitlement of the College now and in the future.
3. National Pay Bargaining: While academic staff roles have been agreed nationally, the professional services job evaluation exercise remains ongoing and will continue into at least 2022/23. This is a significant risk for the college sector due to the loss of direct control over staffing costs, a major element of the College cost base.

The Board is invited to confirm that it is satisfied with the College's ability to respond to changes in the operating environment.

4 Scope and Quality of Risk Monitoring

The Risk Register was reviewed quarterly then forwarded to Audit Committee for monitoring and oversight. Continuing and emerging risks were recognised as:

The continued impact of COVID-19 and its wider economic impact in relation to financial sustainability, student retention and wellbeing, continued financial uncertainty and sustainability, and International students; national pay bargaining; and ongoing discussions with UHI and Academic Partners

The College's actions in response to Strategic Risk Register discussions and actions are monitored by the Audit Committee and Board. An updated approach to Risk Monitoring is being implemented by assigning the monitoring of key risks to committees. These Risks will be linked to the Key Performance Indicators identified during the Strategic Planning process which resulted in a new Strategic Plan 2022-2027 being approved by the Board of Management in June 2022.

The Board is invited to confirm that it is satisfied with the scope and quality of management's monitoring of risks.

5 Communication to the Board and its Committees

Board Responsibility:

'The Board should consider the extent and frequency of the communication of the results of monitoring to the Board and its Committees, which enables it to build up a cumulative assessment of the state of control in the College and the effectiveness with which risk is being managed'. (Turnbull Guidance)

Response

The system of reporting to the Board is covered in the draft Statement of Corporate Governance.

Henderson Loggie were re-appointed as the College's Internal Auditors in July 2016 for the period 1 August 2016 to 31 July 2020. An extension of this contract was implemented in March 2020 to enable completion of internal audits for the period to July 2021. This extension was implemented as a COVID related tender exemption. A subsequent tender process was implemented for the 3-year period to July 2025, whereupon Henderson Loggie were reappointed as the College's Internal Auditors.

Audit Committee receives regular progress reports against the Internal Audit Action Plan at each scheduled meeting,

The Board is invited to confirm that it is satisfied with the extent and frequency of reports to the Board.

6 Control Failings or Weaknesses

During the year ending 31 July 2022, the following control weakness was identified as requiring action:

Area	Issue	Action
Payroll	<p>The College and subsidiary AST (Engineering) Limited, made a double salary payment to staff in the October 2021 payroll run.</p> <p>The incident was promptly identified by the College and steps were taken to try and prevent the payment from being made however the bank were unable to stop the payment once initiated.</p> <p>An internal investigation was undertaken and a detailed report provided to the Joint Finance and Resources and Audit committee in November 2021.</p>	<p>Control improvements were identified and implemented, eg segregation of BACS authorisation.</p> <p>A plan for recovering the monies was implemented, with 99.8% of funds having been recovered</p>

7 Effectiveness of Public Reporting Procedures

- Perth College UHI is committed to the principles of openness and accountability in all its activities. In response to our obligations under the Freedom of Information Act (Scotland) 2002, the College has adopted and will maintain the Model Publication Scheme for Scotland's Colleges.
- The Board is updated annually on the requests for information received under the Freedom of Information Act (Scotland) 2002 and Data Protection requests.
- The College completes and lodges a number of statutory returns to demonstrate appropriate use of public funds.
- Information about the Board and its members is available on the website, including the Register of Interests.
- Board of Management minutes and papers are published on the website.
- The Perth College Annual Accounts are published on the website. The Annual Accounts for Air Service Training (Engineering) Limited are lodged with Companies House.
- The Annual Report is published on the website. A hard copy is available to anyone who makes a request.

The Board is invited to confirm that it is satisfied with its public reporting processes

Perth College UHI

Paper No 6

Committee	Board of Management
Subject	Appointment of Senior Independent Member
Date of Committee meeting	22/12/2022
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	15/12/2022
Executive summary of the paper	<p>The Board currently has a vacancy for the role of Senior Independent Board Member (SIBM) following the recent resignation of Ann Irvine from the Board.</p> <p>The role of the SIBM is primarily to provide advice and support to the Chair of the Board on challenging issues, and to be engaged in the evaluation of the Chair of the Board where appropriate.</p> <p>The matter was discussed at Chairs' Committee and it was agreed that Andrew Comrie be nominated for this role with immediate effect.</p> <p>Approval of the Board is now sought for this appointment.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	Discussed at and nominated by Chairs' Committee
Action requested	<input type="checkbox"/> For information <input type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input checked="" type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)

Perth College UHI

<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>No</p> <p>=</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>No</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p> <p>Click or tap here to enter text.</p>

Perth College UHI

Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	No If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	No
Freedom of information Can this paper be included in "open" business?	Yes

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

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and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Executive Summary

UHI 2024 is a collective call to action across the partnership to make significant and radical change to deliver a financially sustainable partnership that is coordinated, connected and delivers the best possible experience for our students and for our communities across the whole scope of tertiary education. The work to develop the programme started in earnest in September 2023, following two partnership meetings earlier in the year.

Executive workstream leads, drawn from across the partnership, have been developing their proposals, working with colleagues from all partners and involving 'experts' as required, including seeking external support to obtain consultancy and benchmarking information. In the 3 months since the programme started in earnest we have established a level and tone of collaborative and collective partnership dialogue which has not been experienced from a long time within UHI, and which will, in the longer term, future proof our organisation, making us 'fit' for the challenges ahead. The UHI2024 workstreams are:

- Addressing the immediate challenges the partnership faces;
- Laying the groundwork for the changes that are required to make the partnership operationally coordinated, efficient and effective;
- Setting out the future options for how the partnership can evolve to deliver now and well into the future.

There has been a step change in the way the senior executive has come together to develop these proposals that has been absent in previous change programmes. There is real recognition that we can only solve our individual challenges through coordinated action and to deliver requires us to put aside the politics of the past and focus on how best to deliver tertiary education across the region. There is an agreement that the proposals set out a baseline for change, but opportunities to enhance our partnership, drive efficiencies and effectiveness will be taken as UHI 2024 progresses.

Currently, each of the workstreams are at different stages, and over the next 2 months, all will move to identify benefits and cash savings, ahead of the Court meeting in February 22. The response to data collection requests that will underpin the deliverables of UHI 2024 have been quickly processed and have demonstrated a willingness to work together and to overcome barriers of operational differences. As part of our due diligence approach we will need to properly analyse and sort the information, so that any decisions are meaningful and long term for the benefit of the whole partnership and represent true and properly managed change.

As we work through the detail of the proposals, the phasing and interconnections of the workstreams are becoming apparent with the strategy workstream leading the overall direction. Each of the workstreams will deliver different benefits and the partnership executives are harnessing the collective of Partnership Council meetings to test and try theories. The Curriculum, Shared Services and Focussed EO are dealing primarily with the need to grow our income and cut our costs in the immediate. They will deliver a real change to our financial outlook and also lay the groundwork for the operational changes that are required to deliver the radical change that the partnership needs. They are the necessary steps required regardless of how the partnership ultimately evolves. To date these workstreams have identified £6m to £8m of indicative financial

benefit over the initial 2-year period, and it is anticipated that further savings figures will be available for Court in February.

The Governance and strategy workstreams will both work to develop the future options, taking into account both the ambition for radical change and the necessary steps to deliver on these, both the things we can do internally and where we need SFC and SG support and action to deliver the next phase of UHI and the delivery of tertiary education across the region.

Our next steps are to develop the high-level proposals set out below into an interlinked programme of change, with clear financial benefits, that will take us to July 2024 and beyond. We have identified a programme lead for the work, supported by a UHI 2024 programme management team to build the necessary rigour into the plans and deliverables of each of the workstreams and ensure that the considerable interdependencies are mapped and managed.

After the Christmas break, we will begin the engagement of a much wider cohort of staff across the partnership, the operational leadership within each of the partners, to further develop and press forward with the plans. This will turn the proposals into full projects that have the necessary expertise and capacity to deliver on the ambitions. It will ensure all staff are engaged in the work and actively shaping our collective future, to a defined and common plan.

UHI 2024 has both the support and the momentum to determine both the vision of where we want to be as a partnership in ten years' time, and the practical changes we need to make in the shorter term. It will stabilise our finance, deliver real change and establish a way of working and operational arrangements that are conducive to delivering the long-term vision for the partnership.

Purpose

UHI 2024 is a programme of change that seeks to deliver financial sustainability through a more integrated and connected university, supported by simplified governance arrangements and strong devolved decision making to a local level. Taken together UHI 2024 is a fundamental reshaping and improvement of how we work as a partnership which will resolve several longstanding issues and barriers as well as creating a range of new opportunities.

This paper provides an overview of progress to date. More detailed project proposals for each of the workstreams can be found at Annex 2, these are also draft at this stage.

Principles

There are five principles that underpin UHI 2024. These are:

1. **Simplification** – That we will seek to simplify our arrangements by reducing duplication, standardising our arrangements, and reducing the complexity of our decision-making processes
2. **Enhancement** – That we seek to enhance our arrangements, building on the best practice within the partnership and improve how we work.
3. **Student equity and parity** – That we seek to maximise the resources available for front line services and ensure that the opportunities afforded to students are balanced across the partnership.
4. **Sustainability** – That we seek to deliver a more financially and operationally sustainable partnership.
5. **Clarity** – That we clearly communicate to staff and stakeholders the changes that we are progressing and the benefits that UHI 2024 will deliver.

Core to UHI 2024 are also the UHI Values of, Collaboration, Openness, Respect and Excellence. It will also require all partners to compromise by focussing on the needs of our partnership, rather than as individual institutions.

Scope

UHI 2024 will provide opportunity for all institutions to improve their effectiveness, but the actions that we will take forward are focussed on executive office and the academic partner colleges. Discussion will require to be held with the specialist institutions to see if there are operational opportunities that they wish to take advantage of.

Workstreams aims and objectives

There are seven workstreams within UHI 2024. The strategic aims of each workstream are:

Table 1 – Strategic aims of UHI 2024 workstreams

Workstreams	Aims
Curriculum	Establish a partner-wide cohesive and cost-efficient tertiary curriculum which maximises student recruitment
Shared Services	Provide clear recommendations on which shared services should be established across the whole academic partnership and progress a clear implementation plan based for the creation of partnership wide shared services.
Executive office	Establish a more focused Executive Office based on customer ¹ need.
Governance	Create more simplified governance structures, enhancing clarity of where the points of decision are, a clear understanding of roles and responsibilities and enhancing clarity of where accountability lies.
Communication	Enhance partnership working through governance structures, improve transparency of decisions, and secure joined up decision making in order to engender trust, confidence and respect for decisions.
People and Culture	Enhance the staff experience and enhance a culture of partnership.
Strategy	TBC

The strategy workstream felt that there was limited value in pursuing the strategic aim, to reconsider “Daring to be Different”, at this point in time and will take a proposal to the partnership meeting on 13th December to seek approval for a change in direction.

Objectives

Each workstream was asked to develop SMART objectives to outline how they are seeking to achieve the strategic aims set out above. This has not been possible for all workstreams as they require more analytical time to develop a more comprehensive baseline from which to develop clear measurable deliverables. Set out below is an outline of what each group is seeking to achieve. The overarching phases of the work are set out in Annex 1. The project proposals for each of the workstreams is set out in Annex 2

Curriculum

The Curriculum workstream is seeking to grow our offer in key sectors to ensure that we are meeting our credit targets, increase non-SFC funded places through rUK and international recruitment, improve our retention rates to sector norms and refreshing our quality and decision-making processes. The workstream has engaged specialist consultants to support the work who will begin in January 2023 for a six-month period.

The workstream is progressing at pace given the current challenges that the partnership face in respect of student recruitment and the long lead in times to develop and bring to market new courses. They will consider the retiral of courses but the focus for the next few years will be to retain as many students as possible. A new partnership wide KPI matrix has been put in place that will underpin the tracking of performance.

¹ We are defining customer as those that receive a service from Executive Office, primarily Academic Partners.

Shared Services

The shared services workstream is focussing on the standardisation of our systems and processes to provide for the foundation to deliver shared/common/single services. Data analysis of our current arrangements shows that we have numerous systems covering core corporate areas such as finance, HR and payroll, many of which are not fit for purpose, and where we do have single systems, such as SITS and CELCAT (timetabling software), they are used in multiple different ways.

The workstream will focus on four areas in the first instance:

- Marketing – This is a crucial area to the partnership at present given its relationship to student recruitment, proposals will be considered to create a common service in the short term, with a matrix management arrangement developed with further development over the next 2 years.
- Finance - This will be based on the current sharing of services between UHI Inverness and UHI North Highland, this will be used as a model for further development. Using the current system which both Inverness and North Highland use is being investigated for the short term with the intention of purchasing a new system in the medium term.
- HR - There is currently no sharing of services in HR although there is informal sharing of expertise where necessary. The systems used within the HR teams are varied and not the standard platform systems that would be the norm in organisations of our collective size, the purchase of a new industry standard system is being investigated while the standardisation of processes will be developed.
- Registry – The proposals for registry relate to improvements in the SITS system and in standardising the processes across the partnership. There is significant duplication in effort in this area and harmonisation of approach would see improvements in efficiency.

The timelines for the four areas of work have yet to be defined as they are subject to wider discussions with operational colleagues.

Focussed EO

The focussed EO workstream is split into two main phases.

The first is focussed on delivering the current restructure of Executive Office to ensure that it is efficient and financial sustainable. The VS scheme launched on the 05th December and is open for two weeks. The outcome of the VSS will be known by the end of January and the restructure will then begin. This phase will be completed by April 2023.

The second, running concurrently with the phase one, will identify, classify, quantify and cost the activities undertaken by EO and conduct a 'Moscow' (must have, should have, could have) review of the non-regulatory activities. It will look at the nature of professional services and academic entities within EO, (such as the Centre for History and the School of Health, Social Care and Life Sciences), their current mode of operation, what value for money they provide, and the impact of the statutory responsibilities of the university on where they should be delivered from.

Governance

The governance workstream is seeking to deliver the strategic aims in both the governance and communication lines (workstreams 4 and 5) set out in Table 1. The work is split into three parts.

1. Baselining and mapping the current arrangements to clearly set out how it operates
2. Simplifying the current arrangements to rationalise the number of committees and management groups across the partnership and make clear where decision-making powers lie
3. Identifying new governance options for the partnership to offer different scenarios for more integrated arrangements and the necessary legislative and corporate changes that would be required to deliver them.

People and culture

The people and culture workstream is focussing on the development of a partnership wide workforce profile that will be critical for the work of both the shared services and focussed EO workstreams. This will be completed in the first quarter of 2023. Once created, the workstream will then support the Shared Services workstream, particularly around HR systems, processes and structure to accelerate the delivery of their aims. Once a firmer future direction for the partnership is set out, the workstream will then consider the staff and culture considerations that will be required to deliver on that vision.

Vision and strategy

As noted above, the vision and strategy group have been considering their strategic aims set out in the 'Nairn meetings'. They are looking to expand the remit of the group to consider more broadly UHI Futures across both structural and thematic, such as academic provision, futures. The executive lead of the working group, Lydia Rohmer, will provide further detail on 13th December. It is envisaged that the membership of the group will change significantly to accommodate the broader scope of the work and will actively inform the other workstreams.

Targets

The financial targets that are being developed cover both growth in income, through the curriculum workstream, and reductions in cost through the focussed EO and shared services workstreams. The figures noted below are indicative and require to be tested further and confirmed.

Growth targets

The curriculum workstream is looking to recover the shortfall in non-controlled core funded numbers to reduce the risk of clawback from the SFC. For AY22/23 the projected clawback figure is in the order of £5m. The planned increases in student FTE would close this gap by 2026/27, but significant work will also be undertaken to improve our retention rates which would close the gap a year earlier and significantly reduce the clawback figures for the preceding years.

The planned increases in international and rUK students will also see income rise. This is projected to be in the order of £600k in additional income in AY23/24 rising to over £2m additional income by AY26/27. At Partnership Council on 07 December there was some discussions as to whether the growth planned for international and rUK are ambitious enough, and the workstream are actively considering this.

Savings targets

The focussed EO workstream has identified full year savings of £2.4m to be taken from EO by April 2023. These will be delivered through the VS scheme that was launched on 5th December and through the subsequent restructure planned to begin once the outcome of the VS scheme is known. The workstream then plans to further reduce costs both within EO and the corporate centres of APs as decisions are taken on where functions best sit, either regionally or locally, and the current duplication in activities is reduced. Work is ongoing to cost this activity.

As noted above, the shared services workstream is focussing on harmonising systems and processes across core corporate areas. It is likely that this will require investment in the short term as the implementation of new systems will require funding and training for staff. The workstream will look for opportunities for shared posts across partners, particularly at a senior level, that may produce savings, but it is likely that the majority of benefits in the short term will be efficiency gains.

Interdependencies

There are considerable interdependencies between UHI 2024 workstreams and the UHI 2024 workstreams and other strategic initiatives, such as the Rural and Islands College Merger. The executive leads and the programme team have begun to map these so that the programme of work as a whole is coherent and the critical path for a variety of deliverables can be actively tracked. An executive lead planning event will be held in January so these can be fully worked through.

Programme Management

The workstreams have made good progress to develop their project proposals but they remain at a relatively early stage in their development. This has not allowed for the full consideration of the programme of work in programme management terms. More time is required to develop and agree the following areas as a priority:

- Clarify and confirm operational and financial targets
- Agree timelines and key milestones for each of the projects
- Identify issues and risk
- Interdependencies mapped and planned

Project team resource has also been an issue, but with the confirmation of the UHI 2024 programme lead and the transformation team restructure almost complete this pressure will be alleviated in early 2023.

Next steps

The next steps are:

- Work with all executive leads to confirm their targets and milestones
- Hold a UHI 2024 executive leads planning day to discuss and map interdependencies so the phasing of the programme of work can be confirmed
- Further develop the programme management documentation, in particular, the project plan, risk and issues logs, for onward monitoring by the Programme Board
- Develop and implement a communications strategy to engage staff and stakeholders
- Begin discussions with senior management teams across the partnership to ensure that UHI 2024 is embedded within partner organisations' operational plans.
- Discuss with specialist partners their involvement within the programme of work
- Onboard the UHI 2024 programme lead and programme manager resource

- Schedule a further all partnership meeting in February to update senior leadership on the confirmed scope and scale of the changes being progressed.

Recommendations

The attendees at the partnership meeting are asked to

- Discuss the progress to date
- Note the next steps in the development of UHI 2024.

Annex 1 – Phases of UHI 2024

Phases	Actions	Dates
Development of UHI 2024	Develop workstream proposals	December 22
	Develop full programme of work	March 23
Address the current challenges	Cost reduction in EO	April 23
	Partnership workforce profiling	April 23
	Curriculum changes identified for development / marketing	June 23
	Common marketing team	May 23
	Student retention programme in place	June 23
	Simplification of governance arrangements	June 23
	New courses launch	August 24
Preparing for significant change	Regional and local corporate function alignment	December 23
	HR system and process consolidation	June 24
	Finance system and process consolidation	June 24
	Registry processes and teams	Various
Future options for the partnership	Governance options	June 23
	Strategy and vision options	June 23
	Partnership discussions	December 23
	Staff culture plan	June 24
	Stakeholder discussions	June 24

UHI 2024 Workstream Project Proposals

Workstream 1 - Curriculum

Project name:	Workstream 1: Curriculum
Executive Leads:	Chris O’Neil, Principal UHI Inverness Neil Simco, Deputy Principal (Academic and Research)
Author:	Executive Leads
Document code:	UHI2024-Curriculum-PPD_V0
Version:	V0
Project Start Date:	January 2023
Project End Date:	July 2024

1. Project Aim

Establish a partner-wide cohesive and cost-efficient tertiary curriculum which maximises student recruitment.

1.1.Actions

- Utilising data provided by all academic partners, carry out a comprehensive tertiary curriculum mapping exercise across all partners to establish what is being delivered by whom, to where, and establish the economics of this.
- Agree a tertiary curriculum growth strategy and use this to determine new individual programmes of study which will optimise student recruitment.
- Confirm a partnership wide approach to determining arrangements for programme discontinuation, especially where these are deemed to be uneconomic.

2. Project Approach and Objectives (SMART)

Key Objectives:

- To identify new curriculum areas likely to attract significant numbers of students, including RUK, online and international where appropriate;
- To identify existing curriculum areas where major revision is desirable to ensure that they are fit for future purpose, and thereby attractive to new student cohorts;

- To identify new and refreshed curriculum areas which will decrease the proportion of Highlands and Islands school leavers who are choosing to leave the region for their higher education.
- To map further education and higher education curriculum to ensure that opportunities for progression are optimised;
- To identify any curriculum areas where retiral of programmes is desirable.

It is anticipated that whilst further education, apprenticeships and higher education are all in-scope, the focus on higher education will be most pronounced, given that much of further education is driven by business needs in sub-regional economies. Opportunities to develop an enhanced collaborative model for the delivery of further education curriculum will be identified.

Phase 1 (November 2022 – March 2023) will involve the commissioning of specialist consultants. The commissioning would follow the approved procurement routes and it is estimated would cost around £100K. The consultants would iterate with ongoing curriculum review and analysis internally, including the development of tertiary curriculum strategy, and the mapping of further and higher education provision. It would involve both the academic partners' tertiary curriculum planning and the coordinating work of the faculties.

The brief for the consultants is to:

- Provide a data driven in-depth analysis of our existing curriculum against market trends and student demand. Which curriculum areas are growing? Which are declining? What are students looking for as they make their choices? What are preferred delivery modes, including the place of online learning? Which sectors of the economy are growing? What graduate skills are employers looking for from our students?
- With a view to UHI increasing substantially the number of students, use this market analysis to provide clear recommendations for the development of new curriculum areas, the refresh of existing curriculum areas and where appropriate discontinuation of programmes.
- Provide an in-depth analysis of preferred pedagogical approaches for students, including online, flexible, face to face and blended, and how our current approaches meet this.

Phase 2 (February 2023 – July 2023) The university's faculties will work with academic partners in order to use both the outcomes of the consultancy and the internal analysis to determine a clear list of new curriculum areas for development, areas of curriculum for significant review and refreshment, and areas for possible discontinuation. New areas for development and areas for significant refresh will be underpinned by market intelligence and key data sets.

The primary driver for this work will be to secure significant new student cohorts, including RUK, international and online, but also an increase in the proportion of in-region young people choosing to register with UHI.

The workstream will consider the articulation routes from FE and HE and the quality assurance processes and decision making we have in place to ensure that they are fit for purpose.

Phase 3 (June 2023 – December 2024 and beyond) A programme of validations for new provision and major refresh of existing provision, primarily within higher education, will be agreed and rolled out. This will be coordinated by the faculties, and will involve development teams working collaboratively across the academic partners.

A programme of focused marketing related to the agreed new and refreshed programmes will be implemented in order to reach the identified new student cohorts.

The first new and refreshed higher education programmes will commence in August 2024, with further revisions to follow in August 2025 and ongoing.

3. Project Benefits

The project will result in the business critical stabilisation of the undergraduate main teaching grant, (growth from c4850fte to c5900fte) a significant growth of campus based student numbers for campus based 'rest of UK' (from 119fte to 350fte) and campus-based international (from 64fte to 243fte). It will also lead to a competitive undergraduate offer, as a result of the creation of new curriculum and significantly refreshed existing curriculum. There will be indirect positive consequentials relating to enhanced progression routes to postgraduate taught curriculum and from further education.

4. Project Outputs

The curriculum growth targets are currently being developed by MIS staff.

Targets	Key Performance Indicators
Non-controlled undergraduate core funded student numbers 5895fte by 2026/27 (current c4850fte) Removes risk of c£5M clawback. Overall SFC main teaching grant currently £35M	This will be measured by specific year by year targets for each category
Campus based international undergraduate students 243fte by 2028/29 (current 64fte) £2.108M additional income	
Campus based 'Rest of UK' undergraduate students 350fte by 2028/29 (current 119fte) £2.704M additional income	

The project focuses on UG recruitment as the impact of enhanced recruitment for this group will lead to optimum impact on income and student numbers as students will be with the university for a number of years. Positive indirect consequentials are anticipated for postgraduate taught (including online international for both PGT and UG), postgraduate research and further education provision.

Deliverable	Milestone – target date
Consultancy out to procurement	November 22
Consultancy report complete	March 23
Curriculum priorities developed	July 23
Validation, development and disinvestment	Dec 23
New Courses available	Aug 24

5. Key issues and risks

There are a number of key risks:

- The project is based on an assumption that the SFC allocations in the main teaching grant stay as currently, ie c5800.
- The project is based on an assumption that UKVI regulations continue to allow international students to register with UHI for campus-based courses.

- The project is based on an assumption that the development of new FE and HE curriculum and refresh of existing curriculum will ensure significantly increased recruitment.
- The project is based on an assumption that both retention of students on existing HE programmes improves and there is enhanced progression from FE programmes.

6. Interdependencies

Workstream 3 / Shared Services – Coordination of Marketing

7. Resource requirements

Outline the resource requirements for this project both personnel and funding.

£100k from the UHI2024 budget for consultancy spend

It should be noted that this development work will need significant investment, in a similar way to the initial rapid expansion of the higher education curriculum in the period 2010-2015, but the reality is that unlike during this previous period the university will not have access to European funding.

Input will be required from the Educational Development Unit and the Learning and Teaching Academy to ensure that new curriculum is delivered in the most optimal way, that appropriate courses are developed for the international/RUK market and that quality assurance processes are in place.

8. Data requirements

Significant data is available developed through the curriculum review work to date and from the SITS system.

Workstream 2 – Shared Services

Project name:	Workstream 2: Shared Services
Executive Lead:	Margaret Cook, Principal UHI Perth
Author:	Executive Lead
Document code:	UHI2024-Curriculum-PPD_V0
Version:	V0
Project Start Date:	January 2023
Project End Date:	July 2024

1 Project Aim

Establish clear recommendations on which shared services should be established to run across the whole academic partnership.

Progress a clear implementation plan based for the creation of partnership wide shared services.

1.1. Actions

- i. Carry out a review of all non-teaching costs (purpose and structure) including a comparison against external benchmarks.
- ii. Use this review to work-up costed models which demonstrate efficiency gains through the creation of a range of shared services across the academic partnership, to include for example registry, a common finance system, and human resources.
- iii. Within (b) the development of a fully integrated marketing and recruitment shared service is deemed to be a priority for development.

2. Project Approach and Objectives (SMART)

As it is not possible to address all of the professional services in one exercise a phased consideration/implementation of change which will go beyond the 2024 target deadline will be followed.

Given this the following areas will be considered as a priority:

- **Finance** – this will be based on the current sharing of services between UHI Inverness and UHI North Highland, this will be used as a model for further development. Using the current system which both Inverness and North Highland use is being investigated for the short term with the intention of purchasing a new system in the medium term.
- **HR** – there is currently no sharing of services in HR although there is informal sharing of expertise where necessary. The systems used within the HR teams are varied and not the standard platform systems that would be the norm in organisations of our collective size, the purchase of a new industry standard system is being investigated while the standardisation of processes will be developed.

- **Marketing** – this is a crucial area to the partnership at present given its relationship to student recruitment, proposals will be considered to create a common service in the short term, with a matrix management arrangement developed with further development over the next 2 years.
- **Registry** – the proposals for Registry relate to improvements in the SITS system and in standardising the processes across the partnership. There is significant duplication in effort in this area and the implementation of the SITS upgrade across the partnership would see improvements in efficiency.

3. Project Benefits

The objective is to create professional shared/common services in selected disciplines across the partnership which will deliver:

- Greater efficiency and effectiveness
- Greater access to expertise
- Reduced costs

4. Project Outputs

Targets	Key Performance Indicators
To achieve cost savings of £xx	
Reduction in number of systems	
Deliverable	Milestone – target date
Review of all non-teaching costs (including a comparison of external benchmarks)	
Costed models for shared services	
Marketing and recruitment shared service	
Finance shared service	
HR shared service	

5. Key issues and risks

The partnership only has the capacity to deliver a specified amount of change in one go if it is to be done thoroughly and have the maximum benefits.

The group identified a number of underlying issues which will require to be resolved as part of this process, these are:

- **Systems:** there is a historical underinvestment in systems across the partnership, with some systems no longer fit for purpose. There are currently proposals in individual institutions to purchase new systems and this would increase the diversity. Partnership Council, at its November meeting, agreed that all partners (including EO) would highlight any plans they have to buy new systems so that this could be discussed and factored into the process. There is no logic in buying individual systems for individual partners at this time and an audit of systems is about to begin.

- **Processes:** each institution across the partnership has different processes for doing what is essentially the same task, some of this is historical and some of this relates to the system that is used, standardising the processes is essential as this will facilitate sharing of systems, staff and resources.
- **VAT Groups:** this was discussed in previous iterations of change processes and the advice will now be updated.
- **TUPE:** advice was sought previously and this will be updated.
- **Staffing:** information will be collated on the number/grade of staff in each professional service across the partnership starting with the ones identified as being in scope.
- **Buy-in:** the group discussed the issue of all partners buying in to the proposals as again there is no logic in setting up changed systems, processes and organisational arrangements for a proportion of the partnership as this would retain the complexity we currently have and would not allow the maximum savings to be generated.

6. Interdependencies

The outputs of this workstream will closely align and interlink with the objectives of the following workstreams: focused EO, governance and collaboration and vision and strategy.

The proposal set out as part of the staff and culture workstream – to undertake workforce mapping across the partnership – will provide the detail to drive forward the considerations of where shared services may be developed and what savings and costs this may incur.

7. Resource requirements

The proposed areas of work will require to be fully costed and in the short term there will be a need for investment in system upgrades and new interim systems.

If new systems are to be implemented consideration will be required around resource and capacity, particularly around training.

8. Data requirements

A systems survey will be carried out to obtain data and information on all the systems utilised by the partnership as well as a gap analysis to identify any additional requirements. A review of all non-teaching costs (purpose and structure) requires to be carried out as well including a comparison against external benchmarks.

Workstream 3 – Focussed EO

Project name:	Workstream 3: Focused EO
Executive Lead:	Jane Lewis / Vicki Nairn
Author:	Executive leads
Document code:	UHI2024-Focused EO PPD_V0
Version:	V0
Project Start Date:	January 2023
Project End Date:	July 2024

1. Project Aim

Establish a more focused Executive Office based on customer² need.

1.1 Actions

- a. Conduct a customer focused review of partnership services provided by EO based on need in order to determine areas of activity that are required for regulatory purposes (must haves), what is highly desirable and what is less so. This work will include cost/benefit/ and value and gap analysis.
- b. Determine and progress actions in relation to the outcomes of the review, including the establishment of SLAs for in-scope Executive Office services.

2. Project Approach and Objectives (SMART)

To inform and guide the project approach the customer focused review of EO has set out the following high-level principles:

Principles:

The principles of this project are that it should:

- Be conducted in accordance with partnership values of collaboration, openness, respect and excellence
- Ensure that University status and the regulatory position of the University as RSB are enabled and safeguarded by any proposed changes

² We are defining customer as those that receive a service from Executive Office, primarily Academic Partners.

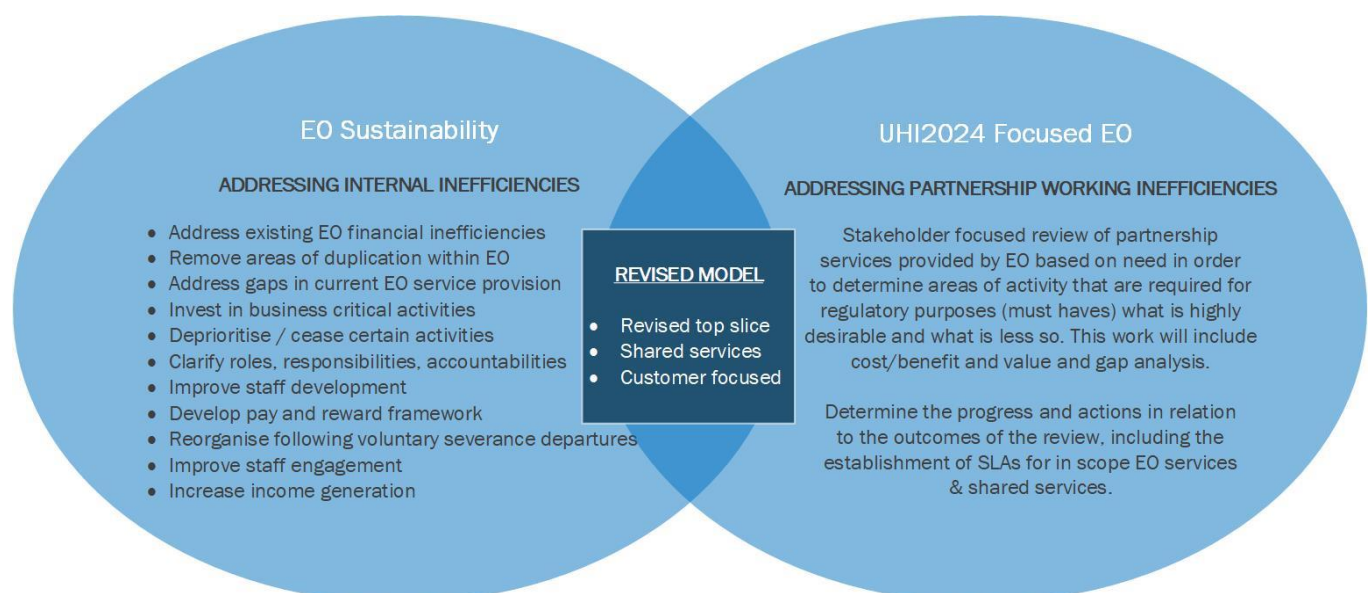
- Ensure that statutory and business critical services are delivered in an agreed way and to a satisfactory level across the partnership
- Ensure agreed and optimal levels of both regional and local communications, responsibilities and accountabilities
- Enable a clearer approach to communication for partners and external stakeholders to remove fragmentation and maximise strategic value for the University
- Enable the identification and design-out of single points of functional failure
- Eliminate unnecessary duplication to ensure that future proposed delivery models for partnership service delivery result in a significant reduction in central administrative overhead of teaching and support of learning

All aspects of the work will be clearly communicated and engage with the partnership in the reshaping journey

Project Approach:

In July 22, UHI Court approved a 5-year sustainability plan for EO. This was a 3 plus 2 model which will deliver a sustainable organisation but does not address the partnership charging mechanism/top slice issue. As part of the agreed approach, and recognizing that EO has a number of workstreams already in place, the project will look both at current EO sustainability activities and the work of UHI2024 and the development of a customer focused EO. It has to be recognized that EO is an employer in its own right and has obligations to staff, and a need to be sustainable against the approved budget. However it is anticipated that these workstreams will twin track and complement each other, whilst EO carries on with business as usual supporting the partnership.

The objectives of each phase are outlined below:



Project Objectives

The delivery of the project is as follows

EO Sustainability. November 22-April 23

- a) This workstream is in progress and is reviewing the current structure of EO and operating costs in line with the EO sustainability strategy. It will right size the operation in line with the current budget but will not change functions or responsibility. The project team recognises that this work is necessary, but not sufficient to deliver the UHI 2024 ambitions. As part of this work it will also identify the areas of activity that are required for regulatory purposes (university status and Regional Strategic Body for FE) and will identify where that activity is currently undertaken and at what cost.

Key activities

- Restructure of the senior team
- VSS for EO
- Restructure of current EO – organisation re-aligned within current budget, identification of non-negotiable regulatory role requirements ahead of any functional changes

As part of the restructure of the current EO, the existing work regarding the education review which will lead to the creation of tertiary academic structures, to include further education, higher education, research and knowledge exchange is already at an advanced stage of design and several aspects have already been agreed. The education review will continue under the leadership of the Deputy Principal (Academic and Research) but will be folded into this phase. This work will continue at pace, and it is anticipated that the final design related to the two new faculties, including the identification of specific cost savings, will be approved after the conclusion of the VSS, and populated thereafter. This will allow adequate time for preparation work to be completed in time for the next 2023/24 academic year.

Customer focused EO November 2022 – December 24

This phase, starting in November 22 will identify, classify, quantify and cost other activities undertaken by EO and conduct a 'Moscow' (must have, should have, could have) review of these non-regulatory activities. It will look at the nature of professional services and academic entities within EO, (such as the Centre for History and the current School of Health, Social Care and Life Sciences), and their current mode of operation, what value for money they provide, and the impact of the statutory responsibilities of the university on where they should be delivered from.

Recommendations as to where professional services and academic entities could be delivered from in the future will be made, cross referenced with other workstreams as appropriate. Options will include continued delivery from EO, transfer to an individual academic partner, or multiple academic partners, acting on behalf of the partnership, or a hybrid model.

Key activities

- Review of restructured EO functions – where should academic entities and professional services be located?
- 2 tranches:
 - Tranche 1: Professional services led from EO (November 2022 – March 2024)

- Tranche 2: Academic entities currently residing in EO (April 2024 – December 2024)
- Linked to other workstreams with regular checkpoints
- First revised top slice applied from August 2023
- Second revised top slice from August 2024

3. Project Benefits

The overall benefits to be achieved are:

- Revised/reduced top slice
- Shared services
- More customer focused UHI partnership

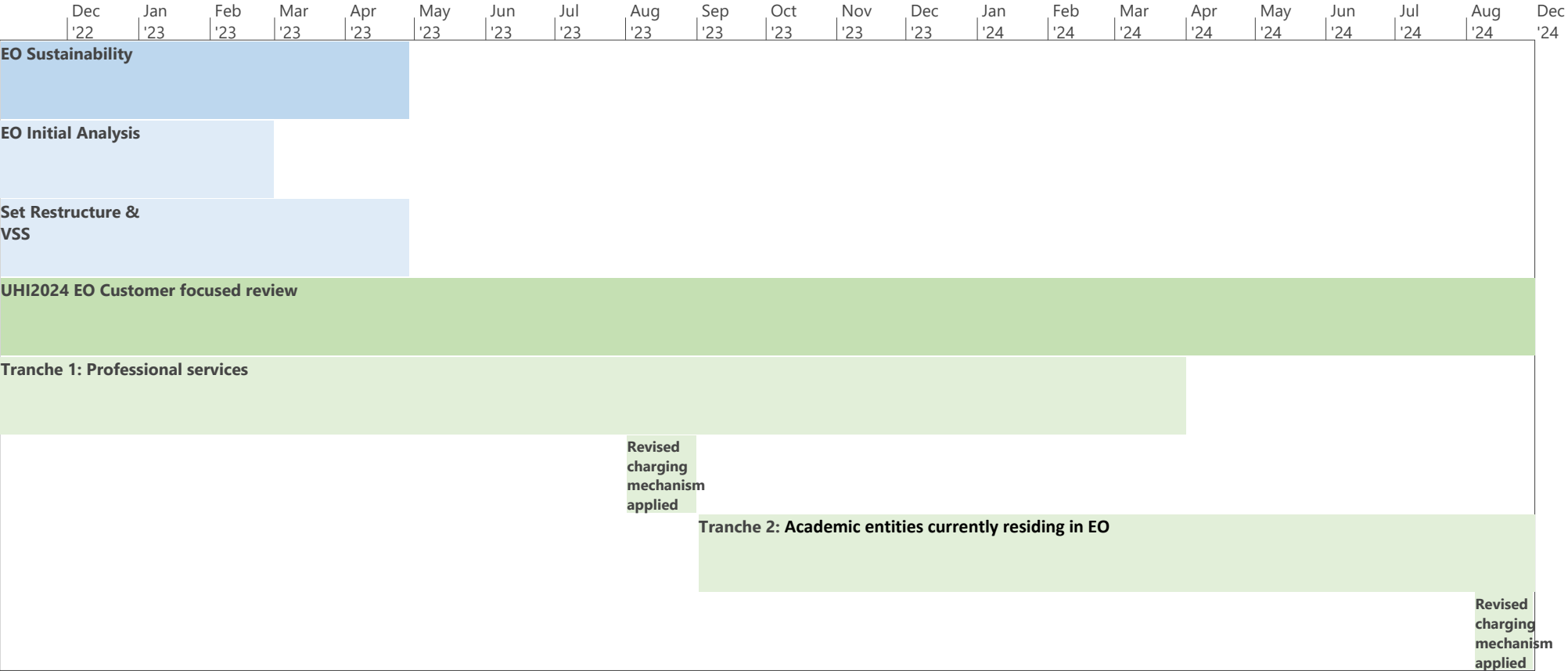
This will be achieved through:

- Financial efficiency
- Reducing duplication
- Greater prioritisation and de-investment
- Investment in business-critical activities and addressing gaps in service provision
- Clarity in roles, responsibilities, and accountability
- Improved staff development
- Greater staff engagement
- Increased income generation

4. Project Outputs

Targets	Key Performance Indicators
EO to achieve a full year cost savings of £2.4m by April 23	Meet financial target set for VSS and restructuring of senior team Reduction in staff costs – evidenced through salary bill
Full year indicative cost savings of £4m (<i>to be confirmed & impact on top slice to be understood</i>)	Reduction in staff costs – salary bill Reduction in service delivery costs – running costs
Total initial and indicative savings target £6.4m	As above

Timelines: the timelines for the 2 phases are outlined below:



5. Key issues and risks

It will be imperative that changes made within EO set out and deliver a clear and transparent approach for maximising its contribution and intended benefits of a true partnership approach going forward. Iteration and sequencing with the other workstreams will be important.

The key issues and risks relate to agreeing a model that will ensure the financial sustainability of the institution going forward and ensuring statutory and regulatory requirements are not compromised. The changes required within EO will create uncertainty and affect staff morale, business continuity and capacity is likely to be affected in the short term whilst the restructure takes place.

6. Interdependencies

The work of the other workstreams will closely align and have an integral impact of the development of this workstream; curriculum, shared services, governance and people and culture. Communication, transparency and co-ordination of interdependencies will be crucial.

7. Resource requirements

There should be no immediate resource requirements, the information as noted below should be available and it will be about collation and analysis of this to inform decisions. Resource in the form of organisational development experience to support HR will be required for the restructuring of executive office and has already been considered.

8. Data requirements

The data required for this workstream should be accessible and readily available. The requirement will be to collate and analysis and present this. A review and analysis will be required of EO and its functions / services thereafter a cost / benefit and value / gap analysis of the partnership

Workstreams 4 and 5 – Governance

Project name:	Workstream 4 and 5: Simplified Governance and Collaborative Communications
Executive Leads:	Martin Jones
Author:	Executive lead
Document code:	UHI2024- Simplified Governance and Collaborative Communications PPD_V0
Version:	V0
Project Start Date:	January 2023
Project End Date:	July 2024

1. Project Aim

- Create more simplified governance structures, enhancing clarity of where the points of decision are, a clear understanding of roles and responsibilities and enhancing clarity of where accountability lies.
- Enhance partnership working through governance structures, improve transparency of decisions, and secure joined up decision making in order to engender trust, confidence and respect for decisions.

1.1. Actions

- a) Implement a project to review the governance structure.
- b) Secure clear and comprehensive understanding across the partnership about the roles and responsibilities of different elements of the governance structure, including accountabilities, decision making protocols and protocols to ensure agreed actions are progressed in a timeous manner.

2. Project Approach and Objectives (SMART)

Describe what approach / process you will undertake to deliver the above aims and actions.

Outline the objectives (make these SMART – specific, measurable, attainable, relevant, time-based)

Part 1 – Baselining the current system

- Map current framework to create single point of truth and document repository
- Map current framework diagrammatically
- Create induction material for staff including use of video/animation

Part 2 – Simplifying the current system (immediate interventions)

- Rationalise committees and management groups
- Review and amend remits
- Update standing orders
- Review level of observation at boards across partnership
- Create easy-to-read summary document tracking where decision-making powers lie across committees, groups and role-holders as a communication tool
- Review board support across partnership

Part 3 – Identifying new governance options (later interventions)

- Identify limited number of scenarios for a more integrated future governance structure
- Map out the key steps required to reach scenarios including legislative change, corporate change, and stakeholder engagement
- Include timeframes for scenarios

3. Project Benefits

- Clear, streamlined, readily understandable decision-making processes
- Create a more agile organisation
- Greater confidence in decision making processes building levels of trust across the partnership.
- Cost savings will accrue indirectly as less staff time will be spent on decisions

4. Project Outputs

Quantify and qualify the outputs to be produced by this workstream and how they will be measured and when they will be delivered

Targets	Key Performance Indicators
Create better understanding of the governance status quo	Build confidence and trust across the partnership
Immediate improvements to current systems of governance	More efficient decision making (indirect cost savings)
Governance options for the future	Fit for purpose structures and processes for a post-2024 partnership to adopt

Deliverable	Milestone – target date
Mapping current systems of governance	March 2023

User friendly guide to governance to be used at induction	June 2023
Amendments to existing systems of governance	June 2023
Options for future governance model	March 2024

5. Key issues and risks

There are few risks with Parts 1 and 2. A key issue with Part 3 is the extent to which it should lead or else wait for events from elsewhere in UHI2024 so that the form of governance follows the interdependent thinking in other streams. Some of the options in Part 3 may require actions of a legislative nature which will be reliant upon political buy-in externally or else changes at a corporate level which will require more local political buy-in.

6. Interdependencies

Parts 1 and 2 can move forward without too much recourse to progress in other streams. Part 3 will be affected by ideas being developed both internally within UHI 2024 – particularly in shared services and the shape of EO- *and externally* with any decisions taken by SFC and SG. It is imperative that this strand of the project is linked in with staff at SFC.

7. Resource requirements

At this stage it is anticipated that 0.2 resource from a governance/project management background would be required. A member of staff at UHI Argyll has been identified who has dual role as Board Secretary and Strategic Projects Officer. Cost circa £10k for 12 months.

It is envisaged that the project would utilise consultancy in Part 3 and/or legal advice amounting to £20-30k. Some of this may come from the existing budgets held by the University Secretary and may make use of the university's retained lawyers, Thorntons.

8. Data requirements

Unlikely that personal data would be needed unless required to quantify cost savings relating to staff time in decision making committees.

Workstream 6 – People and culture

Project name:	Workstream 6: People and Culture
Executive Leads:	Lorna Walker
Author:	Executive lead
Document code:	UHI2024- People and Culture PPD_V0
Version:	V0
Project Start Date:	January 2023
Project End Date:	July 2024

1. Project Aim

Enhance the staff experience and enhance a culture of partnership.

1.1. Actions

- a) Establish a partnership wide people and culture strategy
- b) Secure enhanced standardisation of people practices, including areas such as staff development, workload allocation models, HR policies and guidelines.

2. Project Approach and Objectives (SMART)

Our mission: (the logical version)

To recommend workforce changes – structural, cultural and procedural – that facilitate improved ways of working, greater collaboration and sharing of resources, greater consistency in employee experience and greater cultural cohesion

Our mission: (the radical/transformational version)

To work and act as one UHI regardless of the number of partners/institutions

Outline the objectives (make these SMART – specific, measurable, attainable, relevant, time-based)

The People and Culture Workstream sees the mainstay of its work falling into two distinct time periods:

- **Phase One - Discovery:** November 2022 – April 2023 (6 months). The discovery of the 'as is', understanding our existing workforce.
- **Phase Two – Supporting Shared Services:** May 2023 – January 2024 (9 months). Supporting the development of standardised processes and a single HR system.

- **Phase Three - Plan and Actions:** January 2024 – June 2024 (6 months). Production of a People and Culture Plan that describes the workforce we require into the future, the culture we aspire to, and how staff will be supported, developed and transitioned into that future workforce.

Phase One

Our approach begins with understanding, defining and quantifying our 'as is' (UHI-wide):

- Institutional context – nature of each institution
- Workforce profile (age, gender, functional group, turnover, headcount, pay etc)
- People management practices (how we recruit, develop, support, reward, discipline etc)
- Culture (behaviours, values, symbols, history, place, hopes, aspirations etc)
- Synthesize existing workforce data to provide a baseline data set to describe the current UHI workforce. Address any gaps through specific data requests to each institution.
- Assess the scale of people management policies in operation. This will include both locally and nationally bargained policies which will indicate the degree of control UHI has in assimilating/harmonising practices.
- Review current partner values
- Commission and conduct a 'culture survey' to capture current characteristics and cultural aspirations, generating an action plan for addressing findings.

Phase Two

The people and culture workstream is largely made up of the senior HR practitioners across the partnership. Their support and involvement in the Shared Services workstream will be indispensable and will be required to operationally drive the changes we take forward.

Phase Three

This phase is date-defined to allow deliverables and intended courses of action to emerge from other workstreams. It is anticipated that many of the UHI2024 outcomes will have workforce implications that will inform the design of structures, roles, strategic priorities etc
Our findings will reveal areas of commonality and areas of difference.

3. Project Benefits

Outline the benefits to be delivered by this workstream e.g.

- a collective understanding of what the UHI workforce looks like
- increases employee voice
- highlights strengths and weaknesses, allowing us to share/adopt the best practices of others
- create a consistent employee experience
- create and embed an organisational culture with shared values and agreed behaviours (one UHI)

4. Project Outputs

Quantify and qualify the outputs to be produced by this workstream and how they will be measured and when they will be delivered

Targets	Key Performance Indicators
Improved employee satisfaction	Regular staff surveys
	Reduced voluntary turnover
	Improved attendance rates
	Improved employee wellbeing
Improved operational performance	Teams meeting objectives and KPIs
	Increased collaboration and reduced duplication of effort
	Better understanding of who does what, why, when, where
Attainment of strategic goals	Excellent student experience

Deliverable	Milestone – target date
Profile of existing workforce and culture	April 2023
UHI-wide People and Culture Plan	December 2024

5. Key issues and risks

Outline the key issues and risks associated with this workstream that could hamper progress and/or to be aware of and / or addressed in order to move things forward

Capacity

- workstream comprised of 5 members of staff, each with demanding day jobs and other priorities
- data requirements rely heavily on HR leads of academic partners who have advised they are already at full stretch
- Restrictive budget prevents purchase of additional resource/capacity

Institutional differences

- May prevent/complicate a 'one plan' approach

6. Interdependencies

Outline interdependencies with any of the other UHI2024 workstreams or areas of work currently been undertaken with the university partnership that should be taken into account

There is a clear interdependency with the workstream that is examining shared services. Human Resources is one of the service areas under consideration. If it were proposed that the HR function across the partnership was to transition to some form of shared service, this could materially impact the plans under the people and culture workstream. This is the main factor that has informed the 3-phase approach detailed in the sections above. Irrespective of interdependencies with other workstreams, the discovery phase will provide important data that has multiple uses across UHI2024 initiatives. Pausing ahead of Phase Three (Plan and Actions) will allow time for the workstream to support the shared services work and assess the impact of planned deliverables from other workstreams.

The People and Culture workstream is also impacted by organisational change that may be underway or planned in academic partners, by developments in national bargaining and government policy, and by the recommendations of the 'Focused EO' workstream.

7. Resource requirements

Outline the resource requirements for this project both personnel and funding.

The workstream plans to procure a survey tool that will assess the current culture within and across the partnership and the culture that our staff and other stakeholders aspire to. Deployment of a survey of this size and scale will absorb the £50k indicative budget. Further resource is anticipated to implement partnership-wide actions that derive from that survey.

Any wider recommendations on workforce structure and processes will also have financial implications that cannot currently be determined.

8. Data requirements

Outline any data that you expect to require to provide the necessary evidence base for the workstream. Highlight if this, or is likely to, require personal data to be shared so that the necessary data sharing agreements can be drawn up.

- Type of institution e.g. incorporated college, non-incorporated college, other (please specify)
- Does your institution have any subsidiary companies, if so what and what do they do
- Does your institution have a strategic plan in place (please send a copy)
- Does your institution have a people strategy (please send a copy)
- Pension schemes used
- Trade Unions recognized
- Job evaluation scheme used (if multiple please provide which is used for which group of roles)
- Which NHS are you linked to
- Please attached an organisational structure showing your department structure and top 2 tiers of management
- Who funds your organisation and approximately what % of income comes from that organisation
- What HR related statutory returns do you currently complete
- What functions are within your HR function e.g. HR, payroll, E&D, Health and Safety etc
- What HR system do you use and when is its current contract due to end
- What payroll system do you use and when is its current contract due to end
- Current Institutional values and behaviours

A 'data sharing agreement' is under consideration for the provision of the data referred to above.

Workstream 7 – Vision and Strategy

The vision and strategy workstream is considering expanding its strategic aims to encompass a wider look at UHI Futures. A project proposal document will be completed in January 2023.

Perth College UHI

Paper No. 8

Committee	Board of Management
Subject	Post-school education, research and skills - interim purpose and principles
Date of Committee meeting	22/12/2022
Author	Scottish Government
Date paper prepared	15/12/2022
Executive summary of the paper	<p>Please outline the follow elements of this paper:</p> <p>This paper presents for information a draft national framework for building an excellent post-school education, research and skills ecosystem for further discussion and feedback.</p> <p>It is intended that in-depth discussion around this topic is facilitated via a Board Strategy Session early in 2023, utilising the Discussion Guide around the key principles noted in the Paper.</p> <p>Weblink to the document: https://www.gov.scot/publications/post-school-education-research-and-skills-interim-purpose-and-principles/pages/overview/ </p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	n/a
Action requested	<input checked="" type="checkbox"/> For information <input type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)

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<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>No</p> <p>Click or tap here to enter text.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>Topic will inform future Scottish Post-16 Education Policy</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p> <p>Click or tap here to enter text.</p>

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Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	No If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	Non Confidential
Freedom of information Can this paper be included in "open" business?	Yes

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

Further guidance on application of the exclusions from Freedom of Information legislation is available via:

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Post-school education, research and skills: interim purpose and principles

Published by Scottish Government: **9 December 2022**

Section 1 - Overview

We have developed an interim purpose and principles for post-school education, research and skills on the basis of feedback from previous research, reports and engagement. We believe that this must guide our decision making in the face of a challenging set of imperatives for reform. We are seeking views on this in order to publish a set of purpose and principles that reflect what we value and reach a clear position on where our collective future focus needs to be

We have [published a discussion guide which organisations can use to support discussions on this work](#).

Scotland's future - the context and case for change

Scotland's post-school education, research and skills ecosystem sits at a crossroads. In Scotland, just as in much of the world, education is valued as a fundamental human right and public good, bringing benefits to society and individuals. Scotland's [National Performance Framework](#) describes our vision for Education and ensuring we are all well-educated, skilled and able to contribute to society:

“We have an education system we can all take part in and which inspires us to reach our potential whatever that may be. We understand that the desire to learn continues throughout life and that being curious, creative, skilled and knowledgeable is good for us, our society and economy. We value our teachers, educators and academics and do all we can to achieve the highest standards across our learning and research. We work with partners in business, industry, science and academia to ensure we led the world in new thinking and have the talents and abilities to flourish in future.”

Drivers for change

In terms of educational outcomes, quality of research and globally recognised institutions – we have a strong story to tell. Yet we know that a confluence of social and economic factors are challenging traditional assumptions, structures and modes of delivery for skills, education and research. Several factors are placing growing pressures on education and skills to deliver and demonstrate better value and benefit for people, for the economy and for society.

These include:

- globalisation
- the need to transition to a fairer, greener world
- the pace of discovery and technological advancement

- the impact of the pandemic including the lessons of rapid response and scientific discovery
- demographic changes and the changing expectations of students and of employers

We need the ability to provide more flexible opportunities for more people to access the right learning at the right time, to attract and retain talent, and to support our teaching and research base in their own right as well as in their role as international assets. We have a collective responsibility to ensure that people have the skills they need at critical points throughout their lives and that employers invest in the skilled employees they need to grow their businesses. This is all essential if we are to ensure that people have rewarding careers and to meet the demands of an ever-changing economy and society.

It was those drivers for change that led us to commission the [SFC Review of Coherent Provision and Sustainability](#) and that informed the resulting case for continued, evolutionary, whole-system change and a more integrated approach to education and skills planning. The [Scottish Government's response to the SFC review](#) recognised that our post-school education, skills and research ecosystem would be facing into a future that is very different from today, requiring all of us to think differently about what we need and want it to deliver.

Indeed, even in the year since we published our response, the context for reform has materially changed. Brexit continues to have an impact on our economy, in particular in our labour market resulting in acute shortages across a number of critical sectors, including in health and social care. We continue to see the impact and effects of the pandemic, and Scotland and the rest of the world is facing into a period of substantial economic turmoil as a result of the impact of the pandemic coupled with Russia's continued illegal invasion of the Ukraine. We are now witnessing the impact of the cost crisis on people, communities, businesses, institutions and the public sector across the country.

Responding to the context

The policy and delivery response across our country needs to be cross portfolio and cross sectoral; and to be truly transformative. [Scotland's National Strategy for Economic Transformation](#) (NSET), published in March of this year, seeks to respond to this context, and sets out an ambitious but delivery focused approach to transforming Scotland's economy over the next ten years. This was further outlined in the SFC's [Strategic Plan 2022-27](#) and in that of [Skills Development Scotland](#).

The Interim Purpose & Principles is therefore being published at a significant juncture. The social and economic challenges facing our people, our public services and our economy are far reaching. At the same time, the financial situation facing the Scottish Government is, by far, the most challenging since devolution. As set out in the [Emergency Budget Review](#), the Scottish budget is at the absolute limit of affordability. Within this context the government's overriding priorities are to support public services, tackle child poverty, build a prosperous economy and achieve net zero by 2045.

In a post-school education, skills and research context that means, despite the financial sustainability of individual components or institutions, that much of the ecosystem as currently configured is no longer financially sustainable. We must now reimagine and reform our post-school, education, research and skills landscape, working alongside employers, institutions, learners and other partners, through the lens of the priorities set out above if it is to continue to deliver for Scotland as a whole. The imperative for far-reaching change is now acute.

This means that we must:

- bear down on duplication of publicly funded provision wherever we see it, within and outside of government
- further develop our approaches to skills planning through delivery of and learning from our regional and sectoral pathfinders
- ensure that our governance and funding arrangements are transparent, robust and responsive
- ensure that our policies and practice at home enable our international ambitions
- incentivise and reward collaboration to reduce expenditure, reduce failure of demand and improve outcomes

Underneath each of the principles are a series of topics that have emerged during our early phases of engagement. These require further debate and reflection to consider how to ensure that public investment in post-school education, skills and research in Scotland minimises duplication, maximises delivery and impact and is financially sustainable and fit for the future. This next phase of engagement and discussion is about getting to the heart of what we value and reaching a clear position on where our collective future focus needs to be. This will be reflected in the final Purpose and Principles to be published in spring 2023, alongside evidence and insights papers and an implementation plan setting out next steps.

We also describe how we have engaged to date and outline our future approach to targeted engagement and user centred design during the remaining phases of this work.

Strengths of the current post-school, education, skills and research ecosystem

Post-school education, skills and research is at the centre of Scotland's economy and society - ensuring personal success, health and satisfaction, and contributing to economic and social outcomes as well as delivering global benefits.

Supporting our society

It provides us with the skilled doctors, nurses, teachers, lecturers, support staff, early learning and childcare practitioners, entrepreneurs and innovators who helped us to survive the Covid pandemic and begin to build our recovery.

Furthering our economy

It provides us with the skilled trades, engineers and scientists who push forward our foundational and global economy and the artists, architects, musicians, media, graphic and video game designers who build Scotland's creative presence. Our colleges, universities, independent training providers and community learning and development practitioners also make a significant and direct contribution to Scotland's economy in their own right, providing employment and returns through exports and often playing a key role as civic anchors within their communities.

Aligning to employer needs

Our commitment to apprenticeships and work based learning has directly aligned skills to employers needs with 25,400 Modern, 4240 Foundation and 1,158 Graduate Apprenticeships in 2020-21. The [Education and Skills Impact Framework](#), published on 2 December 2022 alongside contextual reports, shows that there are substantial positive returns both to the learner and to the exchequer related to an improvement in education and skills levels whether through higher education, further education or modern apprenticeships. The SFC Review reported that the return on investment in Scotland's colleges and universities is between £6.50 and £11 for every £1 spent.

Playing a global role

It supports and drives the internationally respected, high quality discovery and mission oriented research that enabled Scotland to play its role in the global effort to develop a vaccine and will support our emerging space industry. The recent [Research Excellence Framework](#) exercise in 2021, the UK-wide method of assessing research quality in publicly funded universities, found there to be world-leading research in every Scottish university and almost 90% of our research impact was judged as outstanding or very considerable. This same research excellence, innovation and knowledge exchange will be needed to tackle the climate emergency and to effect Scotland's transition to net zero. It is critical in attracting and retaining international investment and talent in to Scotland, ever more essential in our post Brexit context.

Fulfilling potential

It is also vital for the individual. Whether that is learning for personal fulfilment, to acquire or develop new skills and knowledge for career development, enhancement or professional accreditation or taking the first tentative steps to engage in formal learning to build confidence and capacity. Access to educational opportunities are part of the government's efforts to break the cycle of intergenerational poverty. Even now, in response to the current cost crisis, as part of their role as community anchors, our colleges and universities are providing havens of warmth and food for students in poverty while community learning and development works with some of the most disadvantaged in our society.

Our ecosystem, including the investment made by employers in developing their workforce, delivers transformative opportunities that help people and businesses to grow and thrive – supporting delivery of the government's overriding priorities of

supporting public services, tackling child poverty, building a prosperous economy and achieving net zero by 2045.

These are things that we all want to preserve and sustain for the future as we continue to adapt to ongoing change, challenge and uncertainty.

Challenges and emerging issues

Whilst recognising these strengths, the SFC in its review, and the Scottish Government in its response also identified a number of challenges. The work we have undertaken to date to engage around the development of the Purpose and Principles has deepened and broadened our understanding of those issues and challenges and key themes are emerging:

- the need for a coherent overarching vision for the post-school education, research and skills system aligned to the social and economic needs of Scotland, now and in the future
- the importance of a comprehensive ecosystem wide evidence base describing the current successes and challenges, the desired outcomes and metrics and indicators for change
- confusion around overlapping roles and duplication of resources between and across government and agencies
- a desire for greater strategic capacity and joined up thinking at all levels of government and agencies
- the scope for further collaboration within and across institutions, to drive efficiency and best serve the needs of learners
- the need for greater equality and equity of access, and of parity of esteem for different pathways
- the need for greater focus on the requirements and expectations of learners for a fulfilling career, whether young people or later in life
- the need for closer relationships between employers, government, agencies and institutions and a more nuanced conversation on skills and labour market interventions
- the important role the post-school education, skills and research ecosystem can play in supporting the delivery of the skills required to respond to the economic opportunities outlined in NSET
- the need for Scottish university research and knowledge exchange to remain competitive in a UK wide system with funding opportunities from, and strong relationships required with, UK Research & Innovation (UKRI), charities, industry and others

Section 2 - Guiding values

Because there are direct correlations between societal value systems and policy choices, how Scotland balances its objectives for a skilled labour force, rewarding careers and fulfilled lives, greater social equity, balanced regional growth, active and engaged citizens, strong competitive institutions, attracting and retaining international talent, and global research competitiveness, matters.

Drawing on the recommendations in the SFC Review, from the National Strategy for Economic Transformation, and from our engagement to date, the following values underpin the approach we are taking to change:

Pride

We take great pride in our world-leading post-school education, skills and research system and while we know there are areas that can work better, we start from a position of strength and a strong belief in the intrinsic value and transformative power of knowledge and education.

Learner focused

Placing the needs of all learners of all ages, abilities, talents, throughout their active lives, at the centre of the ecosystem, enabling and facilitating opportunities and adapting to life circumstances over time.

Inclusive

Ensuring that the diverse needs of learners and people working in the ecosystem are listened to and responded to including across location (people living in rural, island and more deprived areas), the protected characteristics (age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation), and socio-economic disadvantage.

Diverse, competitive and open

We embrace the diversity and maturity of our post-school education, community learning, skills and research ecosystem and recognise its place in enhancing excellence when working collaboratively and responsibly. This includes the benefits that are able to be derived from being able to compete internationally, to attract, retain and exchange knowledge, ideas and talent, and to be able to build partnerships across international boundaries.

System view

We should take a whole-system view of coherent education and skills provision and any necessary changes should take account of interconnections and impacts. We like the associated attributes set out in the SFC Review that look at coherence from the perspective of the learner, employer and for Scotland as a whole. We will bear these attributes in mind as we consider how we will articulate our broad policy intent for the sector, whilst recognising the distinct contribution of each part of the system. On research, we recognise the role we have in providing core, underpinning funding to uphold the dual support funding system for research in Scotland, and the

relationship with research funding from UKRI, charities, industry and others this requires.

Subsidiarity

We will respect the unique roles and responsibilities that individual parts of the ecosystem have and the varied contributions that they make. We will use the policy, regulatory and financial levers available to government to create a clear framework that maximises and captures the collective impact of these efforts. This will require strengthened governance, assurance and accountability.

Section 3 - Developing the interim purpose and principles

Phase 1 - spring 2022

The interim Purpose and Principles has been developed in three phases. The first was a collation and review of the existing evidence, reports and commentary, including from the UK Government and Scottish Government. This involved:

- previous work by the Scottish Government on the Learner Journey, the Future Skills Action Plan and National Strategy for Economic Transformation
- the SFC review
- the work of Colleges Scotland, Universities Scotland and Unions
- contributions from other's with a stake in the system

This analysis was progressed alongside targeted engagement with:

- NDPBs
- Skills Development Scotland
- Scottish Funding Council
- Student Awards Agency Scotland
- Education Scotland
- Scottish Qualifications Authority
- COSLA
- Colleges Development Network
- Unions representing the college and university sectors
- Colleges Scotland
- Universities Scotland
- YoungScot
- the National Union of Students

We also spoke to individual institutions, a wide range of internal colleagues and the leads of other strands of wider education reform work including Professor Louise Hayward, who is leading the independent review of qualifications and assessment.

This analysis and engagement resulted in the publication of the scope and approach in July 2022. This set out the scope of the Purpose and Principles, presenting the opportunity to “see the whole” of what is a complex and diverse ecosystem. This ranges from the vital investment that employers make in the upskilling and development of their workers to the essential research, innovation and knowledge exchange taking place across our institutions and within our innovation centres. It also includes the vital contribution that our colleges and universities make to alleviating poverty through widening access and working with third sector and other partners to support community learning and development.

It also set out our timescales for delivery and our plans for further development of evidence and insight. It considered the relationship between the development of the Purpose and Principles and wider education reform work. This includes the national discussion on education, independent review of qualifications and assessment,

independent review of the skills delivery landscape and the development and delivery of new education, qualifications and inspection agencies.

Phase 2 summer 2022

From this initial base we were able to undertake further engagement with Industry Leadership Groups and Business Organisations, the Scottish Youth Parliament and Developing Young Workforce (DYW) Employer Networks. From here we built out a first draft of the Purpose and Principles, supported by some statements about what implementing these might mean in practice.

During this time we have also been thinking about how we can ensure that the way that we frame the Purpose and Principles means they will generate change that works for everyone through embracing the Scottish Approach to Service Design. To that end we have been working with the Scottish Commission for People with Learning Disabilities and working with the Royal Society of Engineering to support the development of user personas for key target groups. This work is key to informing our approach to the development of impact assessments.

We have continued to build the evidence base. This has included working with NDPBs and partners across the ecosystem to begin a programme of work which aims to develop system level outcomes and metrics, aligned to those in National Strategy for Economic Transformation; develop a shared lexicon of terminology; and reflect back to the sector our understanding of the diversity of provision, learner expectations and outcomes, and links between education, skills and our economy.

Phase 3 - October to November 2022

From October to November 2022 we have been testing and refining the first draft of Purpose and Principles and developing our approach to the next crucial phase of engagement on the interim Purpose and Principles.

This has resulted in the interim Purpose and Principles that we want to test with you now. Under each of the principles we have described a range of topics that require further discussion if we are to implement the principle to its fullest extent. The next phase of our engagement between now and March 2023 is about hearing views on whether these are the right principles and on the potential impacts and implications of the policy choices that are available within the challenging and uncertain context that we face to deliver a path towards future sustainability for post-school education, skills and research in Scotland.

The final Purpose and Principles will be published alongside all relevant impact assessments and other supporting materials, including an implementation plan, in spring 2023. This will also enable the Purpose and Principles to reflect the conclusions of related work underway across Education Reform and the Independent Review of the Skills Delivery Landscape.

Section 4 - Interim purpose and principles for post-school education, research and skills

Here are the interim purpose and principles which, at a headline level, capture the elements we have already recognised as being valuable. For each of the principles we have included topics for further discussion and debate and how, through development of an implementation plan, we might be able to support Ministers, NDPBs and other decision makers to deliver the reform necessary to secure a sustainable future.

These are the areas that we want to focus the discussion on in the next phase of engagement. We will continue targeted engagement and work to develop our approach to user centred design between now and final publication in spring 2023. Read further information on our approach to stakeholder engagement during the next phase can be found [here](#).

Purpose

To develop new thinking, products and systems through research and to ensure that people, at every stage in life, have the opportunity and means to develop the skills, knowledge, values and attributes to fulfil their potential and to make a meaningful contribution to society.

Principles

Principle one: high quality

High quality opportunities are available for people to enhance their knowledge and skills at the time and place that is right for them.

Principle two: Supportive and equitable

People are supported throughout their learning journey, targeting funds and additional support to those who need it most.

Principle three: globally respected

Research, teaching, innovation and knowledge exchange undertaken in Scotland, must make a difference; enhance and contribute to global wellbeing, addressing 21st Century challenges and attracting inward investment and talent to study, live and work in Scotland.

Principle four: Agile and responsive

Everybody in the ecosystem collaborates and delivers in the best interests of Scotland's wellbeing economy.

Principle five: Transparent, resilient and trusted

The system is well governed, financially and environmentally resilient and trusted to deliver.

Section 5 - Topics for further engagement

The interim Purpose and Principles describe what we want to see within our reformed post-school education, skills and research ecosystem. They will act as a decision making framework to ensure that policy choices made are aligned to the principles. There are choices about how these principles are achieved and how they support the range of pathways to enable people to fulfil their potential.

Through our early engagement, multiple options for how the principles might be delivered in practice emerged. These were a combination of good practice and areas where it would be possible to go further to fully meet the spirit of the principle. These are framed for discussion below and will be our focus during the next period of engagement so that by the time the final Purpose and Principles is published, there will be a clear statement of intent about what living up to each principle will mean.

The topics below are the focus of a discussion guide to support engagement on the development of the final Purpose and Principles prior to publication in spring 2023. This will also support the development of system level outcomes and metrics to help drive implementation.

- principle 1: high quality
- principle 2: supportive and equitable
- principle 3: globally respected
- principle 4: Agile and responsive
- principle 5: Transparent, resilient and trusted

Principle 1: High quality - high quality opportunities are available for people to enhance their knowledge and skills at the time and place that is right for them

This principle is about when, where and how opportunities are made available.

In building a pathway for successful user journeys, the following topics have emerged as areas for further consideration:

Delivery methods

This includes digital, blended and in person learning, and part time, full time and micro credentials. What is the right balance and what do we prioritise?

Fair Work and continuous professional development

Within and across the ecosystem, how best can this be supported?

Articulation

What more can be done to smooth transitions between and across parts of the system to ease navigation and enhance recognition of prior learning and experience? What are the options for integrated degree models? To what extent is articulation needed?

Outcomes from learning

How can we measure and ensure that people's experience of learning in all environments equips them for productive work? How can we build our knowledge and understanding of the benefits and outcomes from different learner pathways?

Principle 2: Supportive and equitable - people are supported throughout their learning journey, targeting those who need it most

This principle is about how, when, to whom and by whom support is provided.

In building a pathway for successful user journeys, the following topics have emerged as areas for further consideration:

Widening access

What we mean by widening access, how we measure its impact, how we invest in it and how we tackle it. For example, only university or wider?

Student support

Learning, information, guidance and pastoral support – what, where, when, why and by whom are different types of support provided?

Equity of opportunity

Who should pay, for what, at what time, and in what set of specific circumstances? How do we ensure that the ecosystem is diverse and inclusive?

Principle 3: Globally respected - research, teaching, innovation and knowledge exchange undertaken in Scotland must make a difference; enhance and contribute to global wellbeing, addressing 21st century challenges and attracting inward investment and talent to study, live and work in Scotland

This principle is about the contribution that research in Scotland makes to the world and the role it plays in supporting Scotland's global standing, teaching excellence, prosperity and connectedness.

In building a pathway for successful user journeys, the following topics have emerged as areas for further consideration:

Funding for research

Recognising the breadth of UK and other funding that supports research taking place across Scotland and the value of the full spectrum of research activity from fundamental to applied research. What is the right balance for Scottish Government funding between discovery and mission oriented research?

Given the challenging financial context, how sustainable is a funding approach based on supporting research excellence wherever it is found?

Leveraging further funding - how can we best leverage public investment in research, innovation and knowledge exchange to crowd-in other forms of investment at all stages of research?

Opportunities for international education partnerships and exchange

Building on the existing extensive international connections and reputation of many of Scotland's employers and further and higher education institutions, what are the best ways to further support leveraging international connections and networks to maximise benefits for Scotland?

Sustainability

How can the Scottish Government best mitigate the impacts of the UK's withdrawal from the EU on the ability of our institutions to attract and retain research and teaching talent and EU students?

What is the right balance for future financial sustainability in mitigating the potential over reliance on particular markets for international students?

Principle 4: Agile and responsive - Everybody in the ecosystem collaborates and delivers in the best interests of Scotland's wellbeing economy

This principle is about the ability of the system to respond to global and domestic drivers.

In building impactful research and pathways for successful user journeys, the following topics have emerged as areas for further consideration:

Sensitivity to local, regional, national and international requirements

How can the ecosystem be best supported to capitalise on their role as civic anchors as part of Scotland's approach to community wealth building? How can responsiveness to rural and island perspectives, different sectoral regional requirements and the changing nature of work, in particular the digital transformation and transition to net zero and the need for green skills be further developed?

Relationships between actors within the ecosystem

How can the leadership capacity be built at all levels to incentivise collaborative action to initiate, respond to and deliver in line with changing demands?

Upskilling and reskilling workforce

This will be ever more essential as part of the transition to net zero. How can this best be delivered and incentivised? Who pays for what and when?

Recognition of the role of employers

How can employers best be supported and incentivised to develop apprenticeships, invest in in-work training and development of staff and to build relationships with, colleges, universities and community learning and development providers?

Principle 5: Transparent, resilient and trusted - the ecosystem is well governed, inclusive, financially and environmentally resilient and trusted to deliver.

The principle is about how the ecosystem is structured and ensuring that everyone understands what the system delivers, who is delivering and how that happens.

In building a pathway for successful user journeys, the following topics have emerged as areas for further consideration:

Funding models

To date these have been focused on inputs rather than impact. How can we move to a new model? Can our overall approach to funding be simplified and made more sustainable? How can monitoring and reporting be streamlined without compromising accountability and assurance? How do we design and deliver a model for funding that can flex to accommodate shifting demands?

Clear investment priorities and hierarchy

How can government and NDPBs best signal core investment priorities including tackling child poverty, delivering a prosperous wellbeing economy and delivering the transition to net zero? Should we have an investment hierarchy for post-school education, skills and research?

System level outcomes

What system level outcomes should we set to ensure transparency and alignment and to support the shift from input to impact whilst delivering accountability and assurance? How can we make the pathways simpler and more transparent for users and help them to make better informed choices about where they will lead?

Governance

What further progress can be made on user and staff representation on Boards? Is responsibility in the right place between government, NDPBs, institutions, employers and providers across the ecosystem?

Trust

Connected to governance, is the system currently trusted to deliver and are people empowered to act to deliver better outcomes?

Section 6 - Stakeholder engagement approach

December 2022 – Spring 2023

We are sharing this Interim Purpose and Principles to show our working and to share our thinking and current direction of travel and the areas we want to focus the discussion on in our next phase of engagement. Our approach to stakeholder engagement during the next period will centre the voices of those who use and deliver the ecosystem, recognising that these groups hold the answers to how best to deliver and implement the reforms that are needed.

We will continue to engage with people across Scotland to further develop the Purpose and Principles prior to a final publication in spring 2023.

We will have two strands of focused engagement;

- targeted engagement with those delivering in the ecosystem
- user centred engagement and design with a focus on lived experience

Targeted engagement with those delivering in the ecosystem

We know that we are entering into a period of significant challenge and uncertainty as we seek to reimagine and redesign a post school education, skills and research ecosystem that is sustainable and fit for the future. We must do this by drawing on the collective knowledge and wisdom of those who have the experience and knowledge of how to deliver that change. This will include discussions with colleges, universities, their staff and unions, with our NDPBs and with employers and other training providers. We will seek their views at a strategic level on policy direction, collaboration, design, outcomes and implementation. We will ensure that we engage across the country, taking account of the different local and regional perspectives, and across the full range of the post school education, research and skills development ecosystem.

User centred engagement and design with a focus on lived experience

We will actively seek to hear from those with lived experience of the ecosystem, including those most likely to face barriers to entry. This will include those who are system users including learners, students, apprentices and employees, as well as those with experience of delivery including staff - both front line and support staff across different areas of the ecosystem.

If we want to work towards a fairer and more equal society, we need to work to ensure the system works for those furthest away from engagement. If we can make it work for them, it will only lead to improvements for the system as a whole. We will continue to do targeted engagement with groups we know face barriers to engagement. This will also inform our approach to the development of relevant Impact Assessments, ensuring that the Purpose & Principles uphold and expand equalities within post-school education, skills and research.

We will embrace the spirit of the Scottish Approach to Service Design, wherein ‘the people of Scotland are supported and empowered to actively participate in the

definition, design and delivery of their public services. We know this will add incredible value to the development of the Purpose and Principles, allowing us to better understand existing barriers and pain points as well as areas of good practice.

Through our continued engagement on the interim Purpose and Principles, we will continue to seek out the voices of the people at the heart of this system. We are grateful for the support to date from unions, membership bodies, institutions, public bodies, charities, employers and individuals who have given us their feedback to help shape this document. We will also continue to seek out and learn from the experiences of those who face the greatest barriers to accessing the system and take action to address their concerns.

While these are two different strands, we will work to ensure we make the most of what people tell us and will seek to pass on feedback and share learning with those leading on other strands of system reform including the National Discussion on Education, the Independent review of Qualifications and Assessment and the Independent review of the Skills Delivery Landscape.

By 2023, we will have published a discussion guide to offer a structure for those whom we are unable to engage with in person, or where further discussion with wider groups of interested people are required.

Committee	Board of Management
Subject	Management Accounts (Q1 22/23)
Date of Committee meeting	22/12/2022
Author	Iain Wishart, VP Operations
Date paper prepared	06/12/2022
Executive summary of the paper	Review first quarter 22/23 management accounts.
Consultation How has consultation with partners been carried out?	Presented for information to Finance & Resources Committee on 12 December 2022
Action requested	<input checked="" type="checkbox"/> For information only <input type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input type="checkbox"/> For approval
Resource implications (If yes, please provide details)	Yes/ No Details the use and performance of resources
Risk implications (If yes, please provide details)	Yes/ No Details surplus/deficit position and cash outlook
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] 	This project supports the delivery of the strategic objective of Financial sustainability This paper assists with risk management, compliance with legal duties and with the Code of Good College Governance.

<p><u>Equality and diversity</u></p> <p>Yes/ No</p> <p>If yes, please give details:</p>	<p>Click or tap here to enter text.</p>
<p>Island communities</p> <p>Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?</p>	<p>Yes/ No</p> <p>If yes, please give details:</p> <p>Click or tap here to enter text.</p>
<p><u>Data Protection</u></p> <p>Does this activity/ proposal require a Data Protection Impact Assessment?</p>	<p>Yes/ No</p>
<p>Status (e.g. confidential/non confidential)</p>	<p>Non-Confidential</p>
<p>Freedom of information</p> <p>Can this paper be included in "open" business?* -Yes</p>	<p>Papers should be open unless there is a compelling reason for them to remain closed. If a paper, or parts of a paper, are to remain closed the reason for that exemption must be specified – see reasons below</p>

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

Further guidance on application of the exclusions from Freedom of Information legislation is available via:

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>
and http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

UHI Perth

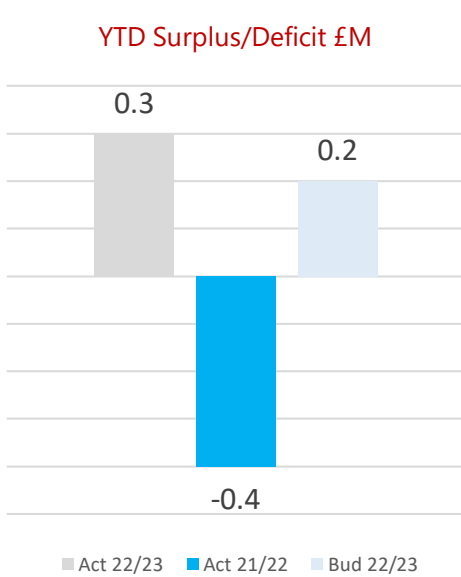
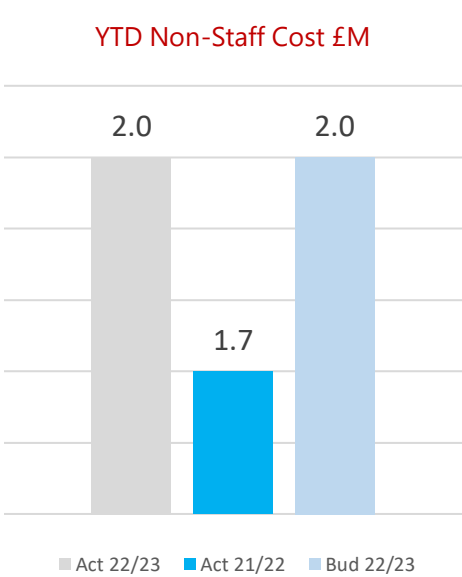
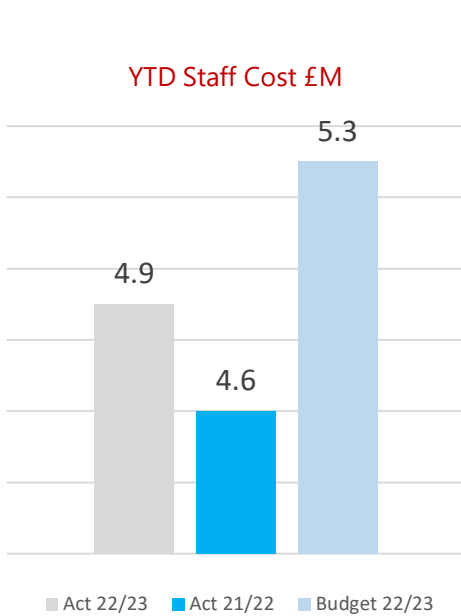
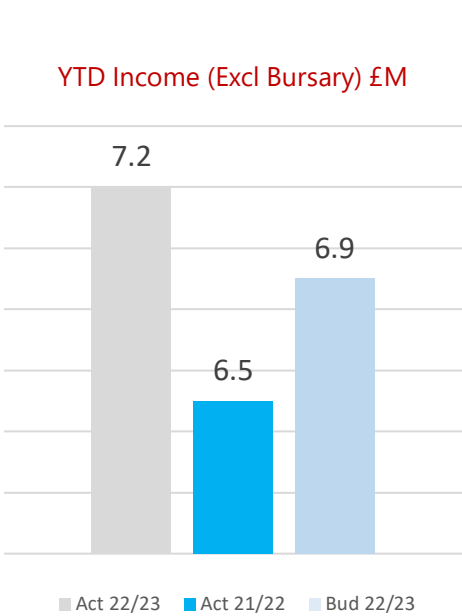
Financial Performance Review

Q1 22/23



Group Overview

A good start to the year with the YTD surplus coming in ahead of budget. However, the actual staff costs don't include any national bargaining (3% assumed in the budget). If you add 3% to our actual numbers then our YTD actual surplus is closer to breakeven. The timing of some academic income accounts for the remaining difference.



Group Overview v Budget

The Gross Profit of the academic areas are comfortably above the 32.3% FY budget overhead rate for 22/23. This compares with the businesses who are at a Gross Margin of 1.9%.

Actual staff costs do not include any national bargaining (3% assumed in the budget). If 3% is added to the a actual staff costs the Surplus/Deficit for the year would be closer to breakeven and ahead favourable to budget.

Actual £K

Actual YTD 22/23	Academic	Business	Services	Total
Funding	4,068	27	357	4,452
Tuition Fees	1,090	470	0	1,560
Commercial	674	319	190	1,184
Total Income	5,832	817	547	7,195
Staff Costs	3,177	513	1,254	4,944
% Income	54.5%	62.8%	229.4%	68.7%
Non-Staff Costs	466	288	1,213	1,968
% Income	8.0%	35.3%	221.8%	27.3%
Surplus/(Deficit)	2,189	15	(1,921)	283
% Income	37.5%	1.9%	(351.2)%	3.9%

Budget £K

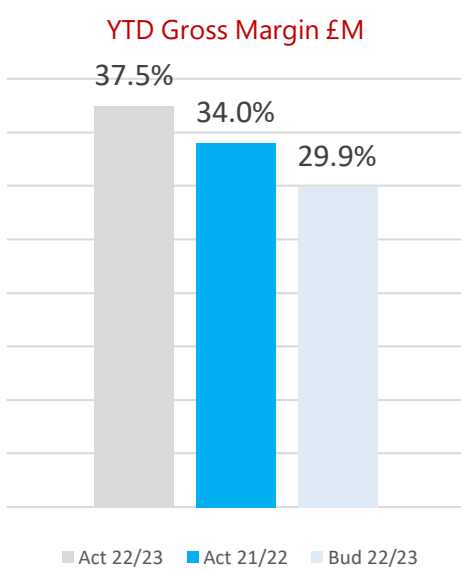
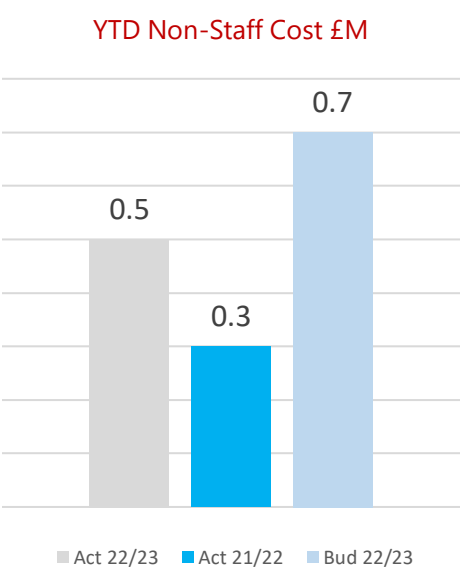
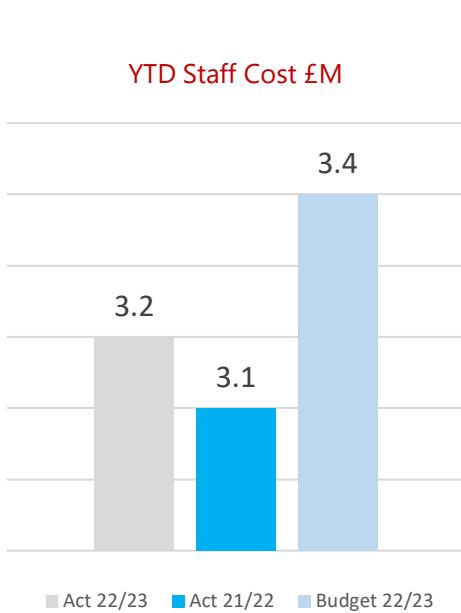
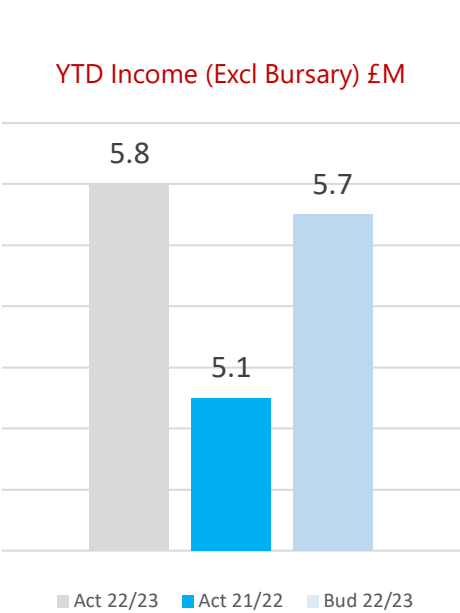
Academic	Business	Services	Total
4,083	0	189	4,272
916	438	0	1,354
746	278	215	1,239
5,745	716	404	6,865
3,375	535	1,422	5,332
58.7%	74.7%	351.8%	77.7%
655	234	1,077	1,966
11.4%	32.7%	266.5%	28.6%
1,715	(53)	(2,095)	(433)
29.9%	(7.4)%	(518.4)%	(6.3)%

Variance £K

Academic	Business	Services	Total
(15)	27	168	180
174	32	0	206
(72)	41	(25)	(55)
87	101	143	331
198	22	168	387
226.7%	21.7%	117.4%	117.2%
188	(54)	(136)	(2)
215.5%	-53.8%	-95.2%	-0.5%
474	68	174	716

Academic Performance

The full year budget overhead rate is 32.3%. You can see that the Gross Margin for academic areas are in excess of this value. Actual staff costs do not include the 3% national bargaining assumed in the budget but even when this is factored in the Gross Margin is still comfortably better than the full year budget overhead.



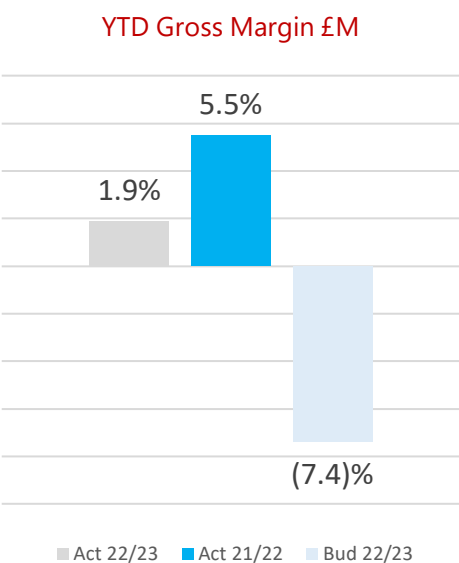
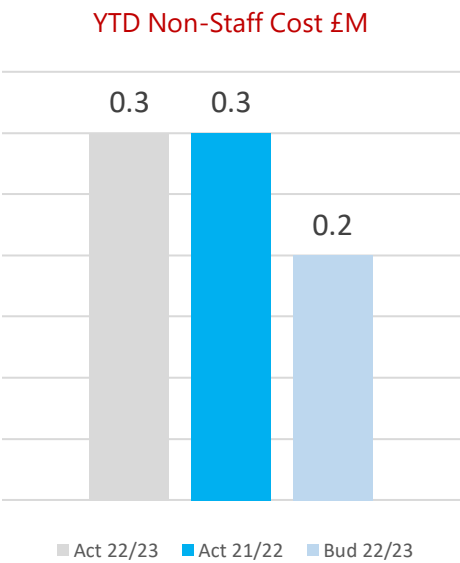
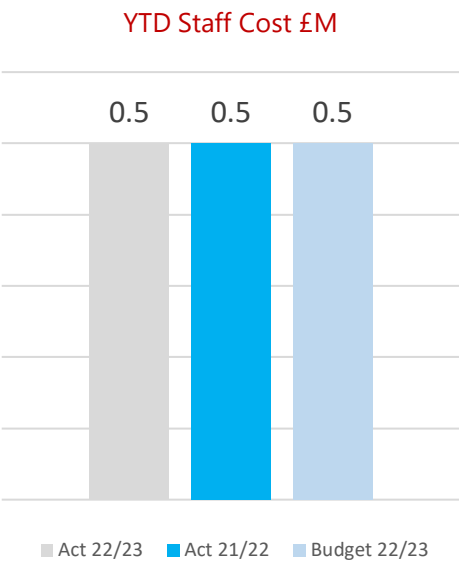
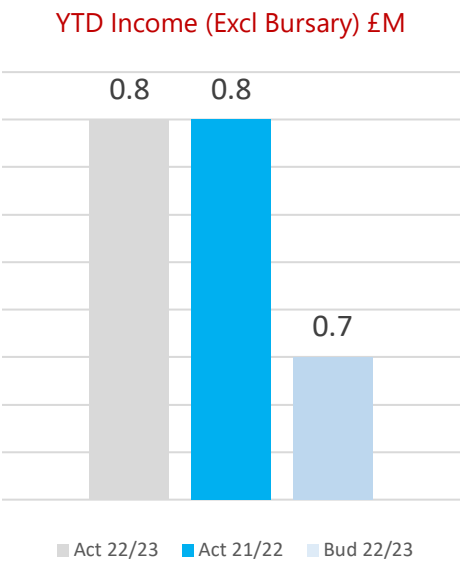
Academic Performance

The figures below show Gross Profit at £474K better than budget. However, the actual values do not include any national bargaining increase (which is assumed in the budget at 3%). If this increase was taken from the surplus then the surplus drops to £378 better than budget. Staff costs reflect less temporary staff needed due to the shortfall in HE students while non-staff costs are better than budget due to spending £69K less on training (timing) and £66K less on travel.

Actual £K							Budget £K							Variance £K						
Actual YTD 21/22	STEM	BMCL	CCI	ALS	Research	Academic Total	STEM	BMCL	CCI	ALS	Research	Academic Total		STEM	BMCL	CCI	ALS	Research	Academic Total	
Funding	952	943	837	1,322	13	4,068	953	951	829	1,335	15	4,083		(1)	(8)	8	(12)	(2)	(15)	
Tuition Fees	94	348	269	373	7	1,090	77	289	250	299	0	916		17	59	19	74	7	174	
Commercial	325	193	65	62	28	674	371	214	62	56	43	746		(46)	(21)	3	6	(15)	(72)	
Total Income	1,371	1,483	1,172	1,758	48	5,832	1,401	1,454	1,141	1,690	58	5,745		(30)	29	31	67	(10)	87	
Staff Costs	794	751	562	1,027	42	3,177	789	902	633	1,008	43	3,375		(5)	151	71	(20)	1	198	
% Income	57.9%	50.6%	48.0%	58.5%	87.6%	54.5%	56.3%	62.1%	55.5%	59.6%	74.2%	58.7%			516.3%	232.0%	-29.6%		226.7%	
Non-Staff Costs	156	150	88	66	6	466	219	101	156	175	4	655		63	(49)	69	108	(2)	188	
% Income	11.4%	10.1%	7.5%	3.8%	12.2%	8.0%	15.6%	7.0%	13.7%	10.3%	6.4%	11.4%			-168.3%	225.2%	160.4%		215.5%	
Gross Profit	421	582	522	664	0	2,189	393	451	352	508	11	1,715		28	131	170	156	(11)	474	
Gross Margin	30.7%	39.2%	44.5%	37.8%	0.2%	37.5%	28.1%	31.0%	30.8%	30.1%	19.4%	29.9%								

Business Performance

Actuals were close to budget across all categories. The Gross Margin %'s have large % differences but this converts into small absolute values.



Business

The commercial business numbers are broadly in line with budget.
The favourable AST Gross Margin, versus budget, was down to an unbudgeted course worth £25K.
ASW's unfavourable Gross Margin was due to £10K of costs for bank staff and music licence costs for that last three years, £8K.
Residences Gross Margin was favourable to budget due to income for summer lets.

Actual £K						Budget £K				
Actual YTD 21/22	AST	Residences	ASW	Nursery	Total	AST	Residences	ASW	Nursery	Total
Funding	0	0	0	27	27	0	0	0	0	0
Tuition Fees	470	0	0	0	470	438	0	0	0	438
Commercial	1	158	132	28	319	3	84	137	54	278
Total Income	471	158	132	56	817	441	84	137	54	716
Staff Costs	313	0	112	88	513	332	0	115	87	535
% Income	66.5%	0.0%	84.9%	157.5%	62.8%	75.4%	0.0%	84.4%	160.3%	74.7%
Non-Staff Costs	143	99	43	4	288	147	53	25	10	234
% Income	30.3%	62.7%	32.5%	6.4%	35.3%	33.5%	62.3%	18.0%	17.6%	32.7%
Gross Profit	15	59	(23)	(36)	15	(39)	32	(3)	(42)	(53)
Gross Margin	3.2%	37.3%	(17.3)%	(63.9)%	1.9%	(8.9)%	37.7%	(2.4)%	(77.9)%	(7.4)%

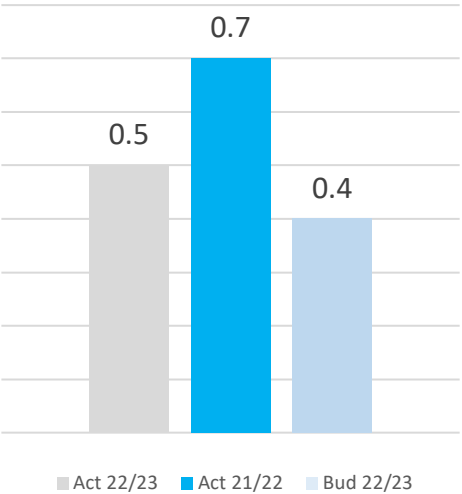
Variance £K				
AST	Residences	ASW	Nursery	Business Total
0	0	0	27	27
32	0	0	0	32
(1)	74	(5)	(26)	41
30	74	(5)	1	101
19	0	3	(1)	22
62.4%	0.0%		-42.6%	21.7%
5	(47)	(18)	6	(54)
15.3%	-63.2%		450.8%	-53.8%
54	27	(20)	7	68

Services (Overhead) Performance

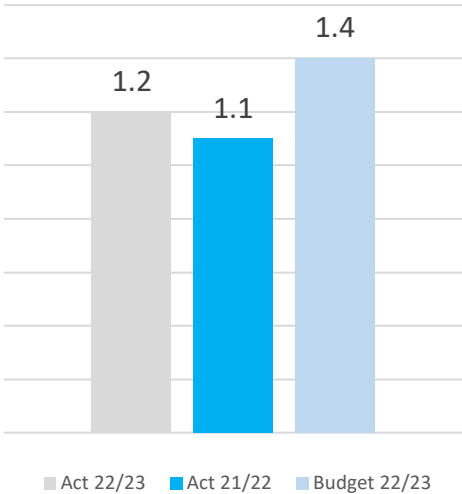
The staff cost and non-staff costs are similar to budget. AS with the other areas in this document, staff costs do not include the 3% national bargaining increase assumed in the budget. Making this adjustment would bring staff costs up to £1.3M.

Overhead finding needs reviewed as it includes Micro-RAM which should be included in the Academic section. This will be adjusted in Q2.

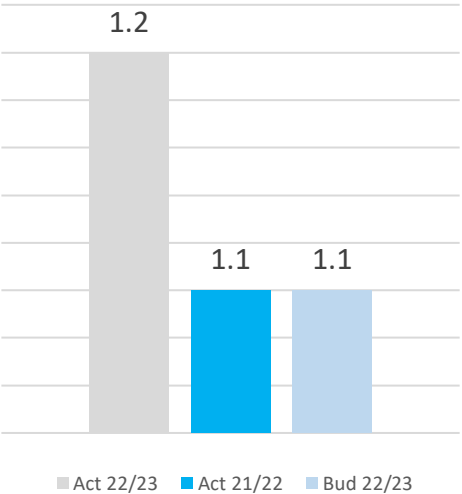
YTD Ohd Funding £M



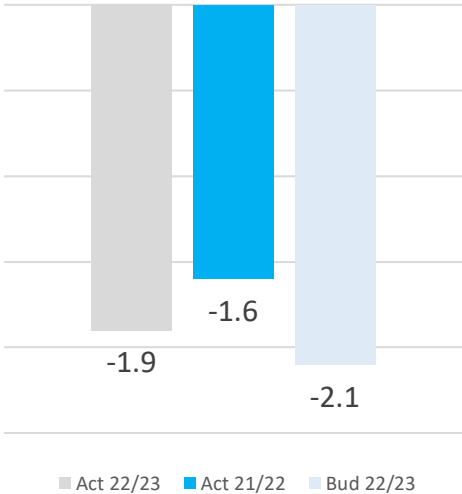
YTD Staff Cost £M



YTD Non-Staff Cost £M



YTD Net Ohd £M



Services (Overheads)

The Estates income variance, favourable £130K is actually drawdown of funds to meet Estates costs, you will see that the non-staff cost variance is unfavourable £(96)K. This is for the continuation of summer works started in 21/22. This is a timing issue and will correct over the year.

ICT is also a timing issue and represents front loaded spend. Ideally the costs would be spread over the year but as this will all be spent in the year and would be difficult to manage, it is all charged when the goods are purchased.

Canteen was a loss in Q1 due to students not being on site until the middle of September. This loss should reduce, closer to budget, in Q2.

The Bus Services income variance is related to Micro-RAM and should be moved to academic in Q2.

Actual £K							Budget £K						Variance £K					
Actual YTD 21/22	Student Services	Estates	ICT	Canteen	Business Services	Services Total	Student Services	Estates	ICT	Canteen	Business Services	Services Total	Student Services	Estates	ICT	Canteen	Business Services	Services Total
Funding	13	368	0	0	(24)	357	25	236	0	0	(72)	189	(12)	131	0	0	48	168
Tuition Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial	7	7	0	150	27	190	19	9	0	188	(1)	215	(13)	(2)	0	(38)	27	(25)
Total Income	20	375	0	150	3	547	44	245	0	188	(73)	404	(25)	130	0	(38)	75	143
Staff Costs	297	195	124	0	638	1,254	341	226	131	0	724	1,422	44	30	7	0	86	168
% Income	1505.6%	52.2%		0.0%	22110.0%	229.4%	771.5%	92.1%		0.0%		351.8%		23.3%			114.7%	117.4%
Non-Staff Costs	89	547	217	173	188	1,213	113	451	154	160	199	1,077	24	(96)	(63)	(13)	12	(136)
% Income	452.1%	146.0%		115.3%	6502.7%	221.8%	256.3%	184.1%		85.3%		266.5%		-73.8%			15.4%	-95.2%
Net Cost	(367) (1857.7) %	(368) (98.2)%	(341)	(23) (15.3)%	(822) (28512.7)%	(1,921) (351.2)%	(411) (927.8)%	(432) (176.3)%	(285)	28 14.7%	(996)	(2,095) (518.4)%	44	64	(57)	(50)	174	174

Cash

YTD Closing Cash



College



AST



Other



Bursary/Childcare



Perth College UHI

Paper No 10

Committee	Board of Management
Subject	Streamlining of Board & Committee Procedures
Date of Committee meeting	22/12/2022
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	15/12/2022
Executive summary of the paper	
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	n/a
Action requested	<input type="checkbox"/> For information <input checked="" type="checkbox"/> For discussion <input checked="" type="checkbox"/> For endorsement <input type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)
Resource implications Does this activity/proposal require the use of College resources to implement? If yes, please provide details.	No
Risk implications Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?	No <small>Click or tap here to enter text.</small>

Perth College UHI

(If yes, please provide details)	
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	No
<u>Equality and diversity</u> Does this activity/proposal require an Equality Impact Assessment? If yes, please give details:	No
<u>Data Protection</u> Does this activity/proposal require a Data Protection Impact Assessment? If yes, please give details:	No Click or tap here to enter text.
Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	No If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	No

Perth College UHI

Freedom of information Can this paper be included in “open” business?*	Yes
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* If a paper should **not** be included within ‘open’ business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

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<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Streamlining of Board & Committee Procedures

1. Introduction

Following feedback from Chairs, Board Members and senior staff, this paper has been produced to recommend a range of initiatives to streamline the operation of Board and Board Committees in order to allow the Chair of each Committee to allocate more time to substantive issues.

It is also hoped that adoption of these initiatives will allow meetings to be scheduled for a shorter time period where appropriate.

2. Use of Technology

For the last 2 years or so, some time had been spent on development around a Board Portal for Board and Committee, however as Perth College recently redeveloped its intranet system, PerthHub, it has become apparent that this option is no longer a fully viable option without significant development commitment.

Instead, each Board-level committee will be allocated a dedicated MS Teams Page where Papers will be uploaded ahead of each meeting as and when available. Board Members will be encouraged to regularly check in to the Pages they are participants in, and will be able to view, comment on, and ask questions via the Chat function about papers For Information to provide appropriate scrutiny which allow these papers to be considered “Noted As Read” at each Committee meeting and not form part of the issued Linked Papers for that meeting, unless the background discussions indicate an issue that needs further discussion.

In addition, the Chat function allows for formal annotated approval of specific time-bound items between meetings (assuming quoracy is reached), which can then be formally ratified at the subsequent Committee meeting for recording purposes

3. Link to Strategy

The Cover Sheet for papers will be updated to ensure that each paper being presented has a clear link to the College or UHI strategy, and any papers not directly linked to strategy will have to provide a justifiable reason for inclusion for Board-level discussion.

4. The Cover Sheet

In addition to the Link to Strategy proposed above, the Cover Sheet will be revamped to ensure clarity of pathways for each paper, including previous airings at earlier Committees and succinct explanations of what the paper is for, and what happens next with the paper.

Guidance will also be provided around appropriate completion of the Executive Summary and consideration of Data Protection legislation for any paper being presented for consideration at a Board-level committee.

5. Chairs' Summaries

At each Board of Management Meeting, minutes for other committees are presented for information. It is proposed that the Chair of each Committee provide a brief

summary of the key items for information and/or discussion to Board Members for inclusion within the Board papers. This will allow the draft minutes of the various committees to be uploaded onto the Board MS Teams page for all Board Members to access, but only the Chair's Summaries will be included within the pack of Board Papers.

6. Flexibility of Agendas

Whilst the draft Agendas created by the Clerk will continue to be themed around key areas (eg Items for Approval; Items for Reporting & Compliance), it is proposed that Chairs of each Committee demonstrate maximum flexibility around the Agenda to create a meeting flow which works to the benefit of both Chairs and Board Members.

Ian McCartney
Clerk to the Board of Management
December 2022

Committee	Board of Management
Subject	Transitioning to Enterprise Risk Management
Date of Committee meeting	22/12/2022
Author	Iain Wishart, VP Operations
Date paper prepared	06/12/2022
Executive summary of the paper	Describe why we would move to ERM, what ERM is and propose the role of the Board moving forward.
Consultation How has consultation with partners been carried out?	Transition to ERM approved by Audit Committee at meeting of 12/12/2022
Action requested	<input checked="" type="checkbox"/> For information only <input type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input type="checkbox"/> For approval
Resource implications (If yes, please provide details)	Yes/ No Details the use and performance of resources
Risk implications (If yes, please provide details)	Yes/ No Risk Management Paper
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: <ul style="list-style-type: none"> • Compliance 	Has a direct link to managing Strategic Risks

<ul style="list-style-type: none"> • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>This paper assists with risk management, compliance with legal duties and with the Code of Good College Governance.</p>
<p><u>Equality and diversity</u></p> <p>Yes/ No</p> <p>If yes, please give details:</p>	<p>Click or tap here to enter text.</p>
<p>Island communities</p> <p>Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?</p>	<p>Yes/ No</p> <p>If yes, please give details:</p> <p>Click or tap here to enter text.</p>
<p><u>Data Protection</u></p> <p>Does this activity/ proposal require a Data Protection Impact Assessment?</p>	<p>Yes/ No</p> <p>Set out any data protection aspects and whether a data protection impact assessment is needed</p>
<p>Status (e.g. confidential/non confidential)</p>	<p>Non-Confidential</p>
<p>Freedom of information</p> <p>Can this paper be included in “open” business?* -Yes</p>	<p>Papers should be open unless there is a compelling reason for them to remain closed. If a paper, or parts of a paper, are to remain closed the reason for that exemption must be specified – see reasons below</p>

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

For how long must the paper be withheld? Until the OBC and FBC are approved and funding awarded to begin the project. This would be for an estimated 12 months.

Further guidance on application of the exclusions from Freedom of Information legislation is available via:

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

UHI Perth: Transitioning to Enterprise Risk Management (ERM)

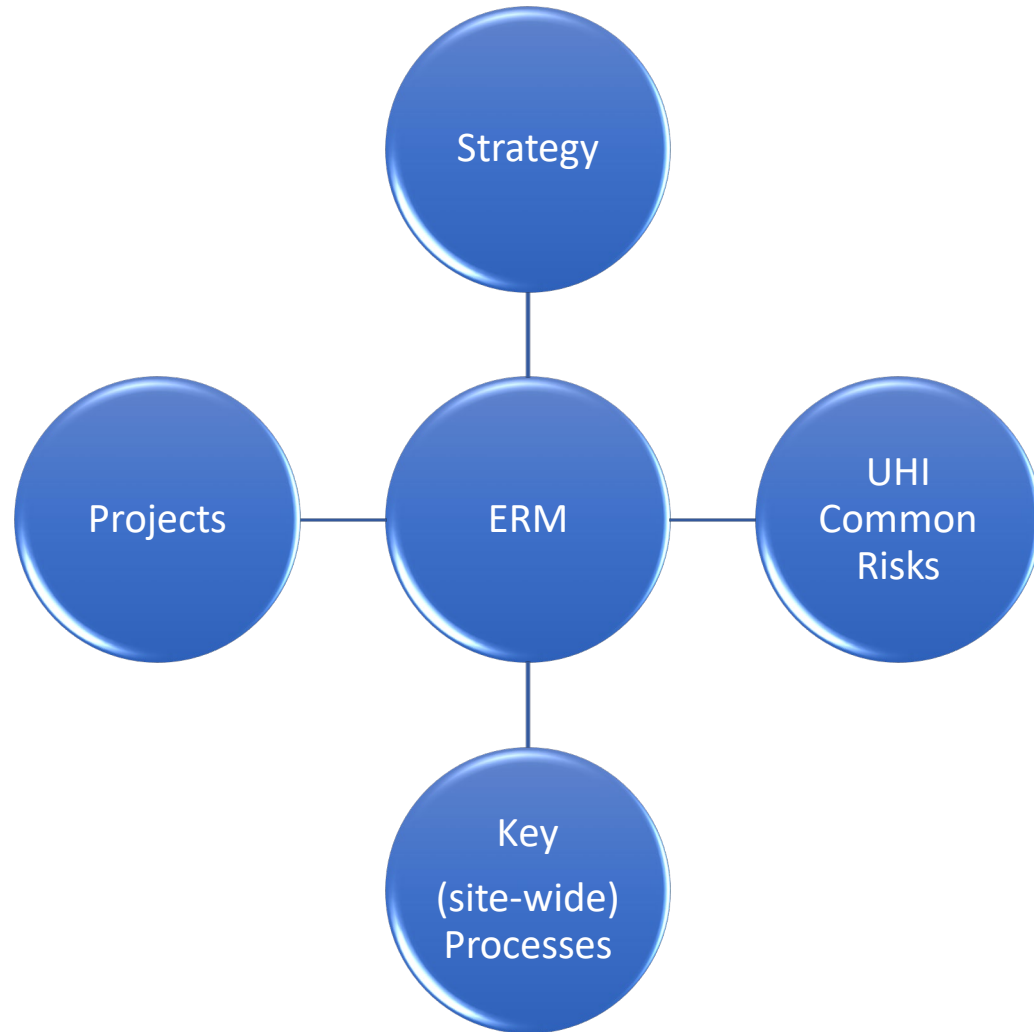


It has been proposed that we move away from the current “Strategic Risk Register” to Enterprise Risk Management (ERM). Why would we want to move away from the current Strategic Risk Register?

Weaknesses of the current strategic risk register process:

- Not aligned with our strategy.
- Does not appear to link risk actions with risks that could cause Events but rather a list of random actions. This results in us working at too high a level and finding it difficult to make progress.
- Doesn't consider risk response options.
- No review of control effectiveness.
- Does not link to Board risk appetite.
- Is not a circular process.
- Only focuses on what are considered to be strategic risks.
- Duplication of risks with different responses.
- Is not applied across the organisation.

ERM removes these weaknesses and provides an expansive framework that can be used across the organisation. The diagram on the right shows what the proposed ERM roll out would cover.



Before presenting the ERM process it is important that we deal with the introduction of risk appetite and how it applies to the proposed ERM coverage.

Strategy

“Strategic risks are, by definition, the risks of you not achieving your business strategy. This means that a business which fails to deal with its strategic risks faces failure if those risks eventually materialise.”

By applying the definition above we could apply a single strategic risk appetite score to all risks in this category. However, in classifying everything under one appetite score it ignores the type of risk e.g. Legal, Technology, Commercial etc for which the Board may have varying risk tolerances. Strategic objectives can fail due to a wide range of types of risk. Additionally, the Orange Book (which we have currently adopted for our risk appetite) defines strategic risk as follows:

“Risks arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment (e.g. political, economic, social, technological, environment and legislative change).”

This definition appears to be about the risk of setting a poor strategy, executing poorly and also indicates that there are different types of risk.

As risk appetite plays a significant role in ERM, and based on the conundrum above, we will consider risk appetite further before moving on to the next ERM coverage.

Risk Appetite

Risk appetite provides a framework which will enable UHI Perth managers to make informed management decisions. By defining risk appetite scores the Board know that tolerances have been set and managers know when to elevate risk to the SMT and Board level.

The benefits of adopting a risk appetite include:

- Supporting informed decision-making
- Reducing uncertainty
- Improving consistency across governance mechanisms and decision-making;
- Supporting performance improvement
- Focusing on priority areas within an organisation
- Informing spending review and resource prioritisation processes.

The risk categories we choose is up to the Board of Management. At the moment we have adopted the government Orange Book risk categories and classifications. These are set out over slides 4,5 and 6 and, on reflection, could be too complex for our usage/application.

Slide 7 & 8 presents one alternative from the Global Association for Risk Professionals which appears to be much simpler to understand and aligns with the scoring matrix shown. In this example the scoring is across a number of key risk categories so that if a manager was looking at, for example, a digital process or change and the Board had set their risk appetite at 4 then it gives the manager a set of clear parameters within which to measure risk.

The importance risk appetite scoring is that if a risk was determined to be higher than the risk appetite of the Board then it has to be elevated to Board level before progressing.

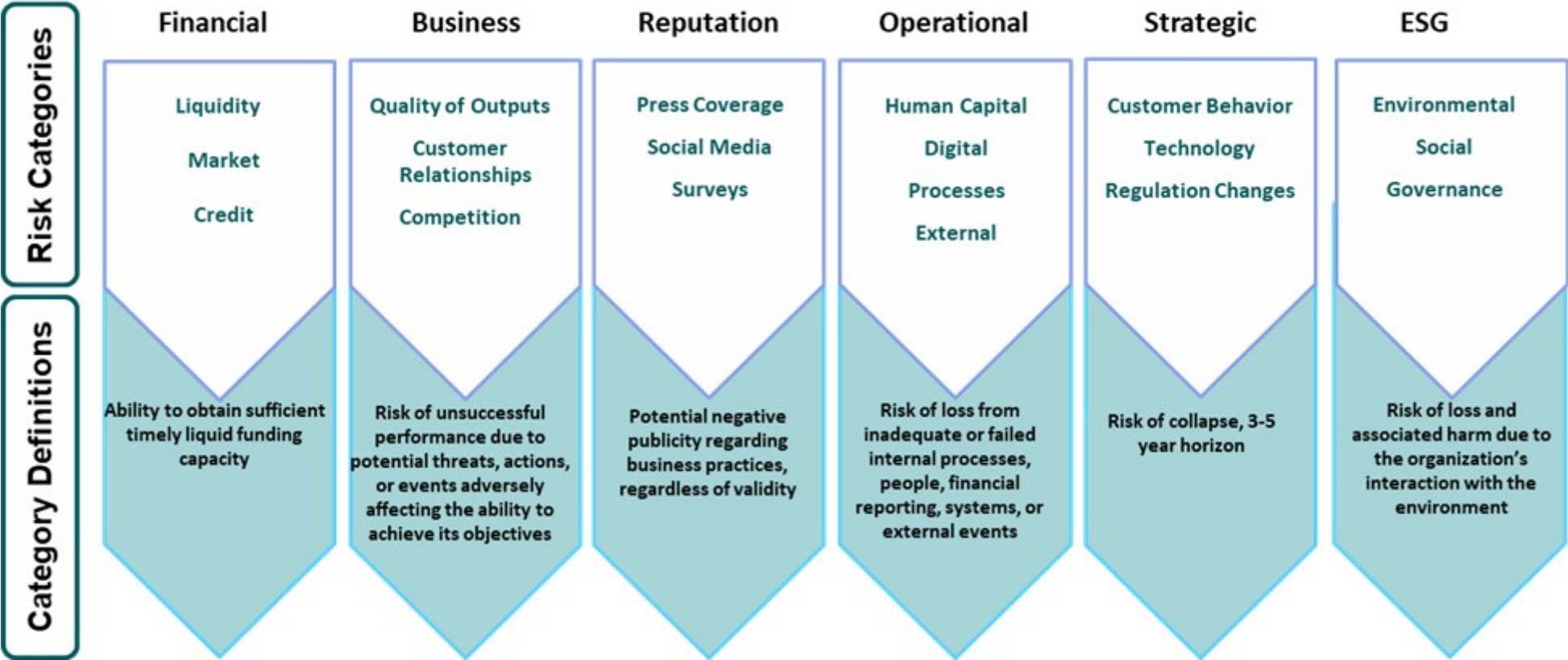
We need to be comfortable with the risk appetite and scoring as the more complex this is, the more work is required and it can become confusing to apply.

Risk appetite level definition					
	Averse	Minimal	Cautious	Open	Eager
Strategy	Guiding principles or rules in place that limit risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 5+ year intervals	Guiding principles or rules in place that minimise risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 4-5 year intervals	Guiding principles or rules in place that allow considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 3-4 year intervals	Guiding principles or rules in place that are receptive to considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 2-3 year intervals	Guiding principles or rules in place that welcome considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 1-2 year intervals
Governance	Avoid actions with associated risk. No decisions are taken outside of processes and oversight / monitoring arrangements. Organisational controls minimise risk of fraud, with significant levels of resource focused on detection and prevention.	Willing to consider low risk actions which support delivery of priorities and objectives. Processes, and oversight / monitoring arrangements enable limited risk taking. Organisational controls maximise fraud prevention, detection and deterrence through robust controls and sanctions.	Willing to consider actions where benefits outweigh risks. Processes, and oversight / monitoring arrangements enable cautious risk taking. Controls enable fraud prevention, detection and deterrence by maintaining appropriate controls and sanctions.	Receptive to taking difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements enable considered risk taking. Levels of fraud controls are varied to reflect scale of risks with costs.	Ready to take difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements support informed risk taking. Levels of fraud controls are varied to reflect scale of risk with costs.
Operations	Defensive approach to operational delivery - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority.	Innovations largely avoided unless essential. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with clear demonstration of benefit / improvement in management control. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
Legal	Play safe and avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge.	Want to be reasonably sure we would win any challenge.	Challenge will be problematic; we are likely to win, and the gain will outweigh the adverse impact.	Chances of losing are high but exceptional benefits could be realised.

Property	Obligation to comply with strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Recommendation to follow strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Requirement to adopt arrange of agreed solutions for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.	Consider benefits of agreed solutions for purchase, rental, disposal, construction, and refurbishment that meeting organisational requirements.	Application of dynamic solutions for purchase, rental, disposal, construction, and refurbishment that ensures meeting organisational requirements.
Financial	Avoidance of any financial impact or loss, is a key objective.	Only prepared to accept the possibility of very limited financial impact if essential to delivery.	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities.	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels.	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place).
Commercial	Zero appetite for untested commercial agreements. Priority for close management controls and oversight with limited devolved authority.	Appetite for risk taking limited to low scale procurement activity. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with demonstration of benefit / improvement in service delivery. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
People	Priority to maintain close management control & oversight. Limited devolved authority. Limited flexibility in relation to working practices. Development investment in standard practices only	Decision making authority held by senior management. Development investment generally in standard practices.	Seek safe and standard people policy. Decision making authority generally held by senior management.	Prepared to invest in our people to create innovative mix of skills environment. Responsibility for noncritical decisions may be devolved.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust rather than close control.

	Averse	Minimal	Cautious	Open	Eager
Technology	General avoidance of systems / technology developments.	Only essential systems / technology developments to protect current operations.	Consideration given to adoption of established / mature systems and technology improvements. Agile principles are considered.	Systems / technology developments considered to enable improved delivery. Agile principles may be followed.	New technologies viewed as a key enabler of operational delivery. Agile principles are embraced.
Data & Info Management	Lock down data & information. Access tightly controlled, high levels of monitoring.	Minimise level of risk due to potential damage from disclosure.	Accept need for operational effectiveness with risk mitigated through careful management limiting distribution.	Accept need for operational effectiveness in distribution and information sharing.	Level of controls minimised with data and information openly shared.
Security	<p>No tolerance for security risks causing loss or damage to HMG property, assets, information or people. Stringent measures in place, including:</p> <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • Staff vetting maintained at highest appropriate level. • Controls limiting staff and visitor access to information, assets and estate. • Access to staff personal devices restricted in official sites 	<p>Risk of loss or damage to HMG property, assets, information or people minimised through stringent security measures, including:</p> <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • All staff vetted levels defined by role requirements. • Controls limiting staff and visitor access to information, assets and estate. • Staff personal devices permitted, but may not be used for official tasks. 	<p>Limited security risks accepted to support business need, with appropriate checks and balances in place:</p> <ul style="list-style-type: none"> • Adherence to FCDO travel restrictions • Vetting levels may flex within teams, as required • Controls managing staff and limiting visitor access to information, assets and estate. • Staff personal devices may be used for limited official tasks with appropriate permissions. 	<p>Considered security risk accepted to support business need, with appropriate checks and balances in place:</p> <ul style="list-style-type: none"> • New starters may commence employment at risk, following partial completion of vetting processes • Permission may be sought for travel within FCDO restricted areas. • Controls limiting visitor access to information, assets and estate. • Staff personal devices may be used for official tasks with appropriate permissions. 	<p>Organisational willing to accept security risk to support business need, with appropriate checks and balances in place:</p> <ul style="list-style-type: none"> • New starters may commence employment at risk, following partial completion of vetting processes • Travel permitted within FCDO restricted areas. • Controls limiting visitor access to information, assets and estate. • Staff personal devices permitted for official tasks
Project/Programme	Defensive approach to transformational activity - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority. Benefits led plans fully aligned with strategic priorities, functional standards.	Innovations avoided unless essential. Decision making authority held by senior management. Benefits led plans aligned with strategic priorities, functional standards.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Plans aligned with strategic priorities, functional standards.	Innovation supported, with demonstration of commensurate improvements in management control. Responsibility for noncritical decisions may be devolved. Plans aligned with functional standards and organisational governance.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust rather than close control. Plans aligned with organisational governance.
Reputational	Zero appetite for any decisions with high chance of repercussion for organisations' reputation.	Appetite for risk taking limited to those events where there is no chance of any significant repercussion for the organisation.	Appetite for risk taking limited to those events where there is little chance of any significant repercussion for the organisation.	Appetite to take decisions with potential to expose organisation to additional scrutiny, but only where appropriate steps are taken to minimise exposure.	Appetite to take decisions which are likely to bring additional Governmental / organisational scrutiny only where potential benefits outweigh risks.

Alternative Risk Appetite Model

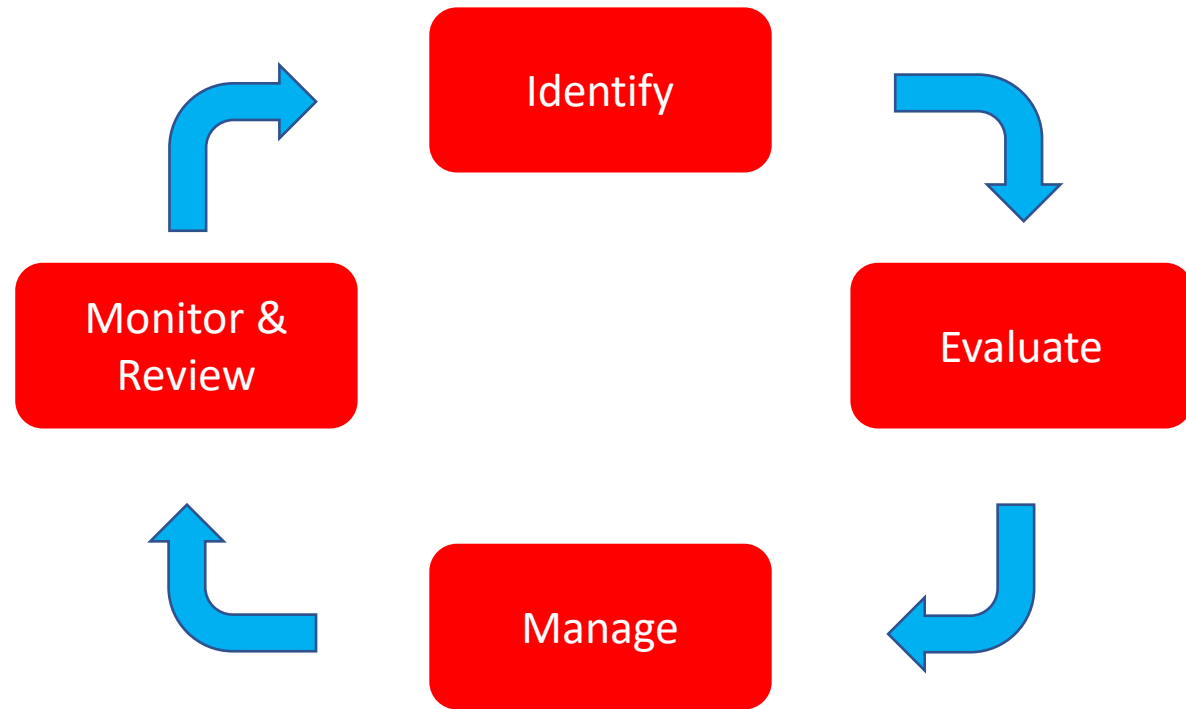


Alternative Risk Appetite Model

Score	Impact	Financial	Operational	Safety and Wellbeing	Business	Reputational
1	Minor	Income: <\$5MM B/S: <.099BN	Limited failure of operations	Individual directly exposed to harm or suffering	Failure to meet customer needs with inconsequential impact	Limited negative publicity No effect on reputation/image
2	Somewhat Moderate	Income: \$5-10MM B/S: >\$.1-.29N	Failure of operations with limited scope	More than one individual directly exposed to harm or suffering	Failure to meet customer needs with limited impact	Regional negative publicity Minor short-term effect on reputation
3	Moderate	Income: \$15-24MM B/S: >\$.3-.49BN	Failure of operations affecting one stakeholder	Many individuals directly exposed to harm or suffering	Failure to meet customer needs with customer impact	Regional negative publicity Pressure to control the message Moderate damage to reputation
4	Somewhat Major	Income: >\$25-49MM B/S: \$.5-.74BN	Failure of operations affecting one stakeholder	Multiple individuals directly exposed to harm, and one or more physically injured	Failure to meet customer needs with multiple customer impacts	Negative publicity and Intense pressure to control the message Significant damage to reputation
5	Major	Income: \$50-100MM B/S: \$.75-.99BN	Failure of operations with broad scope affecting many simultaneously	Multiple individuals directly exposed to harm, requiring medical assistance	Failure to meet customer needs with impacts across a department	Negative publicity. Cannot control the message Severe long-term damage to reputation
6	Critical	Income: >\$100MM B/S: >\$1BN	Failure of operations affecting many, including loss of life	One or more serious physical injury, including loss of life	Failure to meet customer needs with impacts across all departments	Negative publicity impairs image or reputation Significant decrease in funding



When we align the steps in the ERM Framework it creates a circular process or feedback loop that continually reviews the relevance and effectiveness of our processes and controls.



Risk Identification & Evaluation

For the purposes of reviewing each of the steps on page 10 we will assume we are looking at the ERM Strategy. This requires us to use the definition:

“Strategic risks are, by definition, the risks of you not achieving your business strategy. This means that a business which fails to deal with its strategic risks faces failure if those risks eventually materialise.”

Strategic Objective & KPI	Target	Which Events Could Prevent Achievement of KPI Target	What Could Cause the Event?	Consequence of the Event Happening?	Cause		Risk Score	Risk Category	Board Appetite Score	Risk Response
					Likelihood	Impact				

These first two stages of our ERM process follow a step by step process, working from left to right....

1. Set out the strategic objective & KPI.
2. Document the target.
3. We then need to define the EVENTS that could prevent us achieving the KPI target.
4. From this point we need to identify what could CAUSE the EVENT to happen. These are the areas that we want to apply risk management against.
5. Note the consequence of each Event happening.
6. Without risk management being applied, what is a) the likelihood of the Cause b) the Impact of the Cause and when multiplied together this will give a Risk Score c).

7. What type of risk are we looking at? We set that by using the risk appetite categories set by the BOM.

8. Entering the Risk Category automatically populates the Board risk appetite score for comparison with 6 c).

9. We now need to determine our risk response which will be: Avoid, Transfer, Mitigate, Accept.

Action(s)	Post Management		Risk Score	Person Responsible for Action	Completion Date
	Likelihood	Impact			

Having now identified and evaluated our risks we need to being to manage the risks.
Again we carry out a step by step process, working from left to right.

1. Based on our risk response, what actions are we going to take?
2. When we take these actions what do we believe that a) the likelihood of the cause will change to? b) the impact of the cause will change to? Multiplying these two together we arrive at a revised risk matrix score c). This can be measured against the Board Risk Appetite Score at 8 on page 11.
3. We need to assign a person to be responsible for carrying out the action.
4. We need to set a target date for completion of the actions.

Revised Completion Date	Days Late	% Complete	Control Testing Regularity	Control Effectiveness	Have Events Been Reviewed	Committee Responsible
<p>Having now identified, evaluated and initiated the management of our risks we now need to monitor and review controls. Again this is carried out through a step by step process, working from left to right.</p> <ol style="list-style-type: none">1. If we don't think the original completion date is achievable we can enter a revised date for consideration.2. The date at 1 will automatically calculate any days late.3. The person responsible has to indicate the % complete for actions they are implementing.4. The next areas begin in when we complete the control/solution implementation. When controls are in place they need to be monitored on a regular basis. This column notes how regularly we need to test the control. This could be weekly all the way out to annually depending on the impact the risk could have.5. Controls need to be checked, in line with 4 above, to ensure that they are still effective. Verification would be given in this section.					<ol style="list-style-type: none">6. UHI Perth also need to go back and look at the list of Events and Causes for each strategic objective and ensure that they are still correct e.g. has something changed that means we need to add a new risk, has the risk gone away completely and no longer needs to be managed etc. This column is just an indicator to the reader that this work has been carried out. This is an example of the feedback loop nature of the new process.7. The final column is a note of the Committee who would be responsible for this control.	

Audit Committee Role (Proposal)

The diagram on the opposite side of the page shows that item 1, under Governance & Culture, is “Board Risk Oversight”

What does this mean at UHI Perth. This can mean whatever the Audit Committee determine is appropriate/required. However, as ERM is going to be a more expansive program the Board will probably need to take a higher oversight position rather than being in all the detail. To this end it is proposed that:

- The Board ask Internal Audit to review the complete process once a year to confirm its coverage and effectiveness.
- Audit Committee meetings cover
 - Monitoring by exception e.g. days late, controls that are no longer effective, failure to review Events, risks that score higher than the Board appetite for that risk etc. A link to where UHI Perth store the risk management information would be available to the Board but meetings would only cover monitoring.
 - Proposed changes to the program, reporting etc.
 - Annual update from Internal Audit.
 - Where risk scores (pre risk management and post risk management if applicable) are higher than the Board appetite then these risks need to be highlighted immediately to the Audit committee with the proposed actions and expected post risk management scores. This means that they could happen outside of Audit Committee meetings. As noted above these risks would be further discussed in Audit Committee meetings.



Perth College UHI

Paper No. 12

Committee	Board of Management
Subject	Key Performance Indicators
Date of Committee meeting	22/12/2022
Author	Lorenz Cairns, Depute Principal
Date paper prepared	07/12/2022
Executive summary of the paper	<p>Please outline the follow elements of this paper:</p> <ul style="list-style-type: none"> i) Purpose – what is it for ii) Impact – what are the intended outcomes iii) Course of Action – what happens next & by whom <p>This paper seeks final approval of Strategic Development Committee regarding the prioritised KPIs relating to the Perth College Strategic Plan 2022-27.</p> <p>These prioritised KPIs will then be monitored by Board Members via a Balanced Scorecard methodology, while the remaining KPIs are monitored locally.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	<p>Extensive consultation throughout the Strategic Plan development and implementation process.</p> <p>Strategic Development Committee endorsed the priority KPIs presented to Committee 05 December, with the addition of the Sustainability KPI around Reinvestment Planning</p>
Action requested	<input type="checkbox"/> For information <input type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input checked="" type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)

Perth College UHI

<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>No</p> <p>Click or tap here to enter text.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>KPIs are a fundamental building block in monitoring progress towards strategic aims.</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p> <p>Click or tap here to enter text.</p>

Perth College UHI

Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	No If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	Non Confidential
Freedom of information Can this paper be included in "open" business?	Yes

* If a paper should **not** be included within 'open' business, please highlight below the reason.

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Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

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<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Balanced Scorecard 2022-27							2022-23	
No	College Strategy 2022-27	Strategic KPI	Data Provider	SMT Member	Baseline	Target (Over 5 years)	Current RAG	Trend
Excellence in Learning and the Learner Experience								
SO1: The Learner Experience								
1	Increasing retention, attainment, achievement, progression and student satisfaction to sector leading levels before	Increase student retention (over 5 years):						
		a) FE by 7%	Head of Student Experience	VP Curriculum	72%	80%		
		b) HE by 5%	Head of Student Experience	VP Curriculum	87%	92%		
2		Increase student achievement (over 5 years)						
		a) FE by 12%	Head of Student Experience	VP Curriculum	62%	74%		
		a) HE by 9%	Head of Student Experience	VP Curriculum	71%	80%		
3	Increase student satisfaction	Student Early Survey (SF1)						
		a) FE by 2% over 5 years	Quality Manager	VP Curriculum	96%	98%		
		b) HE by 7% over 5 years	Quality Manager	VP Curriculum	91%	98%		
		Student Experience Survey (SF3):						
		a) FE by 6% over 5 years	Quality Manager	VP Curriculum	92%	98%		
		b) HE by 9% over 5 years	Quality Manager	VP Curriculum	89%	98%		
4	SO2: Co-Creative and Progressive Curricula							
	Strengthen and develop an agile, innovative and dynamic portfolio that responds to regional and Scottish Govt priorities and key sector needs	Continue to annually review the curriculum portfolio and increase overall redesign of our courses by 25%	Head of Student Experience	VP Curriculum	50%	75%		
SO4: Academic Partnerships								
5	Value/leverage (£) by partnership	Margin/revenue - overhead recovery +1% by year 5						
				VPEE		+1%		
College Growth and Ambition								
SO1: Our Culture								
1	Staff survey results from 2021 are improved in the following areas over the next 5 years (next survey to take place in 2024):	Monthly initiative around one of our values	Head of HROD	Depute Principal	0			
SO4: Our Ways of Working								
2	We will enhance and improve our systems and processes, driving high quality outcomes	Number of services/processes improved - right first time	VPO	VPO	0	12		
SO5: Digital Transformation								
3	Percentage staff/learners with improved Digital Skills	Identify digital competence framework for each job role	Head of HROD	VPO	0	Baseline		
Partnerships and Collaboration								
SO1: Relationships								
1	Percentage strategic partnerships v proportion of external engagements	Increase from 5% by 1% pa						
			Head of BD	VPEE	5%	10%		
SO2: Commercial Enterprise and Innovation								
2	Commercial AOP/Commercial Income (per college area)	Gross overhead +1% by Year 5	Head of BD	VPEE		+1%		
Sustainability								
SO2: Reinvestment Planning								
1	At the end of the strategic cycle (5 years) have the following cost/income ratios:	Staff Cost/Income	VPO	VPO	78%	70%		
2		Non-Staff Cost/Income			19%	21%		
3		Percentage gross carbon footprint reduction	2%pa	Head of Estates	DP		10%	
Definitions:								
Strategic KPI - key performance indicator reportable at board level								
Data Provider - person who can provide the kpi data								
SMT Member - accountable member of SMT								
Baseline - the current value for tracking progress against								
Target - the set figure to be achieved by the end of the strategic cycle								

Excellence in Learning and the Learning Experience

Strategic Objective: The Learner Experience

KPI	1. Raising awareness and promoting health and student wellbeing/safety by ensuring staff have the skills and knowledge to respond effectively to the range of student	
Target	Increase participation rates by 10% over 5 years	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5
KPI	2. Increasing retention, attainment, achievement, progression and student satisfaction to sector-leading levels before 2027	
Target	Increase student retention (over 5 years): FE by 7% to 80% and HE by 5% to 92%	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5
Target	Increase student progression (over 5 years): FE & HE by 13% to 85%	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5
Target	Increase student achievement (over 5 years): FE by 12% to 74% and HE by 9% to 80%	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5
KPI	3. Increase student satisfaction	

Target	Early Student Experience Survey (ESES): FE by 2% to 98% over 5 years and HE by 7% to 98% over 5 years	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

Target	Student Satisfaction and Experience Survey (SSES): FE by 6% to 98% over 5 years and HE by 9% to 98% over 5 years	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

KPI	4. Increase student response rates to learner surveys	
Target	Early Student Experience Survey (ESES): FE by 20% to 60% over 5 years and HE by 10% to 70% over 5 years	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

Target	Student Satisfaction and Experience Survey (SSES): FE by 13% to 65% over 5 years and HE by 20% to 60% over 5 years	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

KPI	5. Increase proportion of classes with a Student Voice Representative FE and HE	
Target	By 20% to 60% over 5 years	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2

3	3
4	4
5	5

KPI
Target

6. Increase the number of Student Forums

By 20% to 80% over 5 years

Our Team Can Support This Target by:

How Our Team Will Measure Our Success

1	1
2	2
3	3
4	4
5	5

KPI
Target

7. Our student experience will offer transformational opportunities and we will continue to enable our learners to

Challenge and question what they believe to be true

Our Team Can Support This Target by:

How Our Team Will Measure Our Success

1	1
2	2
3	3
4	4
5	5

Target

Be open to change and interpret information more critically

Our Team Can Support This Target by:

How Our Team Will Measure Our Success

1	1
2	2
3	3
4	4
5	5

Target

Consider pursuing options for advancement that they instinctively or historically considered impossible

Our Team Can Support This Target by:

How Our Team Will Measure Our Success

1	1
2	2
3	3
4	4
5	5

Target

Bring their perspectives to the learning environment to influence and enhance their learning experience

Our Team Can Support This Target by:

How Our Team Will Measure Our Success

1	1
2	2
3	3
4	4
5	5

Target Apply their skills and knowledge in real-world practice and challenge strongly held beliefs and opinions

Our Team Can Support This Target by:	How Our Team Will Measure Our Success
1	1
2	2
3	3
4	4
5	5

Target Recognise observable differences, from before, during and on completion of the learner journey

Our Team Can Support This Target by:	How Our Team Will Measure Our Success
1	1
2	2
3	3
4	4
5	5

Strategic Objective: Co-Creative and Progressive Curricula

KPI 1. Strengthen and develop an agile, innovative and dynamic portfolio with pathways that respond to the regional and Scottish Governments priorities and key sector needs

Continue to annually review the curriculum portfolio and increase overall redesign of our courses by 25% (to 75%) over 5 years	
Our Team Can Support This Target by:	How Our Team Will Measure Our Success
1	1
2	2
3	3
4	4
5	5

KPI 2. Informed by industry, increase the number of digitally enabled innovative pedagogies (DEIP) which respond more dynamically to current and future learner needs

Continue to increase the number of courses using DEIP by 35% (to 95%) over 5 years.	
Our Team Can Support This Target by:	How Our Team Will Measure Our Success
1	1
2	2

3	3
4	4
5	5

Strategic Objective: Industry Focused

KPI Increase percentage of courses adapted in response to employer feedback – from 50% to 70%, over 5 years

Increase percentage of courses adapted in response to employer feedback – from 50% to 70%, over 5 years

Our Team Can Support This Target by:

How Our Team Will Measure Our Success

1	1
2	2
3	3
4	4
5	5

Strategic Objective: Academic Partnerships

KPI Value/leverage (£) by partnership (margin/revenue – College overhead recovery +1% by year 5)

Target Value/leverage (£) by partnership (margin/revenue – College overhead recovery +1% by year 5)

Our Team Can Support This Target by:

How Our Team Will Measure Our Success

1	1
2	2
3	3
4	4
5	5

Strategic Objective: Research & Scholarship

KPI Increase number of staff leading projects with research time allocated, from 6 to 12 over 5 years

Target Increase number of staff leading projects with research time allocated, from 6 to 12 over 5 years

Our Team Can Support This Target by:

How Our Team Will Measure Our Success

1	1
2	2
3	3
4	4
5	5

Sustainability

Strategic Objective: Financial Management

KPI	Enhancement of financial forecasting	
Target	Year 1 - Budget plus one financial forecast, Year 2 - budget plus 2 financial forecasts, Year 3 - budget plus 3 financial forecasts, Year 4 - Rolling Forecasts	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

Strategic Objective: Reinvestment Planning

KPI	At the end of the strategic cycle (assuming 5 years) we will have the following cost/ income ratios	
Target	Staff costs/Income 70%	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5
Target	Non-Staff Costs / Income 21%	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5
Target	Investment Income /Income 5%	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3

4	4
5	5

Strategic Objective: Environmental Sustainability

KPI	Percentage Carbon Footprint Reduction	
Target	2% pa (10% over 5 years)	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

Finance Strategic Implementation Plan

College Growth & Ambition

Strategic Objective: Our Culture

KPI	1. Staff survey results from 2021 are improved	
Target	Staff have a clear understanding of the College's values. Increase to 90% (2021 result 72%)	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5
Target	Values of the College are relevant to my work. Increase to 90% (2021 result 76%)	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5
KPI	2. Monthly initiative around one of the values	
Target	Monthly initiative around one of the values	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

Strategic Objective: Our Staff

KPI	Staff survey results from 2021 are improved on for the following areas (next survey to take place in 2024)	
Target	I believe the College support the health and wellbeing of staff from 54% to 80%	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1

2	2
3	3
4	4
5	5

Target

I am kept informed about what is happening in the College from 71% t0 85%	
Our Team Can Support This Target by:	How Our Team Will Measure Our Success
1	1
2	2
3	3
4	4
5	5

Target

The leadership team provide clear direction and guidance from 42% to 80%	
Our Team Can Support This Target by:	How Our Team Will Measure Our Success
1	1
2	2
3	3
4	4
5	5

Target

Through the Professional Review process, I feel my training needs and ambitions are discussed, identified and actioned where possible from 64% to 80%	
Our Team Can Support This Target by:	How Our Team Will Measure Our Success
1	1
2	2
3	3
4	4
5	5

Strategic Objective: Our College

KPI Increase the percentage of positive coverage (locally, regionally, nationally, internationally).

Target To 80% by Year 5	
Our Team Can Support This Target by:	How Our Team Will Measure Our Success
1	1
2	2

3	3
4	4
5	5

Strategic Objective: Our Ways of Working

KPI	Efficiency/time saved (days/hours/minutes)	
Target	Creation of an Effectiveness and Efficiency Development Strategy	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

KPI	Number Services/ Processes Improved - right first time: July 2023 - 4, July 2024 - 8, July 2025 - 12	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

Strategic Objective: Digital Transformation

Target	Percentage staff/learners with improved Digital Skills	
KPI	Identify digital competence framework for each job role	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

KPI	Digital JISC competence tool completion by staff and students: 50% by July 2023, 75% by July 2024, 90% by July 2025	
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Our Team Can Support This Target by:	How Our Team Will Measure Our Success
1	1
2	2
3	3
4	4
5	5

KPI

Develop Maker Spaces/Innovation Hubs to enable staff to improve their digital capability	
Our Team Can Support This Target by:	How Our Team Will Measure Our Success
1	1
2	2
3	3
4	4
5	5

Partnerships & Collaboration

Strategic Objective: Relationships

KPI	1. Percentage strategic partnerships v proportion of external engagements	
Target	Increase from 5% by 1% pa	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

KPI	2. Percentage learner/customer satisfaction with overall quality of courses	
Target	Increase student retention (over 5 years): FE by 7% to 80% and HE by 5% to 92%	
	Our Team Can Support This Target by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

Strategic Objective: Commercial Enterprise & Innovation

KPI	1. Commercial AOP / Commercial Income (per college area)	
Target	Gross Overhead +1% by Year 5	
	Our Team Can Support This Ta by:	How Our Team Will Measure Our Success
	1	1
	2	2
	3	3
	4	4
	5	5

Perth College UHI

Board of Management, 22 December 2022

Principal's Report

The Big Project

This project was initiated earlier this month and focuses on the issue of student poverty. It is apparent in the College that our students are struggling to cope with the cost of living, and we have set up a number of stations across the campus where students can help themselves to non-perishable food, toiletries and warm clothing, all of the feedback we have received from students on this initiative has been very positive and we are grateful to all of the people who have donated to this initiative.

The College continues to provide free breakfasts in partnership with Aramark our catering provider.

The College is closed from 22 December to 9 January and during this period the initiative will continue in the ASW building which is open for the majority of that period and there will also be spaces which students can access to keep warm.

Curriculum Review

The College is currently completing our annual/bi-annual curriculum review, this has looked at the provision across the College and identified areas where courses should be retired/reviewed/improved to ensure that our offer is fit for purpose and meets the needs of our prospective students and our regional economy.

Our numbers continue to be challenging and the targeting for next year is showing a slightly improved picture but the competition for HE students locally continues to have a negative impact on our numbers.

Estates Strategy

Work with P&KC continues in relation to our estates although this is not going at the speed that has initially been anticipated progress is being made.

Whilst the work with P&KC is ongoing, we are continuing the work in relation to our Estates Strategy so that there is a plan should the this not come to fruition.

HISA

There are changes within the central HISA team and it is hoped that this will improve the support available in Perth both to our local team but also to our students more widely. The impact of HISA on our student experience in Perth is not as it should be despite the good work our local team do.

UHI2024

There is a verbal report as part of the agenda but in summary the project appears to be going well, despite the challenges and there is a 'better feel' about the process than there has been in previous similar exercises.

Tayside Regional Issues

There are currently significant collaboration discussions taking place between some of the other institutions within the region, there is a danger that this could be damaging to Perth in terms of the regional curriculum to meet the needs of Tayside and also the availability of more HE places within the region. To mitigate this risk, we will continue to be part of the normal discussions at a regional level and will flag any areas of concern should they arise.

Thinking the Unthinkable

This work is being coordinated by Colleges Scotland and I have been heavily involved in the work. This relates to the work the Scottish Government is carrying out in their Purpose and Principles activity, these initiatives will be discussed at the next Strategy Saturday for the Board (dates to be agreed).

Perth College UHI

Paper No. 14

Committee	Board of Management
Subject	HISA Perth Local Plan Update
Date of Committee meeting	22/12/2022
Author	HISA Perth
Date paper prepared	15/12/2022
Executive summary of the paper	<p>Please outline the follow elements of this paper:</p> <p>i) Purpose – what is it for</p> <p>This paper is to update PCUHI Board of Management on the planned activities of HISA Perth for academic year 2022/22</p> <p>ii) Impact – what are the intended outcomes</p> <p>HISA Perth will help create a fun and inclusive environment for our students and extra-curricular activities</p> <p>iii) Course of Action – what happens next & by whom</p> <p>HISA Perth will undertake these actions and report back to Board on progress made throughout the academic year</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	HISA PCUHI Students
Action requested	<input checked="" type="checkbox"/> For information <input type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)

Perth College UHI

<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>Yes/ No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>Yes/ No</p> <p>Click or tap here to enter text.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>N/A</p> <p>Links with HISA Strategic Plan 2020-2023</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p> <p>Click or tap here to enter text.</p>
<p>Island communities</p>	<p>Yes/ No</p>

Perth College UHI

Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	Non Confidential
Freedom of information Can this paper be included in "open" business?*	Yes/ No

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

Further guidance on application of the exclusions from Freedom of Information legislation is available via:

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Local Plan – HISA Perth 2022/2023

Introduction

Below is the team and operational objectives for HISA Perth during academic year 2022-2023. It will give the individual objectives of the student officer team as well as operational plans for the year. This plan of work will be shared to be ratified by the Student Representative Committee and to inform Perth College UHI of the organisation's intentions for the year. This plan also links with the HISA Strategic Plan 2020/2023ⁱ.

Individual Objectives

Individual Objectives – HISA Perth President							
Workstream	Output	Dates	Impact on students	Indicator	Target	To Date	Notes
On Campus Student Bar	Set up a pop-up bar on a regular basis	Sep - Dec	Students over 18 will have a dedicated safe space on campus that will maximise the student experience	Identify a local business within the Perth community that is interested in facilitating a pop – up bar.	1	2	Several potential businesses have been identified by HISA Perth who could work well in this arrangement. We are currently in talks with one and depending on this outcome we will examine the possibility of talking to others. This objective is currently being reviewed by HISA Perth President.
				Reach an agreement with whichever business chosen	1		
	Feedback from students	Dec-May		Positive feedback gathered from students	40		

	Look at setting up a bar on campus full time	Dec-June		Discussions with local businesses	1		
				Discussions with PCUHI	1		Discussions have been started with SMT
Enhancing the Library Service	Identification of potential student spaces within the library.	Sep 2022 – May 2023	Students will have access to more spaces within the library such as a Creators Space and other applicable spaces.	Work with the library service to identify what student spaces are needed within the library. Spaces identified in partnership with the library.	2	2	I have had regular communication with the library team especially during our monthly catch ups. We are currently discussing potentially working together on creating a Creator's Space, a Student Common Room and I will be supporting the library team in whatever way possible to help create an Environmental Sustainability hub within the library.
				Work with the library team and other relevant staff to create new student spaces within the library once identified Spaces created in partnership with the library.	1		Discussions are in progress on how to approach creating these spaces.
Building Up the Student Community	Additional spaces for students to socialise on Campus	Sep 2022 – May 2023	An alternative social space will be available to students where they can gather and socialise, and they will be able to borrow	Events and activities ran in Webster and in potential new spaces.	4	1	Board game afternoons Music Lunches Movie Screenings The board game afternoons are still to be scheduled and the music lunches and movie screenings that were

			board games from HISA and engage in fun activities in said space. Furthermore, I will work in collaboration with PC UHI staff and help facilitate various student groups to give students the chance to interact more with each other.				created by DPAW are already in progress. I have been supporting the DPAW in any way I can with the movie screenings and music lunches.
				Events and activities ran in Wellness Garden	1	0	I have been frequently communicating with the ASW team and we have discussed how the Wellness Garden could be used by students and how we need to make sure it is used to its maximum as a social space for students. I have suggested that HISA Perth can provide various games for students, and we are continuing to come up with further ideas. I am now working with our HISA cycling intern to hold a bike sale in the Wellness Garden More events and activities will be planned.
	Consistent meetings of student groups.	Nov-June		Groups co-facilitated with Student Services	2	2	I am also working with staff members within Student Services and have agreed to co-host various student groups such as the LGBTQ+ and Allies Group and the Man Cave Group the latter of which is yet to

Individual Objectives – Depute President Activities and Welfare							
Workstream	Output	Dates	Impact on students	Indicator	Target	To Date	Notes
Clubs and Societies	Creation of New Clubs	September-June	Clubs provide students with opportunities to interact with various individuals, build skills and produce evidence for their future employers/CV building	Promotion of Opportunities	10-15 students reaching out to set up clubs	7	Use of social media and other advertising to raise awareness
				Number of clubs registered	10	9	Creative Writing, Archaeology and History, Basketball, Book Club, Choir, Music Club, Sewing Club, Society of Student Activities, Volleyball Clubs looking to re-register – Politics Club, Girls' football
	Support and Building club numbers	September-June		Assisting students with operations of their clubs	1	3	Aided Music club in set up with help of HISA Staff, spoke with students looking to begin Girls football club
				Members of clubs	10 (average)		Still collating members
	Give it a Goes	September-June		Freshers' sessions	3	8	Ran multiple 'Give it a go' sessions during freshers in partnership with community organisations and ASW
				Sessions during academic year	8	4	4 Sessions in semester 1 – football, basketball, volleyball and cycling

				Clubs created from sessions	1 from each session	1	Volleyball 'Give it a go' has led to creation and operation of club
Fun and Engaging Events	Carnival	October	Large Scale Events gives a chance to be fully inclusive and bring a buzz to Campus which incorporates a wide range of student opportunities and fun.	Organisation and community engagement to promote opportunities for Students	4-5 various sectors engaging with students	Finance, Police, Military, charities, education , job developm ent, communit y clubs etc.	
				Activities for Students	1-2 options	5	Food organised in form of BBQ, inflatables, competitions (art, costume, student demonstration, bingo)
				Student Engagement	40	70-100	
	Winter Fling	January		Activities for Students	1-2 options		In planning stages
				Student Engagement	40		In planning stages
	Tropical Getaway	April		Activities for Students	1-2 options		
				Student Engagement	40		
	Year End Blast	May		Activities for Students	1-2 options		
				Student Engagement	40		

Plan 2020-2023	<p>4.1 HISA will be sector-leading for volunteer provision in the Student Association community</p> <p>5.1. To provide every student at UHI with the opportunity to take part in extracurricular opportunities</p> <p>5.2. To enhance the student social experience across the UHI Partnership</p> <p>5.3. To develop clubs, societies and activities that are suitable for UHI students' unique circumstances</p> <p>5.4. To ensure any student wishing to set up a club or society can do so locally or regionally</p> <p>5.5 To develop societies that are inclusive and attractive to international students</p> <p>6.1 For all UHI students to feel part of a wider community and for HISA to enhance the spirit and ethos of community</p>
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Individual Objectives – Depute President Education							
Workstream	Output	Dates	Impact on students	Indicator	Target	To Date	Notes
Course delivery and satisfaction	Engagement with students on their educational experiences	Jan 23	Students are enrolled on a course that suits them & that is delivered in a way that suits them and their learning needs.	Student Satisfaction levels increased	70%		Will discuss with SDDs and SMT to confirm target is reasonable
				Statistics of increased engagement with lecturers gathered	1		Will discuss with SDDs and SMT reasonable targets
				Students feel their courses are delivered appropriately	70%		Will discuss with SDDs and SMT to confirm target is reasonable
	Review of course delivery methods and support	Feb 23		Increased opportunities for hybrid lectures	30%		Will discuss with SDDs and SMT to confirm target is reasonable/how to measure
				Increase of student study spaces on campus.	2		At least two new spaces. Will discuss with SMT

				Better opening hours for hospitality outlets on campus, which will in turn support learning.	1		Will discuss with SMT and Aramark
	Learner Spaces reviewed, and work to ensure they are appropriate	March 23		Learner Space audit completed	1		Working with Learner Spaces group on this. Hopeful to assess this once ready.
				Findings shared and implemented wherever possible	1		Discussions about room accessibility, publicising and other issues to be had. Will be using upcoming SRCs to discuss this.
Student Voice Reps role with Perth College	SVRs being a co-decision-making body rather than an advisory body within PCUHI	Feb 23	By giving SVRs more power within PCUHI, this will create more opportunities for SVRs that will increase the role's autonomy and will hopefully lead to wider engagement and increased numbers	Develop process of new development to go to SVRs for discussion/approval	1		Report will be initiated in the new year. Working group will be set up with some SVRs.
				SVR Programme being student-led with support from PCUHI	1		Currently working in partnership with Quality. Will assess once training process complete.
				Engagement from college decision makers with the SVRs and council meetings	1		Dates of SRCs shared with Student Engagement and Quality. Will

							discuss with others how can engage
Cost of Living Crisis	Food on Campus	Oct 22	Students are facing crippling financial concerns, which could/will lead to impacts on their studies, so addressing matters like food on	Consult with students about food on campus	100	500	A consultation has been completed which exceeded the intended target of students and managed to capture the views of over 500 students. A report has been produced.
	Access to produce	Jan 23	campus, access to food and other initiatives could positively affect the student experience.	Set up scheme of any food going out of date from outlets across campus will be offered, for free, to students.	1		Discussions with Aramark in relation to food that is going out of date. How this is staffed & publicised still being planned.
				Explore introduction of community fridge	1		Discussion with other SAs about this, and any issues that may crop up. Infrastructure may be the biggest issue.

	6.3 Support the UHI Partnership in creating a whole community that is committed to supporting positive mental health and wellbeing
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Operational Plan

Workstream	Output	Dates	Impact on students	Indicator	Target	To Date	Notes
Freshers and Induction	HISA Perth input during Inductions	September 22	New students are made to feel welcome to Perth College UHI	HISA to feature as part of induction programme at Perth College UHI	20	53	29 interactive workshops to 32 classes in Brahan Lecture Theatre, 24 delivered in class
	Freshers' activities	Aug-Sept 22		Events taken place.	3	5	Halls Welcome BBQ Freshers Fayre Give it a Go Sessions Comedy Evening Pop Up Bar
	Working with local companies/organisations/charities	Aug-Sept 22		Local companies/organisations/charities featured in Freshers' activity.	1	42	42 stalls at Freshers Fair from local organisations/companies/PC UHI departments
	Integration with regional	Sept 22		Promotion of local and regional activities to be cohesive.	1	1	Shared promotion and Comedy Night

	Freshers' activity						streamed online for all UHI students
Student Voice Reps	Recruitment of Student Voice Reps	Feb 23	Student experience is improved through change suggested and led by students.	Increase in number of courses having at least one student voice representative	60%	64%	Quality and HISA separate SVR sheets, working in partnership.
	Student Voice Rep Training	Nov 22		Deliver student voice rep training in partnership with Quality Team	5	10	Training took place 24 th Oct-3 rd Nov in partnership with Quality/Student Engagement. Alternative sessions to be held for ESOL/SLLE students. Training has been received well, with a review pending on how this should work going forward.
				Increase number of class reps trained	70%	66%	Figures to be shared with

							HISA Perth by Quality
	SRC Meetings	June 23		Regular meetings held	7	3	Meetings set for academic year
				Reps attending meetings	20 per session	40 (average)	41 – SVR Welcome Event SRC 1- 51 total SRC 2 – 28 total
ESES	Help improve participation	Oct 22	Changes made to the early student experience based on student feedback.	More students take part in ESES.	38%		ESES running differently – HISA involved in process
	Improve score	Oct 22		Increase in awareness of HISA	81%		
HISA Con	Improve attendance	Jan 23		Number of PCUHI students attending HISA Con	5	2	HISA Con having different format. 2 attending Student Impact Workshop
Elections	Local positions filled	Feb 23	Effective student representation decided by	All HISA Perth positions to have a candidate.	2 (per position)		

	Turnout	Mar 23	students for students.	Increase on voter turnout from 2021-2022	7%		
	Number of candidates	Feb 23		Increase in number of candidates.	6		
National Student Survey	Improve participation	June 23	Student experience improved for HE students.	More students take part in NSS.	75%		
	Improve score	June 23		Increase Q26 score			NSS questions being updated, SU question now Q25
SSES	Improve participation	March 23	Changes made to the overall student experience based on student feedback.	More students take part in SSES.	41%		
	Improve score	March 23		Increase in HISA Perth specific questions from previous year.	76%		
OBI Awards	Awards Timeline	Jan 23	Best practice of staff and students shared to all at Perth College UHI	Timeline of awards created and published	1		
	Update Nomination Form			Online nomination form updated to ensure comments added	1		
	Nominations from every sector	Mar 23		Each sector area has nominations in every category.	1		
	Nomination numbers	Mar 23		Increase in nomination numbers in 2022-2023	400		

				Improve nomination numbers in areas with low engagement	40		
	Celebration of awards	June 23		Awards ceremony takes place.	1		
				Student involvement in awards ceremony	1		
				Wider promotion of winners	1		
HISA awards	Nominations numbers	June 23	Best practice of staff and students shared to all at Perth College UHI	Increase in nomination numbers in 2022-2023	80		
Sporting Blues	Nominations numbers	June 23	Student sporting achievements celebrated, encouraging participation and success in sporting activities at Perth College UHI	Increase in nomination numbers in 2022-2023	5		
Advice for Students	HISA Advice Service	June 23	Students will have an independent advice service to support them during challenging times during their studies, helping retention and the wider student experience	Promotion of HISA Advice Service to students	1	1	Ongoing
				Number of students accessing Advice Service from PCUHI	10		

Link to HISA Strategic Plan 2020-2023	<p>1.2 UHI will be recognised for the quality of its students' experience and for their achievement.</p> <p>2.1 HISA, working in partnership with the academic partners and UHI, will run an effective, accessible and democratic representative system region-wide that takes into account all learning modes and demographics</p> <p>2.2 HISA digital democracy will be sector leading, accessible to all its members and have a real impact</p> <p>2.3 HISA will provide top-level training, support and development for its representatives and officers at the local and regional level to ensure a sector-leading student academic and, wider, experience</p> <p>2.4 HISA's officer structure will be advanced, effective and reflect the needs of its students, UHI and the Partners.</p> <p>3.1 HISA becomes the place that students and academics alike recognise as providing independent appropriate and quality support advice on academic and welfare issues.</p> <p>3.3 Throughout UHI, officers, volunteers and representatives will work in partnership with academics and the wider staff community to solve problems and provide an evidence base to drive policy change.</p> <p>6.1 For all UHI students to feel part of a wider community and for HISA to enhance the spirit and ethos of community.</p>
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Regional Update

In line with the new organisational structure, HISA has been supporting local officers to set their objectives based on the manifestos they were elected on to develop a local plan. These tie into the current Strategic Plan that is due to finish in 2023. HISA are working on an operational plan to ensure the latter parts of the current plan are actioned by the end of the current plan lifecycle. An update will be provided in due course.

Alongside winding down the current strategic plan, planning and consultation on HISA's new Strategic Plan has begun within the organisation to implement and begin in 2024.

HISA are also reviewing the structures and support in place for Clubs and Societies to ensure this work is sustainable and beneficial for all students across the partnership.

Student Impact Workshops, instead of HISA Con, took place at the end of November for SVRs to help shape the work of HISA.

James Lindsay, HISA Chief Executive Officer, has resigned from his post and will leave the organisation February 2023. An interim Chief Executive Office will be appointed with a full recruitment process for a replacement CEO being undertaken by HISA's Trustee Board.

ⁱ Available at [Strategic Plan @ Highlands and Islands Students' Association \(uhi.ac.uk\)](https://uhi.ac.uk/strategic-plan)

Committee	Board of Management
Subject	Reinstatement of VS Scheme
Date of Committee meeting	22/12/2022
Author	Margaret Cook, Principal & Chief Executive
Date paper prepared	15/12/2022
Executive summary of the paper	<p>The College previously received permission from SFC to run a VS Scheme, and a number of iterations of the scheme ran over the last 2 years but the scheme terminated in July 2022.</p> <p>Given the challenging times ahead, we applied to continue/renew the scheme and this was recently granted and will run till July 2024. The terms of the new scheme are the same as the previous one.</p> <p>As previously SMT would like to open up the scheme to applicants for a limited period early in the new year and have discussed this both at Chairs Committee and with the Trade Unions. Both Chairs Committee and the EIS are supportive of the scheme opening in January, Unison have indicated that they would not support this as they do not believe that we have the capacity to lose any roles from within the college.</p> <p>The Board is asked to approve the launch of the new VS Scheme in January 2023</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	Discussed at and endorsed by Chairs' Committee
Action requested	<input type="checkbox"/> For information <input type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input checked="" type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)

Perth College UHI

<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>Yes, there may be financial implications regarding successful applications</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>Yes</p> <p>Use of VS hopes to mitigate against risk around financial sustainability</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>Yes – Strategic Risk</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p> <p>Click or tap here to enter text.</p>

Perth College UHI

Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	No If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	Confidential
Freedom of information Can this paper be included in "open" business?	No

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input checked="" type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

For how long must the paper be withheld? Click or tap here to enter text.

Further guidance on application of the exclusions from Freedom of Information legislation is available via:

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

and http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Perth College UHI

Paper No.16

Committee	Board of Management
Subject	Committee Minutes
Date of Committee meeting	22/12/2022
Author	Ian McCartney, Clerk to the Board
Date paper prepared	15/12/2022
Executive summary of the paper	<p>This paper comprises minutes of Standing Committees for consideration and noting by the Board.</p> <p>Minutes provide are as follows:</p> <ul style="list-style-type: none"> • Chairs' Committee: 23 November 2022 • Learner Experience Committee: 23 November 2022 • AST Board: 29 November 2022 • Strategic Development Committee: 05 December 2022 • Finance & Resources Committee: 12 December 2022 • Audit Committee: 12 December 2022
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	n/a
Action requested	<input checked="" type="checkbox"/> For information <input type="checkbox"/> For discussion <input type="checkbox"/> For endorsement <input type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)

Perth College UHI

<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>No</p> <p>Click or tap here to enter text.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>n/a</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p> <p>Click or tap here to enter text.</p>

Perth College UHI

Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?	Yes/ No If yes, please give details: Click or tap here to enter text.
Status (e.g. confidential/non confidential)	Non Confidential
Freedom of information Can this paper be included in "open" business?	Yes

* If a paper should **not** be included within 'open' business, please highlight below the reason.

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input type="checkbox"/>	Its disclosure would constitute a breach of confidence actionable in court	<input type="checkbox"/>
Its disclosure would constitute a breach of the Data Protection Act	<input type="checkbox"/>	Other [please give further details] Click or tap here to enter text.	<input type="checkbox"/>

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Chairs' Committee

DRAFT Minutes

Meeting reference: Chairs 2022-23/02

Date and time: Wednesday 23 November 2022 at 5.00pm

Location: Boardroom (Braham Room 019)

Members present: Graham Watson, Interim Chair, Board of Management
Andrew Comrie, Chair, Strategic Development Committee
Jim Crooks, Chair, Audit Committee
Katrina Hodgson, Chair, Finance & Resources Committee
Margaret Cook, Principal; Chair, Learner Experience Committee

In attendance: Ian McCartney, Clerk to the Board

Apologies: None received

Chair: **Graham Watson**

Minute Taker: Ian McCartney

Quorum: 3

Summary of Current Action Items			
Ref	Action	Responsibility	Time Line
6	Trade Union Membership on College Boards Clerk to present detailed proposals to the October Board.	Clerk	BoM (Oct 2022)

DRAFT

Minutes:

Item		Action
1.	Welcome and Apologies The Chair welcomed everyone to the meeting. Chair noted that Graham Watson would be assuming role of Interim Chair from 1 st October.	
2.	Additions to the Agenda Development Trust and Voluntary Severance were added to the Agenda as Items 12 and 13.	
3.	Declaration of Interest in any Agenda Item There were no declarations of a conflict of interest.	
4.	Minutes of Meeting held on 05 May 2022 The Minutes were approved as an accurate record.	
5.	Matters Arising from Previous Minutes Item 6 – Trade Union Membership on College Boards Action: Clerk to present detailed proposals to the October Board. Action Update: Board updated. Developments tabled under Item 11.	
6.	UHI2024 Workstream Updates Interim Chair BoM advised that the Programme Board had met to discuss Terms of Reference, with membership including the Vice-Chancellor, Chair of Court, various Court members, and some College representatives. The second meeting was scheduled to look at proposals from the Executive Leads of the various workstreams with a view to producing a consolidated business case for UNI Court in December. Interim Chair noted that some changes in Executive Leads would be required due to the recent UHI restructure. Interim Chair then advised that the Executive Office workstream were looking to save £2.4m in-year, towards a total saving of £6.4m. Principal advised that there were in effect 3 main workstreams – Shared Services/EO/Curriculum – as everything else would fall out of these areas. The EO review was looking towards a “customer focus”	

	<p>approach, ie optional rather than compulsory, and therefore linked to Shared Services workstream.</p> <p>Principal further advised that there is likely to be a requirement for a huge amount of investment across the Partnership around Shared Services, as there will likely be a need for a huge exercise in procurement and rationalisation prior to services being in a position to be shared.</p> <p>Principal updated Chairs on the Think The Unthinkable project being undertaken via Colleges Scotland, and noted that there were a number of items to be taken forward before being pulled into a paper. An early focus considered the lack of social impact resulting from free education in comparison to the Welsh model. It was also noted that Colleges and HE were not near the top of the list regarding Scottish Government funding.</p> <p>Principal advised that a meeting had been organised with the Minister next week to take some of the ideas generated forward for discussion.</p>	
7.	<p>Repetition of Business</p> <p>Following feedback from both Board Members and SMT members re repetition of business at Board-level committees, Clerk shared some ideas around the streamlining of committee business including:</p> <ul style="list-style-type: none"> • The use of an interactive online “portal” for Items for Information to avoid discussion at meetings while still providing scrutiny • Making stronger ties to Strategy – if a paper isn’t linked to Strategy, why is it being tabled? • Provision of a named contact for additional/pre-meeting questions • Increasing flexibility of Agenda order • Improving the Cover Paper, in particular the Executive Summaries <p>It was agreed that Clerk would produce a paper on these matters for consideration at the next Board meeting.</p>	Clerk
8.	<p>Senior Independent Board Member</p> <p>Clerk advised of the good practice of Board nominating a Senior Independent Board Member. Following a brief discussion, Chair of Strategic Development Committee agreed to be considered by Board for the role.</p> <p>Clerk would produce a briefing to support the Board’s decision-making in this regard.</p>	Clerk

9.	Board Health & Safety Champion Clerk advised of a vacancy for a Board Champion on the Health & Safety Committee. Following a brief discussion, it was agreed that Interim Chair would approach Michael Buchanan to discuss this role.	Interim Chair
10.	Chair & Independent Board Member Recruitment Clerk advised that the recruitment process, despite strong interest for a few individuals, had received no applicants for either the Chair of Independent Board Member vacancies. The recruitment process would be reopened in January 2023.	
11.	Code of Good Governance – Union Membership & Observer Status Clerk advised Committee that, following feedback from colleagues across the sector, the standard practice around allowing Trade Union representatives to act in an observatory capacity in the interim period while legislation which would amend the Code of Good Governance was enacted was for Boards to await formal approaches from Trades Unions to seek observer status and submit this to a subsequent Board meeting for approval. Such an approach would require certain agenda items being deemed Reserved Business to avoid potential breach of sensitive information with no recourse to the Code of Conduct for Board Members.	
12.	Development Trust Clerk advised Committee of an identified risk surrounding the Development Trust in that the Trust was listed on the OSCR website as an Unincorporated Association, which would leave Trustees, including ex officio the Chair of Board and the Principal, joint and severally liable in event of the Trust going bankrupt. Principal noted that there was work being conducted around the Development Trust, and removing risk would form part of the review.	
13.	Voluntary Severance Principal noted that permission had been granted to re-open the VS scheme, which will need formal approval at the next Board meeting. Principal advised that the Unions were split on their approach to this issue, with Unison likely to enter dispute, however Principal expressed	

	reluctance to only allow VS for academic staff.	
14.	Date of Next Meeting <ul style="list-style-type: none"> Tuesday 31 January 2023 @ 5:00pm 	
15.	Review of Meeting <p>Committee agreed that the Terms of Reference had been met.</p>	

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Notes taken to help record minutes are also subject to Freedom of Information requests, and should be destroyed as soon as minutes are approved.

Status of Minutes – Open ☐ Closed ☒

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

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Do the minutes contain items which may be contentious under the terms of the Data Protection Act 2018? **Yes ☒ No ☐**

Learner Experience Committee

DRAFT Minutes

Meeting reference: Learner Experience 2022-23/02

Date: Wednesday 23 November 2022

Location: Boardroom (Braham Room 019)

Members present: Margaret Cook, Principal (Chair – From Item 7.1)
Lorenz Cairns, Depute Principal (Deputised as Chair for Items 1-6.1)
Sheena Devlin, Board Member
Fiona Martin, Board Member
Patrick O'Donnell, Staff Board Member
Todor Pavlov-Kennedy, Student Board Member
Catherine Etri, Vice Principal (Academic)
Robert Boyd, Teaching Staff Member on the Committee
David Gourley, Head of Learning & Teaching Enhancement

In attendance: Ian McCartney, Clerk to the Board

Apologies: Jenny Hamilton, Board Member
Liam Fowley, Student Board Member
Veronica Lynch, Vice Principal (External)
Rosalind Bryce, Chair of Scholarship & Research Committee
Deborah Lally, Head of Student Experience

Chair: Margaret Cook

Minute Taker: Ian McCartney

Quorum: 7

Minutes:

Item		Action
1.	Welcome and Apologies Vice Chair welcomed everyone to the meeting, and noted apologies.	
2.	Additions To The Agenda None	
3.	Declaration of Conflict of Interest in any Agenda Item None	
4.	Minutes of Meeting held on 27 April 2022 The minutes were approved as being an accurate record of the meeting.	
5.	Matters Arising from Previous Minutes <u>6.2 Safeguarding Policy & Procedure</u> Action: Head of Student Experience to prepare annual report on safeguarding issues for each Cycle 4 LEC, then feeding to June Board Status: Not complete – due Cycle 4 <u>7.2 Perth Partnership Project 2022-23</u> Action: Chair requested that Partnership Project be reviewed to reflect Cost of Living and resubmitted for approval, and that the HISA Perth Plan of Work be forwarded to Clerk for circulation to Committee members as soon as possible. Status: On Agenda under Item 7.2 <u>8.2 Student Recruitment</u> Action: SMT to prepare a discussion document for future options for a subsequent LEC meeting Status: On Agenda as Item 8.2	Head of Student Experience
6	Strategy & Policy	
6.1	Curriculum Strategy Vice Principal (Academic) presented Paper 2, which Committee were advised had been in abeyance for a period while work was completed on the College Strategy.	

	<p>Vice Principal (Academic) noted that the Curriculum Strategy presented was in line with other UHI Partners' strategies, and linked to the College's Learning & Teaching Strategy. The Strategy is intended to support learners in meeting their potential and the needs of a national workforce, and all Government priorities in these areas are catered for.</p> <p>Vice Principal (Academic) advised that Government policy was regularly being updated, but at time of presenting the Strategy was in line with current policies, and would be regularly reviewed to continuously keep up to date.</p> <p>Board Member queried lack of reference to International Students beyond core objectives. Vice Principal (Academic) responded that the Strategy did not differ around fulfilment methods as the curriculum should encompass all modes rather than "mainstream" FE and HE students. However, Vice Principal (Academic) advised that a separate International Strategy was under development.</p> <p>Teaching Staff Member queried whether recruitment issues superseded the curriculum review. Vice Principal (Academic) agreed that recruitment is currently the most important issue affecting the College and the sector, however all curriculum areas have known the difficulties were coming so should have been working with key agencies. The review has highlighted gaps, but work has taken place to fill those gaps in the curriculum, and there is no point filling gaps with "what we can do" rather than "what do people want/need" – the Strategy better aligns with the review and gaps.</p> <p>Teaching Staff Member queried potential impact on staffing due to skills mix. Vice Principal (Academic) responded that change was not new to the sector which is continuously evolving, and we need to be more agile in this regard. Teaching Staff Member advised that pace of change may be quicker than has been known in the past. Depute Principal noted that staff will have seen the shortfall over the last couple of years and will know that student numbers are not in Perth College's gift.</p> <p>Committee APPROVED the Curriculum Strategy.</p>	
7	Student Experience	
7.1	<p>HISA Perth Plan of Work 2022-23</p> <p>Student Board Member presented Paper 3, apologising for the delay in the Plan of Work being presented. Student Board Member highlighted the success of the Student Voice Rep recruitment process generating good numbers.</p>	

	<p>Board Member queried the degree of stretch in some of the target timelines, and that a number of targets were not defined. Student Board Member noted the comments and advised that these would be included by the next version presented to Committee. Chair advised that it would be helpful to issue the updated version to Committee prior to February 2023.</p> <p>Board Member queried whether the targets were pushing HISA Perth far/hard enough. Student Board Member responded that previous year's numbers were used as the baseline for 2022/23, however targets for Semester 2 may be reviewed based on Semester 1.</p> <p>Committee NOTED Paper 3.</p>	Student Board Member
7.2	<p>Perth Partnership Project 2022-23</p> <p>Student Board Member provided a verbal update on the Perth Partnership Project, noting that, while the Project Paper is written it was decided to suspend the process as HISA Perth determined that the Project is not ready to be taken forward due to capacity issues and Officers focusing on manifesto pledges, however the key themes of the Project are still being acted upon.</p> <p>Chair expressed disappointment in HISA Perth's decision, and advised that earlier engagement with SMT would have helped in this regard, and as advised previously a focus on Cost Of Living would be a suggested area of focus for joint working. Student Board Member thanks Chair for this input and stressed that HISA Perth were keen to work with the College to resolve the issue.</p>	
7.3	<p>National Student Survey</p> <p>Vice Principal (Academic) summarised Paper 4, noting disappointment at the Learning Community score, which should improve as increased face-to-face teaching continues to come on stream, and advised that action plans will be generated for all areas where scores were below 80%.</p> <p>Board Member queried how these action plans were overseen. Vice Principal (Academic) advised that the College's Quality Team manage the process of monitoring these action plans.</p> <p>Teaching Staff Member queried whether SSES surveys were shared between Academic Partners. Vice Principal (Academic) advised that this matter had been discussed at various committees and should be resolved.</p> <p>Committee NOTED Paper 4.</p>	

7.4	Postgraduate Taught Experience Survey Vice Principal (Academic) presented Paper 5 and advised Committee that UHI perform significantly better than the Scottish sector average, and noted that poorer-scoring areas relate in large part to resources issues resulting in courses being taught online-only. Committee NOTED Paper 5.																					
8	Curriculum																					
8.1	Student Completion & Progression – update Depute Principal presented an update on Student Completion and Progression on behalf of Head of Student Experience, noting the following data: <table><tr><th>Category</th><th>2021-22</th><th>2020-21</th><th>2019-20</th><th>2018-19</th></tr><tr><td>Full-time FE</td><td>61.90%</td><td>61.52%</td><td>66.78%</td><td>66.18%</td></tr><tr><td>Part-time FE</td><td>74.89%</td><td>59.84%</td><td>80.85%</td><td>71.90%</td></tr><tr><td>Higher Education Awards (Graduated)</td><td>1470</td><td>1400</td><td>1222</td><td>1232</td></tr></table> Board Member queried the reasons for not completing or retaining students. Depute Principal advised that there were a number of reasons, including students being on the wrong course for them, academic failure, lack of learning support, and financial issues, including the increase in employment opportunities.	Category	2021-22	2020-21	2019-20	2018-19	Full-time FE	61.90%	61.52%	66.78%	66.18%	Part-time FE	74.89%	59.84%	80.85%	71.90%	Higher Education Awards (Graduated)	1470	1400	1222	1232	
Category	2021-22	2020-21	2019-20	2018-19																		
Full-time FE	61.90%	61.52%	66.78%	66.18%																		
Part-time FE	74.89%	59.84%	80.85%	71.90%																		
Higher Education Awards (Graduated)	1470	1400	1222	1232																		
8.2	Student Recruitment – update Depute Principal presents Paper 6 on behalf of Vice Principal (External) advising that the Paper looks at the levers utilised by Perth College in an effort to address the shortfall in student numbers, as requested at the previous meeting of LEC. The Paper also looks at future years' activity and focus. Depute Principal noted that a cross-UHI response is also being developed, however Perth College had not yet had sight of this. Board Member queried the future risk re student number allocation. Principal responded that numbers will be benchmarked against previous attainment and there is a danger that UHI could lose out as a result. Principal advised that there is also a time-lag to take into consideration due to UCAS application dates, meaning a "lost" year is likely. Committee NOTED Paper 6																					

9	Committee Minutes Committee noted the following minutes: <ul style="list-style-type: none"> • Scholarship & Research Committee, 07 November • Student Engagement Group, 28 September 2022 	
10	Date of Next meeting <ul style="list-style-type: none"> • Wednesday 08 February 2023 	
11	Review of Meeting Committee confirmed the business of the meeting had been consistent with the Terms of Reference.	

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Do the minutes contain items which may be contentious under the terms of the Data Protection Act 2018? **Yes** ☐ **No** ☒

Strategic Development Committee

DRAFT Minutes

Meeting reference: SDC 2022-23/02

Date: Monday 05 December 2022

Location: Boardroom (Braham Room 019)

Members present: Andrew Comrie, Board Member (Chair)
Michael Buchanan, Board Member
Heather Cormack, Board Member
Sheena Devlin, Board Member
Jenny Hamilton, Board Member (to Item 6.6)
Derek Waugh, Board Member
John Dare, Staff Board Member (to Item 6.4)
Todor Pavlov-Kennedy, Student Board Member
Margaret Cook, Principal (to Item 6.6)

In attendance: Lorenz Cairns, Depute Principal
Veronica Lynch, Vice Principal (External)
Catherine Etri, Vice Principal (Academic)
Iain Wishart, Vice Principal (Operations)
Ian McCartney, Clerk to the Board
Mark Taylor, AST General Manager (Item 6.1 only)

Apologies: Charlea Jefts, HISA Perth Depute President Activities & Welfare

Chair: **Andrew Comrie**

Minute Taker: Ian McCartney

Quorum: 3

Minutes:

Item		Action
1.	Welcome and Apologies Chair welcomed all present to the meeting, and noted apologies.	
2.	Additions to the Agenda There were no additions to the Agenda. Chair noted a rescheduling of some Agenda items to facilitate the prompt departure of the Principal.	
3.	Declaration of Interest in any Agenda Item No interests were declared	
4.	Minutes of Meeting held on 21 September 2022 The minutes were agreed as being an accurate record of the meeting.	
5.	Matters Arising from Previous Minutes <u>Actions outstanding from prior meetings: 02 November 2021</u> <u>Item 6.3 – Commercial/Non-Core Business Strategy</u> Action 3: Provide further report on Commercial activity following College Strategy approval Action Update: On Agenda under Item 6.2 <u>Item 6.5 – Development Trust</u> Action: Provide Committee with more information including presentation by representative of Trust Action Update: On Agenda under Item 6.6	

6	Items for Discussion	
6.1	<p data-bbox="268 203 874 237">AST Digital Sales & Business Recovery</p> <p data-bbox="268 277 1214 456">AST General Manager presented Paper 2, details future budget performance, potential mitigation actions and laying out a possible Digital strategy for training notes development and sales re Air Service Training. Paper was being presented as part of acknowledgement of strategic investment both past and future.</p> <p data-bbox="268 497 1249 676">AST General Manager noted the coalescence of contracts coming to an end with new contracts and opportunities not yet fully on stream, which has provided some challenges around cashflow, however without significant investment in training equipment over the last couple of year, the position would be much worse.</p> <p data-bbox="268 716 1246 819">AST General Manager provided detail around the proposed digital sales strategy, noting the fundamental differences between AST and the current market leader in this area.</p> <p data-bbox="268 860 1259 1008">Board Member queried how AST can be first to market. AST General Manager advised that the AST brand was key to success – by getting the products and pricing right there is confidence that significant inroads can be made in this marketplace.</p> <p data-bbox="268 1048 1246 1227">Board Member queried pricing points. AST General Manager acknowledged that AST’s current prices are way out of sync with the market, and this is under review to be updated before year end, however due to differentiation in training materials, AST will not be priced to compete directly with market leader.</p> <p data-bbox="268 1267 1233 1415">Student Board Member queried potential impact on students. AST General Manager advised that current students will be through their courses before proposed changes, while future individual students will see changes progressively.</p> <p data-bbox="268 1456 1249 1671">Chair asked around timelines for development of the materials, and associated costs. AST General Manager advised that an opportunity exists within the current staff cohort to fund this exercise. Depute Principal advised that now more than ever the public have more choice and expectations are high, therefore would encourage getting done right over getting done quickly.</p> <p data-bbox="268 1711 1233 1778">Chair advised that it would be useful to see the levels of investment required before final proposals go to Board.</p> <p data-bbox="268 1818 1262 1886">Committee NOTED Paper 2 and thanked AST General Manager for a useful paper.</p>	

<p>6.2</p>	<p>Commercial Business Overview</p> <p>Vice Principal (Operations) presented Paper 3 to provide an overview of the current status of non-SFC funded activity and was working on a wider paper based on this issue for consideration at Finance & Resources Committee and the Board.</p> <p>Vice Principal (Operations) noted that the background to the paper was the threat to the sector, and how Perth College can do to mitigate against predicted issues. Vice Principal (Operations) outlined 3 key questions to determine definition and purpose of “commercial” aspects of the College.</p> <p>Board Member noted that surplus net income being brought into the College to provide additional income to the core business of the College would be a decent starting point.</p> <p>Board Member advised that the question around core competence needs to be asked, eg making money out of teaching in ASW vs making money of out providing a nursery, however how is benefit to student numbers around provision of services calculated?</p> <p>Board Member advised that nursery funding follows the child not the provider, therefore it would be sensible looking at this area within the context of the Masterplan work.</p> <p>Chair advised that it would be worth looking at a fully commercial operation for ASW with College usage charged as required. Vice Principal (Academic) noted that ASW is business critical for the College due to the classroom provision.</p> <p>Vice Principal (External) advised that it is difficult to quantify the impact of ASW on recruitment numbers due to people coming onto campus that wouldn’t otherwise have done so.</p> <p>Board Member suggested that it would be useful to see an overlay of management recommendations to balance discussions and decisions against, and further suggested that it would be useful to know how much can be explored with PKC to determine what areas of community engagement fall within the responsibility of the College. Chair agreed that there needs to be some modelling of options.</p> <p>Board Member stated that if facilities provide benefits around recruitment and retention, this provides a reason to subsidise if required, however there is clearly a need for streamlining and simplifying portfolios as each commercial area is accessing Professional Services, which provides opportunities to save management costs.</p>	
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	<p>Board Member queried whether a Management Fee approach would allow “beneficial” elements to be costed in.</p> <p>Board Member stated that argument keeps coming around to what is the definition of commercial, with an attendant risk of withdrawing from elements that are integral to teaching. Board Member argued that there needs to be an identified level of subsidy that is acceptable to the College.</p> <p>Chair noted the similarity of Council models re Management Fees and other mechanisms. The next step would appear to be the generation of “What if?” scenarios to assess commercial functions’ contribution to the core curriculum and the student experience.</p> <p>Board Member queried where Research would fit into the equation. Principal noted that a proportion of the funding is REF money, but historically research has made the College quite a bit of money. Research feels different to the other “commercial” areas.</p> <p>Chair queried hurdle rates. Vice Principal (Operations) advised that these started at 32%, however there is a need to factor in other elements. Chair advised that care needs to not set these too high, and a differentiated model may be preferable, eg for maturity of business vs start-up.</p> <p>Chair thanked Members for the discussion and Committee NOTED Paper 3.</p>	
6.4	<p>UHI 2024 – progress update</p> <p>Principal provided a verbal update on progress to date re the UHI2024 initiative, advising that the Interim Chair had taken up a position on the Programme Board and that Principal was leading on the Shared Services workstream.</p> <p>Principal noted that it was difficult to see short-term savings re Shared Services as there has been chronic under-investment which will need to be addressed before Shared Services make enough sense to be able to generate economies of scale.</p> <p>Board Member queried what Court’s expectations are. Principal advised that significant savings were expected by 2024</p> <p>Principal noted that Workstream Leads were meeting with the Programme Board every 2 weeks which is useful. The UHI Court on 15th December will be looking at overall cost saving.</p>	

6.6	<p>Development Trust</p> <p>Principal advised on a number of issues affecting the Development Trust, noting that a review of the Deed of Trust and the OSCR registration for the Trust had identified some governance issues that would need to be addressed.</p> <p>Principal further noted that discussions were ongoing around some areas of improvement to the day-to-day operations of the Trust, including how best to improve alumni relations.</p> <p>A paper will be brought back to next meeting.</p>	Principal
6.3	<p>KPI Prioritisation</p> <p>Depute Principal presented Paper 4, and summarised the iterative steps taken to reach this point before outlining the proposed 12 prioritised KPIs, which would then be monitored at Board level via a Balanced Scorecard approach.</p> <p>Chair opened the floor to Committee in order to agree that these 12 KPIs were the preferred option.</p> <p>Board Member suggested that Environmental Sustainability is now a standard measure for Boards to monitor and lead on, which Chair agreed with. Depute Principal reminded Committee that all KPIs will remain and be monitored. Board Member argued that, given latest positioning around Net Zero, Environmental Sustainability is a politically charged issue and it would be remiss for Board not to regularly monitor progress.</p> <p>Committee AGREED that Environmental Sustainability should be added to the Prioritised list of KPIs.</p> <p>Following a request for clarification from a Board Member, it was AGREED that the Balanced Scorecard around the Prioritised KPIs would be presented for monitoring each Board Cycle, and the remaining “below the line” KPIs would be presented annually.</p> <p>Board Member queried whether the Balanced Scorecard would allow for some measure of efficacy and impact, and whether there would be qualitative data as well as quantitative, for example around measures for Partnerships & Collaboration Strategic Objective 1. Depute Principal noted these comments and would re-examine who these could be best achieved.</p> <p>Committee ENDORSED Paper 4 with amendments as noted.</p>	

6.5	UHI Engagement Strategy Vice Principal (External) advised that despite the departure of the Vice Principal at UHI who was leading the Engagement Strategy, discussions were still ongoing, although the launch of the Strategy had now been deferred to spring 2023. Vice Principal (External) advised that Perth College continues to work with UHI on the Together Campaign, and this will be updated to Committee at a future meeting. Vice Principal (External) noted that the Development Trust Strategy is likely to provide the biggest impact for Perth College within the wider UHI strategy.	
7	Date and time of next meeting: <ul style="list-style-type: none"> Thursday 02 March 2023 @ 5:00pm (includes joint meeting with Finance & Resources Committee) 	
8	Review of Meeting Committee confirmed the business of the meeting had been compliant with the Terms of Reference.	

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Notes taken to help record minutes are also subject to Freedom of Information requests, and should be destroyed as soon as minutes are approved.

Status of Minutes – Open ☒ (Except Item 6.2)

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes about living individuals, under the terms of the Data Protection Act 2018. It is important that fact, rather than opinion, is recorded.

Do the minutes contain items which may be contentious under the terms of the Data Protection Act 1998? **Yes** ☐ **No** ☒

Finance & Resources Committee

DRAFT Minutes

Meeting reference: F&R2022-23/02

Date: Monday 12 December 2022 at 5.00pm

Location: Boardroom (Braham Room 019)

Members present: Katrina Hodgson, Chair
Michael Buchanan, Board Member
Andrew Comrie, Board Member
Heather Cormack, Board Member
Margaret Cook, Principal
Todor Pavlov-Kennedy, Student Board Member

In attendance: Jim Crooks, Chair of Audit Committee (from Item 12)
Fiona Martin, Member of Audit Committee (from Item 12)
Debbie McIlwraith Cameron, Member of Audit Committee (from Item 12)
Derek Waugh, Member of Audit Committee (from Item 12)
Lorenz Cairns, Depute Principal
Veronica Lynch, Vice Principal (External)
Iain Wishart, Vice Principal (Operations)
Ian McCartney, Clerk to the Board
Rachel Wynne, Ernst & Young, External Auditor (from Item 12)
David Archibald, Henderson Loggie, Internal Auditor (from Item 12)

Apologies: Graham Watson, Interim Chair, Board of Management
John Dare, Staff Board Member

Chair: Katrina Hodgson

Minute Taker: Ian McCartney

Quorum: 4

MINUTES

Item		Action
1.	Welcome and Apologies Chair welcomed everyone to the meeting and noted apologies.	
2.	Additions to the Agenda None	
3.	Declaration of Conflict of Interest in any Agenda Item None	
4.	Minutes of Meeting of Finance & Resources Committee, 05 October 2022 The minutes were approved as a true and accurate record of the meeting.	
5.	Matters Arising from previous minutes: 05 October 2022 <u>10.1 – HR Update</u> Action: Head of HR and Clerk liaise re the current requirements re Mandatory Training to Board Members. Action Update: Clerk had now received the outstanding list re Board Mandatory Training and will distribute. <u>6.2 – Estates Strategy & Aviation Academy for Scotland Update</u> Board Member requested an update on the latest position re this issue. Depute Principal advised that the Perth College Masterplan had been shared with PKC, who are due to respond before Xmas break to firm up a joint masterplan, initially with regards to space as financial elements had not yet been discussed. It was likely that 5-year outlook for the project would be required. Depute Principal further advised that the Scottish Futures Trust was the most likely bidding source should these plans be further developed, however there was a need to firm up access to these funds. Following a query from a Board member re commercial impact on the nursery, Depute Principal noted that the nursery would form part of the discussion with PKC.	

<p>6.1</p>	<p>Perth College Financial Update: Year to 31 October 2022</p> <p>Vice Principal (Operations) summarised Paper 2, noting that actual staff costs do not incorporate National Bargaining at this stage, and that HE numbers were down quite significantly which has led to staff costs being behind budget.</p> <p>Vice Principal (Operations) advised that Paper 2 also showed a realignment of budget centres based on commercial incomes aligned to areas noted in Paper 3 to provide additional clarity.</p> <p>Board Member asked whether Perth College was broadly in line with the sector. Vice Principal (Operations) advised that the whole sector seemed to be sharing pain around clawback, energy costs and National Bargaining, however Perth College may be unusual in the impact of the drop in HE numbers as we recruit more therefore the impact is bigger.</p> <p>Chair queried whether the timing issues noted were a surprise. Vice Principal (Operations) noted that Estates work was a factor, particularly around work from 2021/22 requiring to be completed in a timely manner to allow the AOP to be utilised appropriately. It was planned to tackle this better in the next Budget phase.</p> <p>Board Member queried whether there was any lobbying being done with regard to HE numbers. Depute Principal noted that UHI were looking to tackle numbers within the current AY, however with UCAS entries for 2023/24 closing in January, it would appear difficult to see how this gap will be bridged. Principal further noted that the UHI2024 Curriculum strand are looking towards 2024/25.</p> <p>Committee noted Paper 2.</p>	
<p>6.2</p>	<p>Financial Outlook</p> <p>Vice Principal (Operations) summarised Paper 3 and noted that a discussion on similar issues had been tabled at Strategic Development Committee (paper included). Vice Principal (Operations) further noted that the comparability of sector spending should be treated with caution as this were high-level estimates as not all Colleges report spending in the same way.</p> <p>Chair thanked Vice Principal (Operations) for the comprehensive paper and the huge amount of information provided, noting that the paper focused the mind on the question of what the core business of the College is.</p> <p>Board Member suggested that the benefits of some of the poorer-performing commercial operations need to be taken into account, particularly around recruitment and retention, as this might justify them being subsidised. Board Member agreed with this position,</p>	

	<p>however noted that the College do not strictly need to own such operations for benefit to be realised.</p> <p>Board Member noted that the ratio of reliance on Government funding would be useful to know, and suggested that different models need to be looked at, for example contracted services similar to those operated by Council-run leisure activities. Depute Principal advised that the College's reliance on core funding was approximately 80%.</p> <p>Chair thanked Members for their input, and asked what next steps were. Clerk advised that the next meeting of the Committee was to be a joint meeting with Strategic Development Committee, and suggested that these common areas form the bulk of the shared agenda. This proposal was AGREED by Committee.</p> <p>Board Member suggested that the numbers of income stream areas be reduced from the 22 listed to perhaps save on overheads.</p>	
7.1	<p>Aviation Academy for Scotland/Tay Cities Deal - update</p> <p>Vice Principal (External) briefly summarised Paper 4, noting that College would not be in a position to draw down funding in 2023/24, therefore proposes to defer drawdown until Year 10 of the project.</p> <p>Vice Principal (External) advised that the TCD Project Management Office was comfortable with this deferral as it posed a low risk to the project.</p> <p>Committee ENDORSED the proposals outlined in Paper 4.</p>	
8.1	<p>Estates Update</p> <p>Committee noted Paper 5.</p>	
9.1	<p>HR Update</p> <p>Committee noted Paper 6.</p> <p>Board Member requested that information be provided re staff absences apparently exceeding pre-pandemic levels. Clerk to liaise with Head of HR to issue as soon as possible.</p>	Clerk
9.1	<p>Estates Update</p> <p>Depute Principal presented Paper 7 for information.</p> <p>Committee noted Paper 7</p>	

10.	Committee Meetings The following Committee Minutes were noted : <ul style="list-style-type: none"> • EDIT Committee, 15 September 2022 • JNC Support Staff, 17 November 2022 • JNC Lecturing Staff, 22 September 2022 • JNC Lecturing Staff, 17 November 2022 • Staff Engagement Committee, 01 September 2022 • Staff Engagement Committee, 03 November 2022 	
11.	Review of Meeting Committee confirmed that the meeting had been conducted in line with its Terms of Reference.	
	Joint Meeting with Audit Committee Committee held a joint meeting with Audit Committee to review Annual Statements and Reports relating to FY 2021/22.	
12.	Joint Welcome and Apologies Chair of Finance & Resources welcomed members of Audit Committee to proceedings, and noted apologies.	
13.	Declaration of Conflict of Interest in any Agenda Item None	
14.	Draft Perth College Group Report & Financial Statements for the Year ended 31 July 2022 Vice Principal (Operations) presented Paper 9 for consideration and endorsement, noting that the final AOP figure was in line with expectation per the Management Book presented to previous Finance & Resource Committees. Vice Principal (Operations) advised that the Audit process had proceeded relatively smoothly, with only minor delays in the provision of certain information. Vice Principal (Operations) highlighted the Balance Sheet, noting that a revaluation of assets related to the College Estate had moved the overall asset position, and that there had been an accounting adjustment related to the Pension Fund liability which, under FRS102, cannot be shown as an asset on the Balance Sheet. External Auditor confirmed that all adjustments presented had	

	<p>been recorded correctly.</p> <p>Chair of Finance & Resources queried the signing-off procedure for the Accounts. Vice Principal (Operations) advised that the Accounts were required to be signed off this week to allow for lodging with the Auditor General before the end of the year. It was AGREED that, with the Joint Meeting constituting a quoracy of the Board, the accounts could be signed off within that period and ratified by the Board on the 22nd, assuming any remaining amendments did not breach the Materiality threshold of £540,000 confirmed by External Auditor.</p> <p>Audit Committee Member queried the trend information around the environmental performance on Page 15 of the Group Report. Depute Principal advised that this had been addressed during the Estates Report to Finance & Resources Committee. Clerk to circulate this paper to Audit Committee for information.</p> <p>Vice Principal (Operations) noted that there was a material uncertainty around AST Going Concern, however due to this being within the College Materiality for the Group Accounts, this would not have an effect on the signing off timetable, and AST Auditors were in close consultation with EY on this matter.</p> <p>The Perth College Group Report & Financial Statements for the Year ended 31 July 2022 were APPROVED subject to any Materiality issues and would be presented to Board for ratification.</p>	Clerk
15.	<p>Draft External Audit Annual Report 2021-22</p> <p>External Auditor presented Paper 10, noting an Unqualified Audit Opinion for the Financial Statement presented under Paper 9. External Auditor thanked the College Finance Team for their efforts in presenting a set of accounts for consideration in December for the first time in a few years.</p> <p>External Auditor noted key risks as presented being Pensions (due to a significant swing due to the discount rate, a position that was being repeated across the sector) and Going Concern (AST had been considered but EY comfortable not to escalate due to position within Group Accounts, and are in regular contact with AST Auditors).</p> <p>External Auditor noted the following Wider Scope issues:</p> <ul style="list-style-type: none"> • A RED rating had been allocated to Financial Sustainability due to sector-wide issues resulting in the likelihood of difficult decisions being required • External Auditor noted the pace of change in internal 	

	<p>improvements within Finance Management since this matter was first advised in 2019/20, however there were still a number of key personnel dependencies that required addressing, and increased capacity was required, resulting in a RED rating being allocated</p> <ul style="list-style-type: none"> • Governance & Transparency had received an AMBER rating due to the pace of change from the previous year relating to the remaining items from the 2019 Audit Action Plan. External Auditor also noted the lack of clear evidence of consideration of the Public Sector Pay Policy when agreeing the revised Principal's remuneration • Value For Money also received an AMBER rating due to a delay in visibility of public performance reporting. <p>Board Member noted a presentational issue. External Auditor confirmed this was due a version control issue, and this would be corrected prior to publication of the Report.</p> <p>Chair of Audit noted comments re capacity within Finance and shared concern, however believed this should be resolved operationally. Chair of Audit requested that Clerk add the matter to the agenda of the next Audit Committee to take forward.</p> <p>Chair of Remuneration addressed the issue of the Principal's Salary advised in the External Audit Report.</p> <p>[Principal left meeting during discussion of this matter]</p> <p>Chair of Remuneration advised those present that the governance shortfall had been caused by an omission from the minutes, that discussion had place around the Public Sector Pay Policy, however this had not been formally recorded. Chair of Remuneration noted in mitigation that the review of the salary was a 5-year review therefore Remuneration Committee as a whole had been remiss in not addressing the issue on a regular basis.</p> <p>Chair of Remuneration advised that a briefing had been prepared earlier today in response to a query from a Board Member on this issue, and requested that the Clerk forward this briefing/response to External Auditor for full transparency.</p> <p>The Draft External Audit Annual Report 2021-22 was ENDORSED pending minor amendments, and would be presented to Board for approval.</p>	<p>Clerk</p> <p>Clerk</p>
16.	<p>Draft Internal Audit Annual Report 2021-22</p> <p>Internal Auditor presented Paper 11, noting that audit processes were independent and compliant with standards.</p>	

	<p>Internal Auditor noted the larger programme of work compared to previous years, and that, following the extension of Henderson Loggie's contract as External Auditor, and Audit Needs Assessment had preceded the agreement of the Audit Plan.</p> <p>Internal Auditor advised that all reports within the Annual Action Plan had been delivered, with a summary of outcomes presented on page 3 of the Audit Report, and noted that the overall outputs were broadly positive.</p> <p>Internal Auditor highlighted the Follow-Ups section of the Report, advising that, of the 29 actions in this section, 8 had been fully implemented, 2 were close to full implementation, and 19 were outstanding but moving forwards.</p> <p>Chair of Audit noted the continuing theme of capacity and the number of Follow-Ups still outstanding, which would require to be addressed.</p> <p>Chair of Finance & Resources asked where responsibility for monitoring progress of the 19 outstanding recommendations referred to in the Follow-Up report lay. Chair of Audit noted that these linked back to the outstanding Audit Action Plan, and would be monitored accordingly. Vice Principal (Operations) advised that internal resource had been identified within team to lead on closing outstanding actions, and would be taking on this role from January 2023.</p> <p>The Draft Internal Audit Annual Report 2021-22 was ENDORSED, and would be presented to Board for approval.</p>	
17.	<p>Draft Audit Committee Annual Report to the Board of Management</p> <p>Clerk presented Paper 12, noting that the Audit Committee Report to the Board was largely collated from the preceding reports with additional information provided around key changes within the College during the year, and was intended to supply Board with confidence that Audit Committee had enacted its compliance responsibilities.</p> <p>The Draft Audit Committee Audit Annual Report 2021-22 was ENDORSED, and would be presented to Board for approval.</p> <p>Chair of Audit noted that 2021/22 represented to final External Audit to be conducted for Perth College by Ernst & Young after many years, and thanked EY on behalf of Audit Committee for their scrutiny, openness and valued input over the years. Principal echoed these thanks on behalf of the Senior Management Team</p>	

18.	Date & Time of Next Meeting <ul style="list-style-type: none"> • Tuesday 02 March @ 5:00pm <p>Clerk noted that this meeting would include a joint meeting with Strategic Development Committee.</p>	
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The College may also be asked for information contained in minutes about living individuals, under the terms of the Data Protection Act 2018. It is important that fact, rather than opinion, is recorded.

Do the minutes contain items which may be contentious under the terms of the Data Protection Act 2018? **Yes** ☐ **No** ☒

Audit Committee

DRAFT Minutes

Meeting reference: Audit 2022-23/02

Date: Monday 12 December 2022

Location: Boardroom (Braham Room 019)

Members present: Jim Crooks, Board Member
Fiona Martin, Board Member
Debbie McIlwraith-Cameron, Board Member (Items 1-11)
Derek Waugh, Board Member

In attendance: Katrina Hodgson, Chair of Finance & Resources (Items 1-6)
Michael Buchanan, Member of Finance & Resources (Items 1-6)
Andrew Comrie, Member of Finance & Resources (Items 1-6)
Heather Cormack, Member of Finance & Resources (Items 1-6)
Todor Pavlov-Kennedy, Member of Finance & Resources (Items 1-6)
Margaret Cook, Principal
Lorenz Cairns, Depute Principal
Veronica Lynch, Vice Principal (External)
Iain Wishart, Vice Principal (Operations)
Rachel Wynn, Ernst & Young, External Auditor
David Archibald, Henderson Loggie, Internal Auditor
Ian McCartney, Clerk to the Board

Apologies: Patrick O'Donnell, Staff Board Member
Liam Fowley, Student Board Member

Chair: **Jim Crooks**

Minute Taker: Ian McCartney

Quorum: 3

MINUTES

Item		Action
1.	<p>Joint Welcome and Apologies</p> <p>Chair of Finance & Resources welcomed members of Audit Committee to Joint Meeting of Finance & Resources and Audit Committees, and noted apologies.</p>	
2.	<p>Declaration of Conflict of Interest in any Agenda Item</p> <p>None</p>	
3.	<p>Draft Perth College Group Report & Financial Statements for the Year ended 31 July 2022</p> <p>Vice Principal (Operations) presented Paper 1 for consideration and endorsement, noting that the final AOP figure was in line with expectation per the Management Book presented to previous Finance & Resource Committees.</p> <p>Vice Principal (Operations) advised that the Audit process had proceeded relatively smoothly, with only minor delays in the provision of certain information.</p> <p>Vice Principal (Operations) highlighted the Balance Sheet, noting that a revaluation of assets related to the College Estate had moved the overall asset position, and that there had been an accounting adjustment related to the Pension Fund liability which, under FRS102, cannot be shown as an asset on the Balance Sheet.</p> <p>External Auditor confirmed that all adjustments presented had been recorded correctly.</p> <p>Chair of Finance & Resources queried the signing-off procedure for the Accounts. Vice Principal (Operations) advised that the Accounts were required to be signed off this week to allow for lodging with the Auditor General before the end of the year. It was AGREED that, with the Joint Meeting constituting a quoracy of the Board, the accounts could be signed off within that period and ratified by the Board on the 22nd, assuming any remaining amendments did not breach the Materiality threshold of £540,000 confirmed by External Auditor.</p> <p>Audit Committee Member queried the trend information around the environmental performance on Page 15 of the Group Report. Depute Principal advised that this had been addressed during the Estates Report to Finance & Resources Committee. Clerk to circulate this paper to Audit Committee for information.</p>	Clerk

	<p>Vice Principal (Operations) noted that there was a material uncertainty around AST Going Concern, however due to this being within the College Materiality for the Group Accounts, this would not have an effect on the signing off timetable, and AST Auditors were in close consultation with EY on this matter.</p> <p>The Perth College Group Report & Financial Statements for the Year ended 31 July 2022 were APPROVED subject to any Materiality issues and would be presented to Board for ratification.</p>	
4.	<p>Draft External Audit Annual Report 2021-22</p> <p>External Auditor presented Paper 2, noting an Unqualified Audit Opinion for the Financial Statement presented under Paper1. External Auditor thanked the College Finance Team for their efforts in presenting a set of accounts for consideration in December for the first time in a few years.</p> <p>External Auditor noted key risks as presented being Pensions (due to a significant swing due to the discount rate, a position that was being repeated across the sector) and Going Concern (AST had been considered but EY comfortable not to escalate due to position within Group Accounts, and are in regular contact with AST Auditors).</p> <p>External Auditor noted the following Wider Scope issues:</p> <ul style="list-style-type: none"> • A RED rating had been allocated to Financial Sustainability due to sector-wide issues resulting in the likelihood of difficult decisions being required • External Auditor noted the pace of change in internal improvements within Finance Management since this matter was first advised in 2019/20, however there were still a number of key personnel dependencies that required addressing, and increased capacity was required, resulting in a RED rating being allocated • Governance & Transparency had received an AMBER rating due to the pace of change from the previous year relating to the remaining items from the 2019 Audit Action Plan. External Auditor also noted the lack of clear evidence of consideration of the Public Sector Pay Policy when agreeing the revised Principal's remuneration • Value For Money also received an AMBER rating due to a delay in visibility of public performance reporting. <p>Board Member noted a presentational issue. External Auditor confirmed this was due a version control issue, and this would be</p>	

	<p>corrected prior to publication of the Report.</p> <p>Chair of Audit noted comments re capacity within Finance and shared concern, however believed this should be resolved operationally. Chair of Audit requested that Clerk add the matter to the agenda of the next Audit Committee to take forward.</p> <p>Chair of Remuneration addressed the issue of the Principal's Salary advised in the External Audit Report.</p> <p>[Principal left meeting during discussion of this matter]</p> <p>Chair of Remuneration advised those present that the governance shortfall had been caused by an omission from the minutes, that discussion had place around the Public Sector Pay Policy, however this had not been formally recorded. Chair of Remuneration noted in mitigation that the review of the salary was a 5-year review therefore Remuneration Committee as a whole had been remiss in not addressing the issue on a regular basis.</p> <p>Chair of Remuneration advised that a briefing had been prepared earlier today in response to a query from a Board Member on this issue, and requested that the Clerk forward this briefing/response to External Auditor for full transparency.</p> <p>The Draft External Audit Annual Report 2021-22 was ENDORSED pending minor amendments, and would be presented to Board for approval.</p>	<p>Clerk</p> <p>Clerk</p>
5.	<p>Draft Internal Audit Annual Report 2021-22</p> <p>Internal Auditor presented Paper 3, noting that audit processes were independent and compliant with standards.</p> <p>Internal Auditor noted the larger programme of work compared to previous years, and that, following the extension of Henderson Loggie's contract as External Auditor, and Audit Needs Assessment had preceded the agreement of the Audit Plan.</p> <p>Internal Auditor advised that all reports within the Annual Action Plan had been delivered, with a summary of outcomes presented on page 3 of the Audit Report, and noted that the overall outputs were broadly positive.</p> <p>Internal Auditor highlighted the Follow-Ups section of the Report, advising that, of the 29 actions in this section, 8 had been fully implemented, 2 were close to full implementation, and 19 were outstanding but moving forwards.</p> <p>Chair of Audit noted the continuing theme of capacity and the number of Follow-Ups still outstanding, which would require to be</p>	

	<p>addressed.</p> <p>Chair of Finance & Resources asked where responsibility for monitoring progress of the 19 outstanding recommendations referred to in the Follow-Up report lay. Chair of Audit noted that these linked back to the outstanding Audit Action Plan, and would be monitored accordingly. Vice Principal (Operations) advised that internal resource had been identified within team to lead on closing outstanding actions, and would be taking on this role from January 2023.</p> <p>The Draft Internal Audit Annual Report 2021-22 was ENDORSED, and would be presented to Board for approval.</p>	
6.	<p>Draft Audit Committee Annual Report to the Board of Management</p> <p>Clerk presented Paper 4, noting that the Audit Committee Report to the Board was largely collated from the preceding reports with additional information provided around key changes within the College during the year, and was intended to supply Board with confidence that Audit Committee had enacted its compliance responsibilities.</p> <p>The Draft Audit Committee Audit Annual Report 2021-22 was ENDORSED, and would be presented to Board for approval.</p> <p>Chair of Audit noted that 2021/22 represented to final External Audit to be conducted for Perth College by Ernst & Young after many years, and thanked EY on behalf of Audit Committee for their scrutiny, openness and valued input over the years. Principal echoed these thanks on behalf of the Senior Management Team</p>	
	Scheduled Audit Committee Business	
7.	<p>Additions to the Agenda</p> <p>There were no additions to the Agenda.</p>	
8.	<p>Declaration of a Conflict of Interest in any Agenda Item</p> <p>There were no declarations of Conflicts of Interest.</p>	
9.	<p>Minutes of the Meeting of Audit Committee held on 19 October 2022</p> <p>The Minutes were approved as an accurate reflection of the Meeting.</p>	

10.

Action arising from previous minutes
Historic Matters arising from 31 May 2022

Ref 6.2 – Internal Audit – Audit Action Plan
Action: Internal Auditor to add additional column re previous review re when Audit Area was last reviewed to provide assurance

Action Update: Action not yet complete. **Carried forward.**

Matters Arising from 19 October 2022

Ref 6.1 – Annual Health & Safety Report
Action1: Depute Principal to liaise with Head of HR re benchmark training figures

Action Update: Depute Principle provided a summary of Mandatory Training summary table showing progress to current target of 90% completion of mandatory health and safety training:

Course name	29/01/2020	19/08/2020	31/07/2021	28/09/2022	06/12/2022
Health and Safety Part 1 v.1	17%	79%	87%	87%	90%
Health and Safety Part 2 v.1	18%	81%	88%	87%	90%

Action 2: Depute Principal to liaise with Head of HR re 95% completion rate re mandatory H&S Training noted within IA Report vs 90% completion rate noted in Annual Health & Safety Report

Action Update: Depute Principal noted that the Audit Report in August 2020 had a recommendation that the College should set annual targets for compliance, which initially would be realistic to improve compliance, with a view to stretching these targets over a number of years to ensure that as a minimum 95% compliance rates with mandatory training are achieved for existing staff, and that for new staff this compliance should be at 100%.

The College has slowly been increasing its compliance in this area with compliance levels for 20/21-22/23 being set at 90% with all new starters completing their mandatory training during their probationary period. We will be looking to increase this for the 23/24 to 95% as we will need to make changes to our reporting requirement to be able to monitor this effectively

Principal noted that UHI wishes to add further Mandatory Training items which raises potential issues re time, capacity and motivation.

Ref 14 – Review of Meeting
Action: Clerk to amend error re Vice Principal (Operations) in Terms of Reference

Action Update: Complete

Internal Auditor

11.	<p>Strategic Risk Register (transition to Enterprise Risk Management)</p> <p>Chair of Audit introduced Item by noting for context that the College's Strategic Risk Register was not always aligned with the Strategic Plan.</p> <p>Vice Principal (Operations) presented Paper 6 which outlined the transition from the Strategic Risk Register to Enterprise Risk Management and provided an updated model to the previous version, noting that the ERM will allow Board to focus on monitoring of Risk.</p> <p>Vice Principal (Operations) proposed that an updated version of the old Risk Register be issued over the next few weeks to ensure Committee is able to provide scrutiny while the ERM is completed. Chair of Audit asked whether members were comfortable with this approach. Committee AGREED with the proposal advised by Vice Principal (Operations).</p> <p>Vice Principal (Operations) confirmed that the ERM would focus on the 13 strategic objectives agreed as main KPIs at Strategic Development Committee. In presenting the ERM, Vice Principal (Operations) noted that the main Board focus would be on the Monitor & Review section. This would be presented within a supporting paper, however Members would have access to drill down to other sections for more detail if required.</p> <p>Board Member asked around timescales for full roll-out of ERM. Vice Principal (Operations) advised that this was likely to be end January. Chair of Audit noted that it was not practical to continue with the old Register beyond the January update offered, as the link to Strategy is key.</p> <p>Internal Auditor welcomed the clear link to Strategy, however noted that the College has "Shared Risks" with UHI and queried how these would be captured. Principal noted that an exercise was being taken forward by the University Secretary which Vice Principal (Operations) will be contributing to.</p> <p>Committee APPROVED Paper 6.</p>	
12.	Audit Plans, Reports & Updates	
12.1	<p>Internal Audit Report 2022/07 - Payroll</p> <p>Internal Auditor summarised the Internal Audit Report on Payroll.</p> <p>Committee NOTED recommendations and actions.</p>	

12.2	<p>Internal Audit Report 2022/08 - Buildings</p> <p>Internal Auditor summarised the Internal Audit Report on Buildings.</p> <p>Board Member noted the recommendation re Management Software and queried whether this was a prioritisation under the UHI2024 Shared Services workstream. Principal advised that Estates had not yet been discussed within the workstream. Vice Principal (Operations) further advised that the Finance Team has been working with Estates around a short-term solution based on Excel.</p> <p>Depute Principal advised that the other recommendations had been actioned today.</p> <p>Committee NOTED recommendations and actions.</p>	
12.3	<p>Internal Audit Report 2022/09 - Quality</p> <p>Internal Auditor summarised the Internal Audit Report on Quality.</p> <p>Committee NOTED recommendations and actions.</p>	
12.4	<p>Internal Audit Report 2022/10 – Follow-Ups</p> <p>Internal Auditor summarised the Internal Audit Report on Follow-Ups.</p> <p>Chair of Audit requested that this be kept on Audit Committee's radar and suggested that a brief monitoring report be tabled at the next Audit Committee meeting. This was AGREED.</p> <p>Committee NOTED recommendations and actions.</p>	SMT
12.5	<p>Internal Audit Report 2023/02 – Student Activity Data 2021/22</p> <p>Internal Auditor summarised the Internal Audit Report on Student Activity Data, which was advised as being a routine report.</p> <p>Committee NOTED the Report.</p>	
12.6	<p>Internal Audit Report 2023/03 – Student Support Funds</p> <p>Internal Auditor summarised the Internal Audit Report on Student Support Funds, which had been presented without reservations.</p> <p>Committee NOTED the Report.</p>	

12.7	<p>Internal Audit Report 2023/01 – Draft Annual Internal Audit Plan 2022/23</p> <p>Internal Auditor presented the Draft Annual Internal Audit Plan for 2022/23, noting that this constituted Year 2 of a 3-year Plan. Internal Auditor sought clarification from Committee that the Plan as presented was still valid.</p> <p>Board Member noted that Recruitment & Retention perhaps needed prioritisation. Principal agreed that this was central to every report at the moment and would support such a prioritisation.</p> <p>Chair of Audit queried what would be reprioritised from Year 2 to Year 3. Vice Principal (External) suggested that Data Protection & Records Management may be a lower risk than others due to the absence of key issues being reported and mitigations at UHI level. Clerk advised that a Records Management project across the Partnership was currently ongoing therefore it may be useful to look at local implementation of this further down the line.</p> <p>Committee AGREED the Annual Internal Audit Plan 2022/23 with the stipulation that Data Protection & Records Management be replaced with Student Recruitment & Retention.</p>	
13	<p>FOI & Data Protection Quarterly Update</p> <p>Clerk presented a year-to-date update of FOI and Data Protection issues reported under Paper 14 for information. The report was NOTED by Committee.</p>	
14	<p>Date & Time of Next Meeting</p> <ul style="list-style-type: none"> Monday 13 March 2023 @ 5pm 	
15	<p>Review of Meeting</p> <p>Committee confirmed that the meeting had been conducted in line with its Terms of Reference.</p>	

Information recorded in College minutes are subject to release under the Freedom of Information (Scotland) Act 2002 (FOI(S)A). Certain exemptions apply: financial information relating to procurement items still under tender, legal advice from College lawyers, items related to national security.

Notes taken to help record minutes are also subject to Freedom of Information requests, and should be destroyed as soon as minutes are approved.

Status of Minutes – Open ☒

An **open** item is one over which there would be no issues for the College in releasing the information to the public in response to a freedom of information request.

A **closed** item is one that contains information that could be withheld from release to the public because an exemption under the Freedom of Information (Scotland) Act 2002 applies.

The College may also be asked for information contained in minutes about living individuals, under the terms of the Data Protection Act 2018. It is important that fact, rather than opinion, is recorded.

Do the minutes contain items which may be contentious under the terms of the Data Protection Act 2018? **Yes** ☐ **No** ☒

Membership

All Members appointed by the Regional Strategic Body;
The Principal of the College;
One person appointed by being elected by the teaching staff of the College;
One person appointed by being elected by the non- teaching staff of the College;
Two persons appointed by being nominated by HISA Perth from among the matriculated students of the College;

In attendance

Depute Principal
Vice Principal (Academic)
Vice Principal (External)
Vice Principal (Operations)

Quorum

The quorum shall be 50% of the total current membership of the Board

Frequency of Meetings

The Board shall meet no less than four times per year.

Terms of Reference

During Board meetings and other sanctioned Board events, the Board shall:

1. Take note of the overall environment in which the college operates, and provide considered and appropriate strategic guidance to safeguard and enhance the continued operation of the college.
2. Ensure that the College provides the best possible education and learning environment for its students;
3. Ensure that the values and ethos of the College are upheld and promoted;
4. Ensure that its decision-making process is transparent, properly informed, rigorous and timely, and in the best interests of the College as a whole, including taking into account UHI partnership needs;
5. Ensure that the College operates ethically, responsibly and with respect for the environment and for society at large;
6. Ensure that robust risk management and internal control systems are in place, maintained and enhanced;
7. Ensure compliance with all statutes, ordinances and provisions regulating the College and its framework of governance.