

Extraordinary Meeting of Finance & Resources and Audit Committees

Agenda

Meeting reference: F&R_Audit 2020-21/EM

Date: Monday 28 February 2022 at 5:00pm

Location: Online

Purpose: Extraordinary meeting to discuss Financial Statements & Annual Reports

* Denotes items for discussion/approval.

	Agenda Items	Author	Led by	Paper
1	Joint Welcome and Apologies		Chairs of Finance & Resources and Audit Committees	
2	Declaration of a Conflict of Interest in any Agenda Item			
*3	Draft Perth College Group Report and Financial Statements for the Year ended 31 July 2021	Director of Finance	Director of Finance	Paper 1
*4	External Audit Annual Report 2020-21	EY	EY	Paper 2
*5	Audit Committee Annual Report to the Board of Management	Vice Principal; Clerk	Vice Principal; Clerk	Paper 3
6	Code of Good Governance Checklist	Clerk	Clerk	Paper 4
7	Date and time of next meetings: <ul style="list-style-type: none"> • Extraordinary Board: 07 March 2022 @ 5:00pm • F&R: 14 March 2022 @ 5:00pm • Audit: 16 March 2021 @ 5:00pm 	Clerk		

Committee	Extraordinary Joint Meeting of Finance & Resources and Audit Committees
Subject	Perth College Financial Statements for the year ended 31 July 2021
Date of Committee meeting	28/02/2022
Author	Henry Nicholson, Financial Accountant
Date paper prepared	19/02/2022
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 endorsement by the Finance and & Resources Committee and 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 2021. 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>Attached are the Financial Statements for the Committee's consideration and endorsement. These statements will then be forwarded to the Extraordinary Meeting of the Board of Management for consideration and approval at its meeting on 07 March 2022.</p> <p>Members are asked to note that this paper also includes supplementary detail on the Perth College Pension for presentation to the Joint Committee members.</p>

Perth College UHI

<p>Consultation</p> <p>Please note which related parties, stakeholders and/or Committees have been consulted</p>	<p>Consultation has been undertaken with the Finance team, SMT and the college's external auditors EY.</p>
<p>Action requested</p>	<p><input type="checkbox"/> For information</p> <p><input checked="" type="checkbox"/> For discussion</p> <p><input checked="" type="checkbox"/> For endorsement</p> <p><input type="checkbox"/> Strongly recommended for approval</p> <p><input type="checkbox"/> Recommended with guidance (please provide further information, below)</p>
<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>Yes</p> <p>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.</p> <p>The College remains at the end of the EY audit cycle and as a result timescales are close to the deadline date for submission to SFC.</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>Financial Sustainability</p> <p>Compliance</p> <p>Risk Management</p> <p>Strategic Reputation</p>

Perth College UHI

<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>
<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>No</p> <p>If yes, please give details:</p> <p>Click or tap here to enter text.</p>
<p>Status (e.g. confidential/non confidential)</p>	<p>Non Confidential</p>

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.

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 2021

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

Ask Student Services for details.

www.perth.uhi.ac.uk

Perth College is a registered Scottish charity, number SC021209.

Perth College – for the year ended 31 July 2021

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 2021:

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

External Auditor:

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

Internal Auditor:

Henderson Loggie
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

Bankers:

Royal Bank of Scotland
12 Dunkeld Road
Perth
PH1 5RB

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

Solicitors:

Thorntons Solicitors
17-21 George Street
Perth
PH1 5JY

Perth College – for the year ended 31 July 2021

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Performance Report

Overview

The Performance Report provides an overview of the Perth College UHI (“the College”) performance in the academic year to 31 July 2021 covering:

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

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

Perth College UHI is an anchor institution for Perth and Kinross, supporting individuals of all ages and backgrounds to gain skills and qualifications, helping students unlock their potential, and supporting the growth of the local economy by delivering the skilled workforce that local businesses need.

In the academic year 2020/21 Perth College had 6,161 students made up of 3,525 full-time and 2,636 part-time. We provide a wide variety of student options from introductory and skills programmes through to postgraduate provision.

The continued impact of the Covid-19 pandemic made 2020/21 another challenging year. This situation was further complicated by a cyber incident within UHI which caused significant disruption for a number of months. However, Perth College staff and students worked hard and showed great innovation and flexibility to ensure that safety, high quality education, and student welfare were delivered throughout the academic year.

Despite the many challenges in 2020/21 the determination and dedication of staff and students allowed for an excellent year with some of the highlights being:

Positive Adjusted Operating Profit (AOP)

Despite pressure on income, cost management and support from the SFC resulted in Perth College recording a positive AOP of £1,024,000 for the academic year.

Air Service Training (AST)

The global response to the pandemic resulted in all but one of our commercial businesses recording a loss for the year. The exception was our largest commercial business, AST, who were able to record a profit in the year.

International Business

A collaboration between the college International and Academic teams saw Transnational Education (TME) student numbers in China double despite the pandemic. We continue to broaden our international partnerships to grow our international student numbers.

Perth College – for the year ended 31 July 2021

Digital Capacity

In response to the Covid-19 pandemic our online delivery was expanded, and we made an investment of around £250K in our digital capacity to ensure that all students could continue with their studies.

Education Scotland Visit

A welcome review of how well we had adjusted to meet the challenges of the pandemic was a Progress Visit from Education Scotland. The outcome of that visit was that Perth College received the highest possible grading with no caveats which indicated the review panel's confidence in how effective the College is delivering for our learners.

There were five key areas reviewed during the visit with several positive aspects highlighted for each. A summary of the feedback from Education Scotland included:

1. Leadership of Curriculum, Teaching and Assessment – Education Scotland described this as highly effective with a shared vision and a strong learner experience. The approach to professional development, observation and the professionalising of teaching is positively impacting staff skills and moving the college forward.
2. Services to Support Learning – the Student Support Team structure and all parts of the team are working well with good migration to online services with effective delivery and short waiting times for counselling services. Positive identification of student support needs with strong and effective external partnerships supporting learners with good access to funding and digital support services.
3. Learner Engagement – Recognition of a strong approach to learner engagement with a highly valued service to students.
4. Evaluative Practice – Comprehensive and effective self-evaluation process based on 'How Good is our College' in instigating and implementing change. This was deemed as well thought through and valued by staff. Staff development is well informed by the PDR process. Learners are highly satisfied. BRAG system and Review by Exception processes work well.
5. Learner Progress and Outcomes – Recognition that FT and PT FE achievement remains above the national average. The work with the BRAG system and engagement with external stakeholders with a focus on strong transitions and attainment was effective. The work to support deferred learners from 2020/21 was good.

Student Welfare

- A collaboration between Student Services, Counselling Services and Wellbeing and Support Services delivered close to a 100% increase in the number of students who

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were able to access Student Counselling. This significant increase has been critical during the pandemic.

- A partnership project between Perth College UHI and Perth Autism Support prepared neurodiverse learners for further studies and future employment provided a skills pipeline into the Cyber Security industry.

Other positive indicators included a significant reduction in staff turnover and staff absence days.

Our 2020/21 performance indicated a drop in student satisfaction, measured through the National Student Survey (NSS) and the Student Satisfaction and Engagement Survey (SSES). However, the average NSS for Scotland dropped which may indicate that student satisfaction has been impacted by the pandemic. Our TQFE and staff CPD days dropped but these are directly linked with the availability of training which was reduced due to the pandemic.

Looking to 2021/22 it is clear that the risks associated with 2020/21 will continue. The pandemic will still be with us and two other key risks that could have a significant impact on 2021/22 are:

1. Student Credits. Our FE student credits were down for the year ending July 2021, compared with 31 July 2020. Undergraduate and Post Graduate FTE's were both ahead of target In Perth and Kinross, and across Scotland, there is evidence to suggest that potential students are staying on at school or are able to get jobs directly from school which impacted FE Credits. This situation is caused by a combination of Covid impact and Brexit.
2. Funding.
 - a. As noted above the College received additional funding from the SFC in 2020/21 and there was no "clawback" of funds for the lower number of credits. Both of these support funds could be removed in 2021/22 creating a significant gap in college funding.
 - b. The short-term funding outlook for colleges is "flat cash" which means that a number of areas will no longer be funded e.g. counselling although the College will still have these costs.

An exciting development in 2021/22 will be the introduction of a new strategy in the second half of the year. The SMT, Board of Management, stakeholders and staff will collaborate to develop and implement an exciting new vision of the future for Perth College which will begin in 2021/22.

Perth College – for the year ended 31 July 2021

The members present their report and the audited financial statements for the year ended 31 July 2021.

Dr Margaret Cook
Principal & Chief Executive

Perth College – for the year ended 31 July 2021

Purposes and Activities

Legal Status

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

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

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

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

Vision, Mission and Activities

Our Vision for the Future

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

Our Vision is...

To be an inspirational partner in economic and social transformation

Our Mission is...

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

Our Values are...

Ambition, Integrity and Respect.

Perth College – for the year ended 31 July 2021

Implementation of Strategic Plan

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

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

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

A new strategic plan is being developed to cover the period from 2022 – 2027.

Performance Summary

The targets set for the year ended 31 July 2021 in the College Strategic Plan were set in the context of national, regional and local priorities and form part of the overall UHI Regional Outcome Agreement. This integration ensures that we contribute fully to the outcomes of the region as a whole and College performance against these targets is monitored using the balanced scorecard of key performance indicators. Perth College KPI's are set out in Performance Analysis below.

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

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

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

Perth College – for the year ended 31 July 2021

These perspectives are reviewed by the Board of Management who have also delegated the responsibility for individual targets to relevant sub-committees. The balanced scorecard records and reports past trends and thus includes performance, actual and forecast, over the period until 31 July 2021.

Operating Context

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

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

In a highly challenging recruitment environment, Perth College has seen a fall in FE credits and has seen an improvement in HE Undergraduate FTE's this is against an increasing cost base and the continuing Covid-19 environment, resulting in financial challenges.

Perth College has achieved 93% of its FE Credits, 103% of its HE Undergraduate FTE's and 105% of its Postgraduate FTE's. ESIF Credits are no longer reported. The credits are set out in more detail below:

	Year ended 31 July 2021			Year ended 31 July 2020		
	Actual	Target	Variance	Actual	Target	Variance
Further Education credits	22,429	24,084	(1,655)	23,655	23,655	-
Further Education ESIF credits	-	-	-	1,033	1,200	(167)
Total Further education credits	22,429	24,084	(1,655)	24,688	24,855	(167)
Undergraduate HE FTE's	2,062.6	1,992	70.6	1,927.7	1,967	(39.3)
Postgraduate FTE's	51.8	49.1	2.7	51.9	39.8	12.8

This overall delivery continued to be significantly impacted by Covid-19 with evidence to suggest that students are continuing in School education or opting to go into employment.

Perth College – for the year ended 31 July 2021

Key Risks & Uncertainties

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

a. Brexit

The College receives its funding from European Union (“EU”) sources, including EU student nationals undertaking their learning at the College. In 20/21 we did not see a significant reduction in EU student numbers but risks still remain. However, it would be difficult at this stage to differentiate how much of any shortfall would be due to Brexit versus Covid-19. Following the UK’s official departure from the European Union and transition period, there remain ongoing uncertainties, and therefore risks, associated with the UK’s future relationship with the EU.

These risks are mitigated in a number of ways:

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

Perth College – for the year ended 31 July 2021

b. Unfunded Pension Liabilities

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

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

The Board of Management consider that the likelihood of this liability arising in the short or medium term is remote. However, the Board of Management have requested a review of the unfunded pension liability in 21/22.

The triennial valuation of the Perth College LGPS Pension Fund, dated 31 March 2020, indicated that the Fund had a surplus of £2.4m, relating to a funding level of 109%. The pension information in these accounts are calculated to comply with FRS102/IAS19 requirements and as a result use a number of different assumptions to the triennial valuation.

c. Overseas Students

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

The risks associated with overseas students are that if restrictions (including those currently in place around the Coronavirus) continue to limit student travel to the UK, and the College's travel overseas, then there could be a material impact in the income that the College can earn in relation to those students. However, online learning has prevented a material impact through 2020/21.

The College will ensure that any new or returning students travelling to Scotland will comply with quarantine regulations prior to joining the College. All recruitment will be undertaken only where it is safe to do so.

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

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

Perth College – for the year ended 31 July 2021

ensure strong levels of engagement. This maintained achievement rates within those student groups.

In 20/21 a collaboration between the college International and Academic teams saw Transnational Education (TNE) student numbers in China double despite the pandemic. We continue to broaden our international partnerships to grow our international student numbers.

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

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

A large proportion of AST's income comes from overseas students and overseas sites. For those students that travel to Perth to study there are continued challenges being faced as a result of Covid-19 restrictions.

For students where AST staff travel to deliver courses, or for second sites, the ability to travel has been severely curtailed but online learning has helped in this situation.

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

d. Income

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

SFC funding allocations to colleges have been flat over the last few years (with the exception of increased allocations to cover national bargaining and pensions). In 2020/21 additional funding was provided by the SFC to support costs related to the pandemic. However, this additional income was a one off and the current Scottish Government budget projects cash remaining flat for a number of years.

There is a risk that student numbers could fall due to a mix of Covid-19, students staying at school longer or universities taking on more UK students which could create a situation where the SFC "clawback" funding for shortfalls in student numbers. This

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could have significant impact as the College would still have all the costs of delivery and support.

The College developed various non-SFC funded income streams over a number of years which had reduced our reliance on SFC funding to a peak of 59% in 2018/19. However, Covid-19 reduced this percentage to 33.15% in 2020/21. It could take some time for the College to recover this level of income. Areas impacted include AST, ASW, Nursery, Residences and Canteen. All of these areas, other than AST, recorded a deficit in 20/21.

e. Financial Sustainability

The risks highlighted above will make continued Financial Sustainability very challenging.

In 2021/22 cash will start from a strong position but any “clawback” would have a significant impact on our cash position.

The risks above highlight that income will continue to be lower than prior years while economies recover from Covid-19. With the challenge to breakeven with growing labour costs on lower income it will be difficult to develop new income opportunities. We expect the staff costs, noted above, to increase in line with National bargaining and staff moving through the pay scale.

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

The Colleges Scotland Spending Review set out the extent of additional revenue funding required by the Scottish College sector to ensure financial sustainability and equity of funding across education settings as:

Year	Additional revenue required (£m)
2022/23	124.8
2023/24	131.8
2024/25	138.2

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

- The College curriculum was reviewed during 2020/21 to ensure it continues to deliver an excellent student experience while continually adapting to regional and national labour market needs. Additionally a curriculum review is now taking place across the partnership to ensure a curriculum that is fit for purpose;
- A further adaptation to delivery approaches has been implemented in year to accelerate updated online and distance learning methods to maintain continuity during Covid-19. Many of these approaches are providing opportunities for longer term efficiencies as well as in supporting the College to capitalise upon new and diverse opportunities to create new or replacement income streams;
- Introducing process improvement approaches across the College to seek to drive further efficiencies;
- Working across the UHI partnership and with other regional partners to identify opportunities for shared service delivery;
- Engaging with staff and trade unions regarding efficiencies to ensure the College can achieve a balanced budget for current and future years; and
- Continuing to try and increase our current proportion of non-government income to counter the College's increased cost base. Widening and deepening relationships with regional businesses to generate commercial income streams will be crucial for the longer-term sustainability of the College.
- The College's International and Business Development Strategies have focussed on the retention of existing customers by providing support and reassurance during lockdown as possible to ensure relationships are maintained until those businesses and international university partners can re-engage to further develop a longer-term strategic relationship with the College.
- Delivery of all international and commercial training was refocussed online where possible to ensure continuity of service for our partners, staff and students.
- Government sources of Covid-19 funding have been accessed where appropriate and will be offered to Perth College customers.
- Reviewing all non-core and surplus assets and evaluating alternative options for generating cash.

Perth College – for the year ended 31 July 2021

Performance Analysis

The following key performance measures were reported in the Board of Management's final report on the College's performance for the academic year 2020/21 with a comparison against 2019/20:

Key Performance Measure	2020/21	2019/20	Movement
HE Recruitment FTEs	2,062.6	1,927.7	Up 134.9 FTE
FE Recruitment Credits	22,429	24,688	Down 2,259 Credits
NSS Overall Satisfaction	77.4%	81%	Down 3.6%
SSES Overall Satisfaction	82%	N/A	Down 11.8% from 2018/19 the last year data available
Positive Destinations - FE	79%	86%	Down 9%
Staff turnover	13%	28%	Down 15%
Staff absences days per head	4.5	7.8	Down by 3.2 days
Staff CPD days per employee	3.8	7.6	Down 50%
Percentage of permanent teaching staff with Teaching Qualification in Further Education (TQFE)	55%	61%	Down 6%
Number of staff delivering papers to conferences	1	8	Down 88%
No of staff publications	6	10	Down 40%

The drop in the Positive Destinations percentage is due to the fall in the percentage of students going into full time employment and a larger number of students whose destination was unconfirmed.

During the year ended 31 July 2021, work continued to improve the information held in the College's HR system. Staff on fixed term contracts that ended at the end of the academic year were cleansed from the data. Inactive hourly paid staff were also removed from the HR system. As a result of this data cleanse in 19/20 the staff turnover figure for that year was higher than normal as the HR system counts these individuals as leavers. The figure for the year ended 31 July 2021 is now consistent with normal performance.

The reduction in staff absence is considered to be due to the Covid Pandemic and is expected to increase again in future years.

Perth College – for the year ended 31 July 2021

The reduction in staff with TQFE is related to the reduction in training available due to the pandemic.

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

Financial Results

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice 2019 (“SORP”): ‘Accounting for Further and Higher Education’; the Financial Reporting Standards FRS 102 and the 2020/21 Government Financial Reporting Manual (FReM) and in accordance with applicable Accounting Standards.

They conform to the 2020/21 Accounts Direction for Scotland’s Colleges (“the 2020/21 Accounts Direction”) and other guidance issued by the SFC.

Perth College has achieved an operating deficit of £1.6m (19/20 deficit of £2m) for the year ended 31 July 2021.

	Year ended 31 July 2021	Year ended 31 July 2020
	£'000	£'000
Operating deficit	(1,619)	(2,028)
Variance from prior year	409	(1,785)
Adjusted operating position	1.024	(645)
Variance from prior year	1,669	(1,919)

Perth College had already prepared budgets suggesting that financial performance in the year ended 31 July 2021 would fall behind prior year, leading to an increased deficit, due to the ever-increasing financial pressures and this was significantly impacted by the Covid-19 lockdown which resulted in significant loss of income in key areas with limited ability to reduce costs in those same areas. Perth College was able to make use of the Coronavirus Job Retention Scheme to mitigate some of these losses but that did not have a material impact that would have allowed it to meet its budgeted financial performance.

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

Perth College – for the year ended 31 July 2021

of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities.

Financial Performance

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

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

	2020/21	2019/20
Operating Surplus/Deficit as % of Total Income	(6.16%)	(7.99%)
Non SFC Income as % of Total Income	33.11%	35.55%
Current Assets: Current Liabilities	1.04	0.85
Staff Costs as a % of Total Income	80.59%	80.64%
Ratio of days cash to total expenditure	51.6 days	21.2 days
Trade creditor days	29 days	19 days

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

Days cash has increased from 21.2 days to 51.6 days. This is primarily due to the student support and childcare balances being held for repayment to SFC.

The increase in trade creditor days is due to the increased trade creditors balance at 31 July which has resulted from improvements in the time taken to post invoices to the finance system. We have now implemented a process whereby invoices will be paid in the next scheduled payment run following posting to the finance system so it is anticipated that the trade creditor balance will reduce next year.

The non SFC income percentage has fallen slightly again due as a result of the Covid 19 restrictions in the year. This is due to continued pressures on that income as well as the increase in income from SFC in the year.

Perth College – for the year ended 31 July 2021

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.

Table of cash budget for priorities spend	2020/21 £'000	2019/20 £'000
Revenue Priorities		
2015-16 pay award	117	117
Estates capital development	304	298
Total impact on operating position	421	414
Capital Priorities		
Unfunded pension payments	108	114
Total Capital	108	114
Total cash budget for priorities spend	529	529

The Statement of Comprehensive Income ("SOCI") 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.

Perth College – for the year ended 31 July 2021

The adjusted operating position of Perth College, as set out below, has improved from a deficit of £0.6m to a surplus of £1.0m. The reasons for this are discussed in more detail in the Financial Performance.

Adjusted Operating Position	2020/21 £000	2019/20 £000
Surplus/(deficit) before other gains and losses	(1,619)	(2,028)
Add Back:		
Depreciation - net of deferred capital grant release (Note 1)	1,177	490
Pension adjustment – Net Service Cost (Note 2)	1,410	897
Pension adjustment – Net Interest Cost (Note 3)	164	110
Deduct:		
CBP allocated to loan repayments and other capital items (Note 4)	(108)	(114)
Adjusted Operating Surplus/(Deficit)	1,024	(645)

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

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

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

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

Treasury Policies and Objectives

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

Perth College – for the year ended 31 July 2021

Cash Flows and Liquidity

As set out in the table of key financial ratios above, the College maintained a positive cash flow during the year and also repaid its loan. At 31 July 2021 the liquidity and cash flow ratios are:

	2020/21	2019/20
Liquidity (Current assets ÷ Current liabilities)	1.04	0.86
Days cash to total expenditure	51.6 days	21.2 days

Payment Performance

The College has a policy of paying its suppliers within 30 days of invoice unless other separate terms are in place, and excluding invoices held in dispute. Creditor days (trade creditors divided by other operating expenditure) 37 days (2019/20; 19 days).

The reason for this increase is because of the higher trade creditor balance at 31 July 2021 due to more timely posting of invoices to the finance system. We have implemented a process to pay invoices in the next payment run following posting to the finance system so expect the trade creditor balance and therefore creditor days to reduce next year.

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

Estates Strategy

The College continued to monitor and maintain the estate in line with the College's Strategic Plan 2016-21. In year ended 31 July 2021 Perth College continued to develop and improve its energy efficiency by carrying out upgrades to our mechanical and electrical equipment, such as boiler replacements and LED lighting, thus continuing to reduce our carbon footprint.

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

- 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 by October 2022.
- 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;

Perth College – for the year ended 31 July 2021

- Expansion and enhancement of the Academy of Sport and Wellbeing facilities to capitalise upon the increasing membership of the gym, sports facilities and climbing wall. These developments will be funded through sponsorship and donations raised through the College's Development Trust and Committee;
- The development of a mezzanine floor within the Construction workshops to capitalise upon a growth in demand for skills in this discipline;
- Improving and re-purposing existing facilities to provide an integrated approach to the development and delivery of curriculum, research and wider stakeholder engagement within all areas, Examples include the delivery of a Sports Injury Clinic as well as a Beauty Therapy service, both run as student enterprises.

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

Non-Financial Issues

Human Rights

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

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

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

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

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

Perth College – for the year ended 31 July 2021

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 2020/21 Exercise. Results of this exercise are now available and are being reviewed.

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. 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.

Climate Change (Scotland) Act 2009

One of the College’s Strategic priorities within its Regional Outcome Agreement is to deliver against the SFC National Performance Measures reduction in our gross carbon footprint. The College has reduced its carbon emissions from 1,864 tonnes of carbon dioxide equivalent (“tCO₂e”) in 2015/16 to 1,576 tCO₂e in 2020/21.

The reduced use of College campuses during the various Covid-19 restrictions will have contributed in a small way towards that saving. Additionally, we are now reporting on a wider variety of sources including air conditioning and home working.

Perth College – for the year ended 31 July 2021

In addition, investment has been made in carbon and energy use monitoring, waste management monitoring, increasing environmental awareness with staff and students and engaging with stakeholders on sustainable development initiatives. During 2020/21, examples have included:

- Investment in electric vehicles on campus;
- 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.

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

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

Reputation

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

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

Stakeholder Relationships

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

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

In order to ensure our curriculum continues to meet current and future regional and national industry needs, continued engagement with Skills Development Scotland and industry bodies across our curriculum teams and directly into businesses. The College's Foundation, Modern and Graduate apprenticeship delivery relies on these strong industry relationships to ensure skills demands are met and delivery compliance is achieved. The College had strong performance in these areas during the year ended 31 July 2021.

Perth College – for the year ended 31 July 2021

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 continues to be extremely important to the College. The external student satisfaction survey results show a decline in satisfaction and we need to understand how much of this is driven by the pandemic and how and where we can improve the position in 2021/22.

Continued investment in this area has been made during 2020/21 to improve student attainment and retention, particularly during Covid-19. This has included greater engagement of class representatives to support all students, particularly with care experienced students and those experiencing anxiety and mental health issues. The investment of additional counsellors from 2020-21 will provide a welcome boost to address the growing demand for these services. Investment from the College in supporting the Digital Poverty agenda of students has enabled continued access to classes and increased connectivity between staff and students during that difficult period.

Alongside this, continued discussions have taken place with Trade Unions to ensure the health and safety and wellbeing of all staff groups. This included those staff working from home as well as those staff undertaking essential on campus services to students. Discussions with Trade Unions in relation to non-filling of vacancies or realigning roles where vacancies arise, as well as the identification of areas for savings within the College's 2021/22 budget.

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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 2017-2021 are:

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

We have reviewed the progress on meeting these equality outcomes and published the mainstreaming report on this progress in April 2021.

In the year ended 31 July 2021, Perth College UHI consulted with students and staff to set new equality outcomes for the period from 2021 to 2025. These five outcomes are set out below:

1. 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.
2. 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.

Perth College – for the year ended 31 July 2021

3. 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.
4. 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.
5. 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.

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 2021.

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

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

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

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

In these reports we identified our new equality outcomes and will produce a biannual progress report in April 2023 to evidence the progress on meeting these outcomes.

Perth College – for the year ended 31 July 2021

In addition, during 2020/21 the College created a short life working group focusing on Preventing Racism. This board led group incorporates membership from:

- HISA Perth;
- Support staff;
- Academic staff;
- College management;
- Senior management; and
- The Board of Management.

The remit of the group is the creation and publication of an action plan which will be published in 2021/22 and the Equality, Diversity and Inclusion Team will monitor achievement of the actions forward.

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 member of the Board of Management on [TBC] and signed on its behalf by:

Dr Margaret Cook
Principal & Chief Executive

Perth College – for the year ended 31 July 2021

Accountability Report

The Accountability Report has three sections:

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

Remuneration and Staff Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2020/21 Government Financial Reporting Model (FReM) issued by HM Treasury.

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

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

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

Remuneration arrangements

Senior Management Team

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

Perth College – for the year ended 31 July 2021

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

Name	Role	12 months ended 31 July 2021			12 months ended 31 July 2020		
		Salary £000	Pension Benefit £000	Total £000	Salary £000	Pension Benefit £000	Total £000
M Cook	Principal	110-115	25-30	135-140	105-110	20-25	130-135
L Cairns	Deputy	80-85	35-40	120-125	75-80	5-10	85-90
C Etri	Associate Principal	65-70	30-35	100-105	65-70	5-10	70-75
V Lynch	VP	80-85	45-50	125-130	75-80	30-35	110-115
I Wishart	Director of Finance	65-70	25-30	95-100	0-5	-	0-5

- Staff members above are enrolled in either the STSS or LGPS pension schemes. These are both defined benefit schemes.
- The pension benefits set out in the table above reflect the change in value of pension for each individual (less contributions paid by the individual). These pension benefits include additional pension accrued within the year, and any changes to the value of pension earned in all previous years as a result of salary increases. The pension amounts were higher in the year to 31 July 2021 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 2020 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.

Higher Paid Employees

The following table shows the salary bandings of staff above £60k.

Salary Band £000	2020/21 Number of staff	2019/20 Number of staff
60-70	6	4
70-80	0	2
80-90	2	0
100-110	0	1
110-120	1	0

Perth College – for the year ended 31 July 2021

Compensation for loss of office

10 employees left under a voluntary severance scheme during the year. In total they received a compensation payment of £177,140. 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	2	0	2
£10,000 to £25,000	7	1	8
£25,000 to £50,000	1	0	1
Total number of exit packages	10	1	11
Total cost (£'000)	177	17	194

Pay Multiples

The College is required by the FreM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce. During 2020/21, the mid-point of the banded remuneration of the highest paid official was 3.0 times (2019/20; 3.7 times) the median remuneration of the workforce.

	2020/21	2019/20
	£	£
Median Remuneration	37,637	28,971
Mid-Point of Banded Remuneration of Highest Paid Official	113,000	108,000
Pay multiple	3.0	3.7
Median with no hours worked removed	40,130	36,887

The median remuneration figure has increased due to the removal of unpaid zero hour employees from the median pay calculation. In 19/20 there were 183 employees included in the median pay calculation that had worked no hours during the year. An FTE salary was still calculated for these employees in line with guidance.

Perth College – for the year ended 31 July 2021

In 20/21 there are only 70 such employees and because the FTE salaries are at the bottom end of the scale the reduction has the effect of increasing the median pay.

If these employees are removed from the calculation the median pay would be £40,130 (2019: £36,887), an increase of 8.8%

Accrued pension benefits

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

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

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

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

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

Cash Equivalent Transfer Value (CETV)

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

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

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

- i. figures for pension and lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement.

Perth College – for the year ended 31 July 2021

- 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 pension age at 31 July 2021	Accrued lump sum at pension age at 31 July 2021	Real increase in pension 1 August 2020 to 31 July 2021	Real increase in lump sum 1 August 2020 to 31 July 2021	CETV at 31 July 2020	CETV at 31 July 2021	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
M Cook	5-10	0	0-2.5	0-2.5	85	117	31
L Cairns	25-30	85-90	0-2.5	5-7.5	645	699	51
C Etri	25-30	80-85	0-2.5	5-7.5	597	644	44
V Lynch	25-30	30-35	2.5-3	0-2.5	411	458	47
I Wishart	0-5	0-5	0-2.5	0-2.5	-	21	21

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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 2021.

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

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

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

Staff Numbers and Costs

The table below sets out for Perth College. The below figures do not include staff costs for the subsidiary, Air Service Training (Engineering) Limited which has 25 employees on permanent contracts. A full breakdown of staff numbers is set out in Note 7 of these accounts.

	2021	2021	2021	2020
	Permanent Staff	Other staff	Total	Total
Wages & Salaries (£'000)	13,745	842	14,587	13,614
Social Security Costs (£'000)	1,355	83	1,438	1,511
Other Pension Costs (£'000)	4,220	258	4,479	3,178
Total staff costs (£'000)	19,321	1,182	20,504	18,303
Average number of FTE	343	21	388	398

Based on headcount, the College employed 331 females (61%) and 210 males (39%) as at 31 July 2021.

Perth College – for the year ended 31 July 2021

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 2021 and 2020:

	Year ended 31 July 2021			Year ended 31 July 2020		
	Total sick days	Average sick days per head	% working time lost	Total sick days	Average sick days per head	% working time lost
Total	2,263	4.50	2.24%	4,049	7.88	4.95%

The cumulative sickness absence rates for the College for 2020/21 have decreased compared to the year ended 31 July 2020 from 4.95% of working time lost to 2.24% of working time lost.

The decrease in average sick days can be partially attributed to the COVID-19 pandemic. 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 due to lockdowns or the ability to work from home meaning they are continuing to work despite not being well. The level of sickness absence took it to a level below that seen in 2018/19.

It is not expected that this low level of sickness absence will continue in future years, but what levels may be seen in 2021/22 are not known at this stage due to an increasing focus on mental health.

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 2021
- Mainstreaming Equality, Equality Outcomes, and Workforce and Students Profile 2021

Recruitment and Selection

Perth College – for the year ended 31 July 2021

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 Perth College.

Redeployment and Occupational Health

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

Employees make regular use of the Occupational Health service provided by Perth College 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

Perth College – for the year ended 31 July 2021

required additional counselling sessions are then agreed by the College. At least one member of staff has accessed CBT through this route.

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.

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

Staff were also required to undertake Home Working Assessment and Display Screen Assessments to ensure that the home working that they undertook was in a safe environment.

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

A number of employees were unable to work during the period of lockdown due to caring responsibilities or had to be furloughed due to not being able to undertake their role from

Perth College – for the year ended 31 July 2021

home. Perth College continued to pay these employees their full salary during the relevant period.

The Senior Management team encouraged staff who wished to consider working from home for part of their week to submit flexible working requests so that this arrangement could be formalised. A number of staff made such requests and were agreed with fully or mutually acceptable compromises made

Conduct

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

Exit

Members of staff will be treated fairly in circumstances where there is a reduction in the need for certain types of roles which saw the College implement a voluntary severance scheme during 2020/21 and in the application of disciplinary procedures where dismissal may be an outcome.

Health and Safety

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

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;

Perth College – for the year ended 31 July 2021

- Consult with employee representatives on health and safety matters; and
- Provide adequate funding and resources to meet Policy needs.

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

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

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

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

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

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

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

This did not take place during 2020/21 with the key challenges being to remain engaged with our staff and students. With no face-to face activity on campus for a significant number of months and then only limited face-to-face since then, our focus has been on dealing with a pandemic and learning and working through alternative means such as Microsoft Teams and Brightspace. This has proved to be successful in raising awareness and competence for many staff, but also highlighted a need for training in many areas.

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.

Accident and Incident occurrences have fallen compared to previous years, mainly due to the effect the pandemic has had on Campus activity.

Two new subgroups of the Health and Safety Committee were formed:

Perth College – for the year ended 31 July 2021

- With a focus on reviewing policies and procedures which has so far reviewed 26 Health and Safety Arrangements and 9 Health and Safety Policies and procedures.
- The Covid Response Group which initially met weekly to look at Covid related decisions. The group has membership from all departments and the trade unions and formally reports into the Health and Safety Committee.

Seven members of the Corporate Management Team completed the Institute of Occupational Safety and Health (IOSH) Managing Safety whilst a Senior Manager and member of the Board of Management completed their IOSH Safety Course for Executives and Directors.

A total of 130 staff have attended a College run Introduction to Risk Assessment and Covid Safe Measures. A further 46 staff have completed the General Risk Assessor training increasing the capability of Curriculum Areas and Departments to conduct their risk assessments with suitably competent assessors.

Seven staff members have requalified as competent First Aiders following a resumption of face-to-face training with British Red Cross.

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

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

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

Trade Unions

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

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

Perth College – for the year ended 31 July 2021

Trade union officials

Number of employees who were relevant union officials during the relevant period	Full time equivalent employee number
6	5.52

Percentage of time spent on facility time

Percentage	Number of employees
0%	
1-50%	6
51-99%	
100%	

Percentage of pay bill spent on facility time

Total cost of facility time:	£26,663
Total pay bill:	£20,504,221
Percentage of the total pay bill spent on facility time:	0.13%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	100%
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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 – for the year ended 31 July 2021

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

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

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

The majority of the Perth College's staff are female (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.

At the start of 2020/21 a new cross partnership Professional Update/Professional Review and Development Framework was created to support the College's requirement for General Teaching Council for Scotland registration for lecturing staff. This then supported the development of a new Perth College Academic Professional Review policy which will be implemented in 2021/22.

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

Perth College – for the year ended 31 July 2021

Corporate Governance Report

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

The Corporate Governance report includes:

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

Directors Report

The Board of Management

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

Name	Date of Appointment	Date of Resignation	Status of Appointment	Committees Served to 31 July 2021
Brian Crichton	15 June 2016 Appointed as Chair 20 August 2018		Independent Member	Chairs' (chair); Finance & General Purposes; Remuneration;
Dr Margaret Cook	1 August 2017		Principal and Chief Executive	Academic Affairs (chair); Air Service Training (Engineering) Limited; Chairs'; Engagement; Finance & General Purposes
Andrew Comrie	24 September 2018		Independent Member	Academic Affairs; Audit
Heather Cormack	7 August 2020		Independent Member	Finance & General Purposes
Jim Crooks	15 June 2016		Independent Member	Audit (chair); Chairs'
Sheena Devlin	14 January 2019		Independent Member	Academic Affairs;
Katrina Hodgson	20 August 2019		Independent Member	Engagement (from 17 August 2020); Finance and General Purposes
Deborah Hutchison	1 November 2017	31 October 2021	Independent Member	Engagement (Chair); Finance and General Purposes Chairs'
Ann Irvine	15 June 2017		Independent Member	Audit; (Deputised as Chair of Audit for 2 meetings)

Perth College – for the year ended 31 July 2021

Name	Date of Appointment	Date of Resignation	Status of Appointment	Committees Served to 31 July 2021
Fiona Martin	7 August 2020		Independent Member	Audit
Craig Ritchie	24 September 2018		Independent Member	Air Service Training (Engineering) Limited Finance & General Purposes (Chair); Chairs'
Linton Scarborough	7 August 2020	21 October 2021	Independent Member	Air Service Training (Engineering) Limited; Finance & General Purposes
Charlie Shentall	15 June 2017	31 October 2021	Independent Member	Air Service Training (Engineering) Limited (chair); Chairs'
Graham Watson	7 August 2020		Independent Member	Audit
John Dare	14 June 2018		Staff Member	Engagement Finance & General Purposes
Patrick O'Donnell	10 November 2020		Staff Member	Academic Affairs
Michaela Asisten	1 July 2020	30 June 2021	Student Member	Audit
Madeleine Brown	1 July 2021		Student Member	Engagement; Academic Affairs; Finance & General Purposes
Todor Pavlov-Kennedy	1 July 2021		Student Member	Academic Affairs; Finance & General Purposes
Michaela Asisten	1 July 2020	30 June 2021	Student Member	Audit

Perth College – for the year ended 31 July 2021

Board Member – Committee Attendance

Name	Board	Academic Affairs	AST	Audit	Chairs	Engagement	F&GP
Brian Crichton	5/5				4/4		4/5
Andrew Comrie	5/5	3/4				3/4	
Heather Cormack	5/5						4/5
Jim Crooks	5/5			5/5	4/4		
Sheena Devlin	3/5	3/4				4/4	
Katrina Hodgson	4/5					4/4	5/5
Deborah Hutchison	5/5				3/4	4/4	5/5
Ann Irvine	4/5	3/4		5/5			
Fiona Martin	5/5			5/5			
Craig Ritchie	5/5		3/5		4/4		5/5
Linton Scarborough	5/5		5/5				5/5
Charlie Shentall	5/5		5/5		4/4		
Graham Watson	5/5			4/5			
John Dare	4/5					2/4	2/5
Patrick O'Donnell	3/4	2/3					
Alex Wilson	5/5	0/4				4/4	5/5

Perth College – for the year ended 31 July 2021

Name	Board	Academic Affairs	AST	Audit	Chairs	Engagement	F&GP
Michaela Asisten	5/5			5/5			
Margaret Cook	5/5	4/4	5/5		4/4	4/4	5/5
Miranda Landale (Co-Opted)	5/5					3/4	

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.

Perth College – for the year ended 31 July 2021

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.

Information Management

There were no significant data breaches during the year.

Appointments to the Board of Management

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

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

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

Perth College – for the year ended 31 July 2021

Statement of Responsibilities of the Members of the Board of Management

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

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

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

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

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

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

The Board of Management has taken reasonable steps to:

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

Perth College – for the year ended 31 July 2021

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

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

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

Approved by order of the member of the Board of Management on 20 February 2020 and signed on its behalf by:

Dr Brian Crichton
Chair

Perth College – for the year ended 31 July 2021

Governance Statement

Statement of Corporate Governance and Internal Control

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

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

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

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

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

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

Audit Committee

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

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

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

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

Perth College – for the year ended 31 July 2021

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

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

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

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

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

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

Remuneration Committee

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

The details of the remuneration of senior post-holders for the year ended 31 July 2021 are set out in Note 8 of these Financial Statements.

Corporate Strategy

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

Perth College – for the year ended 31 July 2021

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 2021 and up to the date of approval of the annual report and financial statements.

Impact of Covid-19 on Internal Control

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

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

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

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

Principal Risks and Uncertainties

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

Perth College – for the year ended 31 July 2021

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

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

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

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

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

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

The Board of Management is of a view that there is an ongoing process for identifying, evaluating and managing the College's significant risks that has been in place throughout the year ended 31 July 2021 and up to the date of approval of the annual report and accounts. This process is regularly reviewed by the Audit Committee and accords with the Turnbull guidance on internal control, as applicable to the further education sector.

The Risk and Control Framework

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

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

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

Perth College – for the year ended 31 July 2021

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

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

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

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

Perth College's Internal Auditors gave the following opinion in their Annual Report to the Board of Management and Principal on the Provision of Internal Audit Services for 2020/21 (the Internal Audit Report):

“In our opinion, with the exception of the issues highlighted in paragraphs 1.11 and 1.12 above, the College has adequate and effective arrangements for risk management, control, and governance. With the exception of the efficiency issues around HR processes highlighted in paragraph 1.12, proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2020/21 and in previous years since our initial appointment”

Details of paragraphs 1.11 and 1.12 and their status are covered in the Significant Controls Issues/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.

Perth College – for the year ended 31 July 2021

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 29 November 2021 meeting, the Board of Management carried out the annual assessment for the year ended 31 July 2020 by considering documentation from the Senior Management Team and internal auditor and taking account of events since 31 July 2020.

Significant Control Issues/Weaknesses

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

Area	Issue	Action
Financial management	<p>On 26 October 2021 a duplicate payment of the college payroll was made. Despite efforts to stop the payment it could not be stopped.</p> <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>Steps have been taken to recover the funds with 97% of the funds recovered by 23 February 2022.</p> <p>The system control has been implemented into the BACS bureau system to prevent reoccurrence.</p> <p>The control and recovery of funds has been reviewed by the internal audit function and has been given a satisfactory rating. Management consider this issue to be resolved.</p>
Health and Safety	Incomplete levels of mandatory training undertaken by staff as well as risk assessments without signatures or dates with insufficient evidence of follow up reviews – recommendations still to be fully implemented	Progress will be monitored within action plan.

Perth College – for the year ended 31 July 2021

Area	Issue	Action
AST Financial Controls	College financial regulations insufficient to enable AST financial controls. – recommendations still to be fully implemented	Progress will be monitored within action plan.
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 and will be completed by July 2022
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.

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

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

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

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

Perth College – for the year ended 31 July 2021

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

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

The Board's External Effectiveness Review took place in November 2021 and continues to inform changes in how the Board meets moving forward. The next review will take place in December 2022.

Parliamentary Accountability Report

We have no matters to report.

Approved by order of the members of the Board of Management on [TBC] and signed on its behalf by:

Dr Brian Crichton
Chair

Dr Margaret Cook
Principal and Chief Executive

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

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 2021 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the 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 a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2021 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 five 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.

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)

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

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

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 to detect material misstatements in the financial statements in respect of irregularities, we are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Reporting on other requirements

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

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

Statutory other information

The Board of Management is responsible for the statutory other information in the annual report and accounts. The statutory other information comprises the Performance Report and the Accountability Report excluding the audited part of the Remuneration and Staff Report. Our responsibility is to read all the statutory other information and, in doing so, consider whether the statutory other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements

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)

themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this statutory other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

Use of our report

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

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)

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

Ernst & Young LLP

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

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

Perth College
Consolidated and College Statements of Comprehensive Income for the year ended
31 July 2021

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group £000	College £000	Group £000	College £000
Income					
Funding council grants	2	17,900	17,900	16,350	16,350
Tuition fees and education contracts	3	5,750	4,139	5,134	3,817
Other grants and contracts	4	226	226	271	271
Other income	5	2,884	2,935	3,602	3,545
Investment income	6	-	-	12	10
Total Income		26,760	25,200	25,369	23,993
Expenditure					
Staff costs	7	21,566	20,504	20,457	19,370
Other operating expenses	9	5,325	5,129	5,815	5,576
Depreciation	13	1,427	1,404	1,120	1,071
Interest and other finance costs	10	1	-	2	-
Total Expenditure		28,319	27,037	27,394	26,017
Surplus/(Deficit) before tax		(1,559)	(1,837)	(2,025)	(2,024)
Taxation	11	61	-	3	-
Surplus/(Deficit) for the year	12	(1,620)	(1,837)	(2,028)	(2,024)
Unrealised surplus on revaluation of land and buildings and Assets held for resale	32	-	-	7,163	7,163
Actuarial gain/(loss) in respect of pension schemes	24	7,351	7,351	(5,914)	(5,911)
Total Comprehensive Income / (Expenditure) for the year		5,731	5,514	(779)	(772)

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

The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 31 provides detail of the adjusted operating position on a central government accounting basis and presents the underlying surplus for the year.

Perth College

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

Group	Income and expenditure reserve £000	Revaluation reserve £000	Total £000
Balance at 1st August 2019	6,711	17,645	24,356
Surplus from the income and expenditure account	(2,028)	-	(2,028)
Impact of Revaluation	-	7,163	7,163
Other comprehensive (expenditure) / income	(5,911)	(39)	(5,950)
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>(7,580)</u>	<u>6,765</u>	<u>(815)</u>
Balance at 31st July 2020 [RESTATED]	<u>(869)</u>	<u>24,410</u>	<u>23,541</u>
Surplus from the income and expenditure account	(1,620)	-	(1,620)
Impact of Revaluation	-	-	-
Other comprehensive (expenditure) / income	7,350	-	7,350
Transfers between revaluation and income and expenditure reserves	665	(665)	-
	<u>6,395</u>	<u>(665)</u>	<u>5,730</u>
Balance at 31 July 2021	<u>5,526</u>	<u>23,745</u>	<u>29,271</u>
College	£000	£000	£000
Balance at 1st August 2019	6,710	17,647	24,357
Deficit from the income and expenditure account	(2,024)	-	(2,024)
Impact of Revaluation	-	7,161	7,161
Other comprehensive (expenditure) / income	(5,914)	(39)	(5,953)
Transfers between revaluation and income and expenditure reserves	359	(359)	-
	<u>(7,579)</u>	<u>6,763</u>	<u>(816)</u>
Balance at 31st July 2020	<u>(869)</u>	<u>24,410</u>	<u>23,541</u>
Deficit from the income and expenditure account	(1,837)	-	(1,837)
Impact of Revaluation	-	(2)	(2)
Other comprehensive (expenditure) / income	7,351	-	7,351
Transfers between revaluation and income and expenditure reserves	665	(665)	-
	<u>6,179</u>	<u>(667)</u>	<u>5,512</u>
Balance at 31 July 2021	<u>5,310</u>	<u>23,743</u>	<u>29,053</u>

Perth College
Consolidated and College Balance Sheets as at 31 July 2021

	Notes	Year ended 31 July 2021		Year ended 31 July 2020	
		Group	College	Group	College
		£000	£000	£000	£000
Non current assets					
Tangible fixed assets	13	40,635	40,501	41,774	41,692
Investments	14	-	20	-	20
		40,635	40,521	41,774	41,712
Current assets					
Stock		3	-	17	16
Trade and other receivables	15	2,225	1,797	2,086	1,744
Assets held for sale	16	-	-	125	125
Cash and cash equivalents	17	3,803	3,651	1,529	1,316
		6,031	5,448	3,757	3,201
Less: Creditors - amounts falling due within one year	18	(5,775)	(5,296)	(4,449)	(3,830)
Net current (liabilities)		256	152	(692)	(629)
Total assets less current liabilities		40,891	40,673	41,082	41,083
Creditors - amounts falling due after more than one year	19	(4,771)	(4,771)	(4,845)	(4,845)
Provisions					
Pension provision	20	(6,848)	(6,848)	(12,612)	(12,612)
Other Provisions	21	0	0	(84)	(84)
Total net assets		29,272	29,054	23,541	23,542
Unrestricted Reserves					
Revaluation reserve	32	23,745	23,745	24,410	24,410
Pension Reserve	20	(6,848)	(6,848)	(12,612)	(12,612)
Income and expenditure reserve	33	12,375	12,157	11,743	11,744
Total unrestricted reserves		29,272	29,054	23,541	23,542

The financial statements on pages 60 to 91 were approved by the Board of Management on [TBC] and were signed on its behalf by:

Perth College

Consolidated Statement of Cash Flows for the year ended 31 July 2021

	Notes	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Cash flow from operating activities			
Surplus / (Deficit) for the year		(1,620)	(2,028)
Adjustment for non-cash items			
Depreciation	13	1,427	1,120
Deferred capital grants released to income	2	(250)	(630)
(Increase) / Decrease in stocks		14	(1)
Decrease / (Increase) in debtors	15	(139)	41
(Decrease) / Increase in creditors	18, 19	1,292	(665)
(Decrease) / Increase in provisions		(84)	(166)
Pension costs less contribution payable		1,587	1,019
Taxation		61	3
Gain on sale of fixed assets included in SOCI		(2)	(36)
Adjustment for investing or financing activities			
Interest receivable	6	0	(12)
Interest payable	10	1	2
Taxation paid		(59)	(3)
Net cash flow from operating activities		2,228	(1,356)
Cash flows from investing activities			
Deferred capital grant	22	213	(119)
Payments made to acquire fixed assets	13	(288)	119
Sale of fixed assets		125	110
		50	110
Cash flows from financing activities			
Interest received	6	0	12
Interest paid	10	(1)	(2)
Amounts borrowed		0	12
Repayments of amounts borrowed	19	(4)	0
		(5)	22
Increase in cash and cash equivalents in the year	17	2,274	(1,227)
Cash and cash equivalents at beginning of the year		1,529	2,756
Cash and cash equivalents at end of the year		3,803	1,529

Notes to the Accounts for the year ended 31 July 2021

1. Statement of Accounting Policies and estimation techniques

Basis of preparation

The College's financial statements for 2020/21 have been prepared on a going concern basis. The uncertainty as to the future impact on the financial performance and cashflows of the College, as a result of the Covid-19 pandemic, has been considered as part of the College's adoption of the going concern basis in these financial statements and in developing a financially sustainable financial plan. These financial statements have been prepared on a going concern basis which the Board of Governors believe to be appropriate for the reasons outlined below.

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

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

The College recorded a deficit of £1.6 million before other gains and losses during the financial year and total comprehensive income of £5.7 million. The College reported an adjusted operating surplus of £1 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 increased by £2.3 million during the year.

At 31 July 2021, the College held no borrowings. The College is reporting a net asset position in these financial statements of £29 million. This includes a pension liability of £6.8 million for the College's share of the Tayside Local Government Pension Scheme (LGPS).

With the ongoing pandemic, 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.

Perth College

Notes to the Accounts for the year ended 31 July 2021

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 and effects of Covid-19 include:

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

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

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

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

Basis of accounting

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

Basis of consolidation

Perth College

Notes to the Accounts for the year ended 31 July 2021

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

Non-current assets - Tangible fixed assets

Land and buildings

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

Perth College has a policy of ensuring a full revaluation takes place at least every five years with an interim valuation in year three of each five year cycle such that the fair value is not materially different to the current value. In line with the FReM, an annual indexation exercise will be completed in years when a full or interim valuation do not take place. Depreciation and impairment losses are subsequently charged on the revalued amount.

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

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

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

Assets under construction

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

Assets held for sale

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

Equipment

Equipment purchased as part of a capital building project is capitalised and depreciated over its useful economic life. Individual items of equipment purchased with values greater than £5,000 are capitalised at cost if deemed to have a minimum

Notes to the Accounts for the year ended 31 July 2021

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

Notes to the Accounts for the year ended 31 July 2021

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.

Notes to the Accounts for the year ended 31 July 2021

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

Short term employment benefits

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

Stocks

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

Cash and Cash Equivalents

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

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

Financial Liabilities and Equity

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

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

Foreign Currency Translation

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

Notes to the Accounts for the year ended 31 July 2021

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

Taxation

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

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

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

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

Deferred Taxation

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

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

Provisions

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

Notes to the Accounts for the year ended 31 July 2021

Revaluation reserve

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Other key sources of estimation uncertainty

- Tangible fixed assets

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

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

- Local Government Pension Scheme

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

Notes to the Accounts for the year ended 31 July 2021

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

- Post Balance Sheet Events

There are no Post Balance Sheet Events.

Perth College
Notes to the Accounts for the year ended 31 July 2021

2 Funding Council grants

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
SFC FE recurrent grant (including fee waiver)	9,162	9,162	8,660	8,660
University of the Highlands and Islands recurrent grant	6,576	6,576	5,717	5,717
FE Childcare funds (note 30)	287	287	395	395
Release of government capital grants	250	250	630	630
Other SFC grants	1,364	1,364	562	562
Other University of the Highlands and Islands grants	261	261	386	386
	17,900	17,900	16,350	16,350

3 Tuition fees and education contracts

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
UK Higher Education students	3,484	3,484	3,140	3,140
UK Further Education students	221	221	290	290
	3,705	3,705	3,430	3,430
Management of Skills Development Scotland contract	434	434	387	387
Tuition fees of subsidiary	1,611	-	1,317	-
	5,750	4,139	5,134	3,817

4 Other grants and contracts

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Research grants	226	226	271	271
	226	226	271	271

Perth College
Notes to the Accounts for the year ended 31 July 2021

5 Other income

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Residences and catering	265	265	937	937
Other income generating activities	1,267	1,267	1,252	1,267
Other income	1,054	1,216	1,116	1,154
Furlough income	298	187	297	187
	2,884	2,935	3,602	3,545

6 Investment income

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Interest receivable	-	-	12	10
	-	-	12	10

7 Staff costs

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

	Number of Staff Year ended 31 July 2021		Number of Staff Year ended 31 July 2020	
	Group	College	Group	College
Teaching departments - teaching staff	171	171	163	163
Teaching departments - other staff	7	7	24	24
Teaching support services	24	24	26	26
Administration and central services	104	104	104	104
Premises	25	25	25	25
Subsidiary (AST) staff	27	-	27	-
Other	30	30	26	26
	388	361	395	368
Analysed as:				
Staff on indefinite contracts	365	340	315	288
Staff on temporary contracts	23	21	80	80
	388	361	395	368

Perth College
Notes to the Accounts for the year ended 31 July 2021

7 Staff costs (continued)

Staff costs for these persons:

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Wages and salaries	15,514	14,587	15,284	14,332
Social security costs	1,529	1,438	1,336	1,240
Other pension costs	4,523	4,479	3,837	3,798
	21,566	20,504	20,457	19,370
Teaching departments - teaching staff	11,121	11,120	10,618	10,618
Teaching departments - other staff	1,561	1,561	1,579	1,579
Teaching departments - AST staff	609	-	649	-
Teaching support services	1,928	1,476	1,833	1,395
Administration and central services	2,895	2,895	2,751	2,751
Premises	786	786	788	788
Other income generating activities	652	652	773	773
Other income	427	427	447	447
Charge in relation to defined benefit pension	1,587	1,587	1,019	1,019
	21,566	20,504	20,457	19,370
Analysed as:				
Staff on indefinite contracts	18,795		15,501	
Staff on temporary contracts	1,184		3,937	
Charge in relation to defined benefit pension	1,587		1,019	
	21,566		20,457	

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

£'000	Year ended 31 July 2021		Year ended 31 July 2020	
	Number of Senior post- holders	Number of Other staff	Number of Senior post- holders	Number of Other staff
60-70	2	4	1	3
70-80	-	-	2	-
80-90	2	-	-	-
100-110	-	-	1	-
110-120	1	-	-	-
	5	4	4	3

Perth College
Notes to the Accounts for the year ended 31 July 2021

8 Senior post-holders' emoluments

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

	Year ended 31 July 2021 Number	Year ended 31 July 2020 Number
The number of senior post-holders including the Principal was:	5	5
	College £000	College £000
Senior post-holders' emoluments are made up as follows:		
Salaries	414	331
Pension contributions	86	71
	500	402

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

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Salary	111	108
	111	108
Pension contributions	25	23

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

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

Senior Post Holders received an incremental progression (excluding the principal) and all senior post holders (including the principal) received a cost of living award, approved by the remuneration committee which was in line with the support staff pay award, so an increase of 2% up to a maximum of £2,000 backdated to September 2020.

Perth College
Notes to the Accounts for the year ended 31 July 2021

9 Other operating expenses

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Teaching departments	482	613	537	612
Teaching support services	829	829	506	506
Administration and central services	1,145	1,145	1,474	1,474
Premises costs	1,715	1,490	1,502	1,307
Other income generating activities	240	138	337	218
Catering and residence operations	454	454	885	885
Other income	173	173	179	179
Other expenses - Childcare Grant	287	287	395	395
	5,325	5,129	5,815	5,577

Other operating expenses include:

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Auditors' remuneration:				
external audit	60	45	87	70
internal audit	14	14	14	14
other services from external audit	5	-	14	8
other services from internal audit	-	-	-	-
Hire of plant and machinery - operating leases	94	94	145	145
Hire of other assets - operating leases	117	-	101	-

10 Interest payable

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
On bank loans, overdrafts and other loans: Repayable within 5 years, not by instalments	1	-	2	-

11 Taxation

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Taxation of subsidiary	61	-	3	-

The College is not liable for any corporation tax arising out of its activities during the year (2020 - £nil). The taxation charge relates to the activities of AST

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

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

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
College's (Deficit)/Surplus for the year	(1,837)	(1,970)
(Deficit)/Surplus generated by subsidiary undertaking	218	(4)
	(1,619)	(1,974)

Perth College
Notes to the Accounts for the year ended 31 July 2021

13 Tangible Fixed Assets (Group only)

	Freehold Land and Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2020	41,216	5,463	46,679
Additions	-	288	288
Disposals	-	(89)	(89)
At 31 July 2021	41,216	5,662	46,878
Depreciation			
At 1 August 2020	-	4,906	4,905
Charge for year	1,306	121	1,427
Disposals	-	(89)	(89)
At 31 July 2021	1,306	4,938	6,243
Net book value			
At 31 July 2021	39,910	724	40,635
At 31 July 2020	41,216	557	41,774

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

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

Perth College
Notes to the Accounts for the year ended 31 July 2021

13 Tangible Fixed Assets (College only)

	Freehold Land and Buildings £000	Equipment £000	Total £000
Cost or Valuation			
At 1 August 2020	41,216	4,840	46,056
Additions	-	213	213
Disposals	-	(89)	(89)
At 31 July 2021	41,216	4,964	46,180
Depreciation			
At 1 August 2020	-	4,365	4,364
Charge for year	1,306	98	1,404
Disposals	-	(89)	(89)
At 31 July 2021	1,306	4,374	5,679
Net book value			
At 31 July 2021	39,910	590	40,501
At 31 July 2020	41,216	475	41,692

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

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

Perth College
Notes to the Accounts for the year ended 31 July 2021

14 Investments

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Investments in subsidiary company	20	20

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

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

In the year to 31st July 2021, the Company made a profit after taxation of £217,750 which resulted in a net asset position of £236,910 at 31 July 2021. No gift aid donation was made to Perth College.

15 Debtors

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Amounts falling due within one year				
Trade Debtors	501	117	443	291
Subsidiary undertaking	-	89	-	48
Prepayments and accrued income	1,724	1,591	1,642	1,405
Deferred Taxation	-	-	1	-
	<u>2,225</u>	<u>1,797</u>	<u>2,085</u>	<u>1,744</u>

16 Current Assets - Held for Sale

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Kinross Learning Centre	-	-	125	125
	<u>-</u>	<u>-</u>	<u>125</u>	<u>125</u>

Kinross Learning Centre was sold on 19 November 2020 for £125,000. Perth College currently has no assets held for sale

17 Cash and cash equivalents

	At 31 July 2020 £000	Cash flows £000	At 31 July 2021 £000
Cash and cash equivalents	1,529	2,274	3,803
Total	<u>1,529</u>	<u>2,274</u>	<u>3,803</u>

Perth College
Notes to the Accounts for the year ended 31 July 2021

18 Creditors - amounts falling due within one year

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Trade creditors	417	358	215	177
Other creditors	329	321	309	300
Obligations under finance leases	4	4	4	4
Other taxation and social security	413	326	349	319
Accruals and deferred income	3,787	3,462	3,292	2,750
Deferred income - capital grants	262	262	229	229
Unspent student support funds	563	563	51	51
	<u>5,775</u>	<u>5,296</u>	<u>4,449</u>	<u>3,830</u>

19 Creditors - amounts falling due after more than one year

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Deferred income - capital grants	4,767	4,767	4,837	4,837
Obligations under finance leases	4	4	8	8
	<u>4,771</u>	<u>4,771</u>	<u>4,845</u>	<u>4,845</u>

20 Pension Provision

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
At 1 August	12,612	12,612	5,683	5,683
Movement	(5 764)	(5 764)	6,929	6,929
At 31 July	<u>6,848</u>	<u>6,848</u>	<u>12,612</u>	<u>12,612</u>

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

21 Other Provisions

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
National insurance provision	-	-	84	84
	<u>-</u>	<u>-</u>	<u>84</u>	<u>84</u>

Perth College
Notes to the Accounts for the year ended 31 July 2021

22 Deferred capital grants included within creditors

	Government £000	Total £000
Balance at 1 August 2020		
Land and buildings	4,614	4,614
Equipment	452	452
Cash received		
Land and buildings	-	-
Equipment	213	213
Released to income and expenditure account		
Land and buildings	(158)	(158)
Equipment	(91)	(91)
At 31 July 2021		
Land and buildings	4,456	4,456
Equipment	574	574
	5,030	5,030
Amounts falling due within one year	262	262
Amounts falling due after more than one year	4,768	4,768
	5,030	5,030

23 Defined benefit obligations

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

Total pension cost for the year	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Scottish Teachers' Superannuation Scheme: contributions paid	1,864	1,727
Local Government Pension Scheme:		
Contributions paid	947	959
FRS102 charge	1,587	1,019
Charge to the Statement of Comprehensive Income	<u>2,534</u>	<u>1,978</u>
Total pension cost for year within staff costs	<u><u>4,398</u></u>	<u><u>3,705</u></u>

The pension costs are assessed in accordance with the advice of independent qualified actuaries. The latest formal valuation of the STSS was 31 March 2016 and of the LGPS 31 March 2020.

Scottish Teachers' Superannuation Scheme

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

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

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

Local Government Pension Scheme (Tayside Superannuation Fund)

The LGPS is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contributions made (including unfunded) for the year ended 31 July 2021 were £1,255k, of which employer's contributions totalled £947k and employee's contributions totalled £308k. The agreed contribution rates for future years are 17% for employers and range from 5.5% to 11.2% for employees, depending on salary.

Perth College
Notes to the Accounts for the year ended 31 July 2021

Principal actuarial assumptions

The following information is based upon a full actuarial valuation of the fund at 31 March 2020 updated to 31 July 2021 by a qualified independent actuary.

	As at 31 July 2021	As at 31 July 2020
Discount rate	1.60%	1.35%
Pension increases	2.80%	2.25%
Salary increases	3.80%	3.25%
Inflation assumption (CPI)	2.80%	2.25%
Commutation of pensions to lump sums	50.00%	50.00%

The assumed life expectations from age 65 are:

	As at 31 July 2021	As at 31 July 2020
	years	years
<i>Retiring today</i>		
Males	18.9	19.7
Females	22.2	21.7
<i>Retiring in 20 years</i>		
Males	20.3	21.4
Females	23.8	23.6

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

Fair value as at

	As at 31 July 2021	As at 31 July 2020
	£000	£000
Equities	30,371	23,053
Gilts	2,179	1,727
Other bonds	5,092	4,258
Property	3,796	3,375
Cash	939	537
Alternatives	28	23
Total fair value of scheme assets	42,405	32,973

The return on the Fund for the year to 31 July 2021 is estimated to be 21.34%

Actual return on scheme assets	7,053	682
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Perth College
Notes to the Accounts for the year ended 31 July 2021

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

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Fair value of scheme assets	42,405	32,973
Present value of scheme liabilities	(48,392)	(44,447)
Present value of unfunded liabilities	(861)	(1,138)
Net pensions (liability) (Note 20)	(6,848)	(12,612)

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

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Amounts included in staff costs		
Current service cost	2,357	1,856
Finance charges	164	110
Admin expenses	13	12
Total	2,534	1,978

Amount recognised in Other Comprehensive Income

Return on Fund assets in excess of interest	6,607	7
Other actuarial gains/(losses) on assets	2,236	-
Change in financial assumptions	(2,670)	(5,917)
Change in demographic assumptions	1,033	-
Experience gain/(loss) on defined benefit obligation	145	-
Changes in effect of asset ceiling	-	-
Amount recognised in Other Comprehensive Income	7,351	(5,910)

Movement in net defined benefit (liability) during the year

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Net defined benefit (liability) in scheme at 1 August	(12,612)	(5,683)
Movement in year:		
Current service cost	(2,356)	(1,798)
Past service cost	(1)	(58)
Employer contributions	947	959
Net interest on the defined (liability)	(164)	(110)
Administration expenses	(13)	(12)
Actuarial gain or loss	7,351	(5,910)
Net defined benefit (liability) at 31 July	(6,848)	(12,612)

Perth College
Notes to the Accounts for the year ended 31 July 2021

Asset and liability reconciliation

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Changes in the present value of defined benefit obligations		
Defined benefit obligations at start of period	45,585	37,647
Current service cost	2,356	1,798
Interest cost	610	785
Change in financial assumptions	2,670	5,917
Change in demographic assumptions	(1,033)	-
Experience loss on defined benefit obligations	(145)	-
Estimated benefits paid net of transfers in	(991)	(803)
Past Service Costs, including curtailments	1	58
Contributions by Scheme participants and other employers	308	297
Unfunded pension payments	(108)	(114)
Defined benefit obligations at end of period	49,253	45,585

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Changes in fair value of Fund assets		
Fair value of Fund assets at start of period	32,973	31,964
Interest on assets	446	675
Return on assets less interest	6,607	7
Other Actuarial Gains/Losses	2,236	-
Administration expenses	(13)	(12)
Contributions by employer including unfunded	947	959
Contributions by Scheme participants and other employers	308	297
Estimated benefits paid plus unfunded net of transfers in	(1,099)	(917)
Fair value of Fund assets at end of period	42,405	32,973

24 Summary Pension Note

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

	Year ended 31 July 2021 £000	Year ended 31 July 2020 £000
Charged to staff costs:		
Current service costs	(2,356)	(1,798)
Past service costs	(1)	(58)
Total charged to staff costs	(2,357)	(1,856)
Credit/charge for net return on pension scheme :		
Interest income	446	675
Interest cost	(610)	(785)
Net interest charges	(164)	(110)
Credit/charge to other comprehensive income:		
Return on assets	6,607	7
Other experience	1,178	-
Gains and losses arising on charges in financial assumptions	(2,670)	(5,917)
Actuarial Gain/(Loss)	5,115	(5,910)
Total charge to the SOCi	2,594	(7,876)
Analysis of the movement in deficit during the year:		
Deficit in scheme at the start of the year	(12,612)	(5,683)
Service costs	(2,357)	(1,856)
Employer contributions	947	959
Net interest costs	(164)	(110)
Administration expenses	(13)	(12)
Actuarial gain/(loss)	7,351	(5,910)
Deficit in scheme at the end of the year	(6,848)	(12,612)

Perth College
Notes to the Accounts for the year ended 31 July 2021

25 Post balance sheet events

There are no post balance sheet events to report.

26 Capital commitments

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Commitments contracted for at 31 July	143	143	145	145

27 Lease obligations

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

Future minimum lease payments due	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Land and Buildings				
Expiring within one year	110	-	110	-
Expiring within two and five years inclusive	220	-	330	-
Other				
Expiring within one year	23	23	91	91
Expiring within two and five years inclusive	29	29	33	33
Total	382	52	564	124

Perth College
Notes to the Accounts for the year ended 31 July 2021

28 Related party transactions

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

Company	Member(s)	Position in organisation	Sales	Purchases
			£	£
Colleges Scotland	Dr Margaret Cook	Director	37,049	491
APUC Limited	Dr Margaret Cook	Director	857	51,095

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 2021, The Development Trust had net expenditure of £32 and Net Assets of £46,091. Perth College have therefore decided not to consolidate the accounts on the basis of materiality.

Perth College
Notes to the Accounts for the year ended 31 July 2021

29 Bursaries and other student support funds

					Year ended 31 July 2021	Year ended 31 July 2020
	Bursary £000	FE Hardship £000	EMA £000	Other £000	Total £000	Total £000
Balance brought forward	15	(8)	25	9	41	227
Allocation received in year	2,585	145	98	142	2,970	2,667
Expenditure	(2,136)	(78)	(99)	(119)	(2,432)	(2,618)
Repaid to SFC/UHI (Clawback)	(15)	-	-	-	(15)	(235)
Balance carried forward	<u>449</u>	<u>59</u>	<u>24</u>	<u>32</u>	<u>564</u>	<u>41</u>
Represented by:						
Repayable to SFC/UHI as clawback	449	59	24	32	564	41

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

30 Childcare funds

		Year ended 31 July 2021	Year ended 31 July 2020
		£000	£000
Balance brought forward		80	73
Allocation received in year		526	475
Expenditure		(288)	(395)
Repaid to SFC (Clawback)		(77)	(73)
Balance carried forward		<u>241</u>	<u>80</u>
Represented by:			
Repayable to SFC as clawback		108	36
Retained by College for students		133	44

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

Perth College
Notes to the Accounts for the year ended 31 July 2021

31 Government Non-cash allocation for depreciation

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(1,620)	(1,837)	(2,025)	(2,024)
Add back: Non-cash allocation for depreciation	1,427	1,404	1,120	1,071
Deferred capital grant	(250)	(250)	(630)	(630)
Operating surplus/(deficit) on Central Government accounting basis	<u>(443)</u>	<u>(683)</u>	<u>(1 535)</u>	<u>(1 583)</u>

32 Revaluation Reserve

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
At 1 August	24,410	24,410	17,645	17,645
Disposal	-	-	(39)	(39)
Revaluation	-	-	4,222	4,222
Write back of depreciation on revaluation	-	-	2,941	2,941
Transfer to income and expenditure account	(665)	(665)	(359)	(359)
At 31 July	<u>23,745</u>	<u>23,745</u>	<u>24,410</u>	<u>24,410</u>

33 Income & Expenditure Reserve

	Year ended 31 July 2021		Year ended 31 July 2020	
	Group £000	College £000	Group £000	College £000
At 1 August	11,743	11,744	12,393	12,390
Surplus/Deficit for the year	(1,621)	(1,838)	(2,028)	(2,024)
Transfer from revaluation reserve	665	665	359	359
Transfer from pension reserve	1,587	1,587	1,019	1,019
At 31 July	<u>12,374</u>	<u>12,158</u>	<u>11,743</u>	<u>11,744</u>

Perth College

Appendix 1

Accounts direction for Scotland's colleges 2020-21

1. It is the Scottish Funding Council's direction that institutions¹ comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts².
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic Body (RSB) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2020-21 (FReM) where applicable.
4. Incorporated colleges and Glasgow Colleges' Regional Board are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2021.
5. The annual report and accounts should be signed by the chief executive officer / Executive Director and by the chair, or one other member of the governing body.
6. Incorporated colleges and Glasgow Colleges' Regional Board should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
3 June 2021

Perth College Pension Overview

February 2022



Introduction

- The Perth College LGPS Pension is part of the Tayside Pension Fund.
- The Tayside Pension Fund had assets valued at £3.7 billion at 31/3/2020, last Funding Valuation, and a funding level of 109%.
- The Actuary of the Tayside Pension Fund recommended that Perth College maintain its pension contribution rate at 17% despite the Perth College 19/20 accounts showing a pension deficit of £(12.6)M.
- In the 20/21 accounts the Perth College LGPS pension position has improved but is still showing a deficit of £(6.8)M.
- This apparent anomaly of deficit while maintain the contribution rate is due to two different funding valuation methods being used. The accounts use the Accounting Valuation while the Tayside Pension Fund uses the Funding Valuation.
- Both of these valuations are correct for their intended purpose. The Accounting Valuation is used to comply with the requirements of FRS102/IAS19 while the Funding Valuation calculates the contribution rate required.

Funding Valuation v Accounting Valuation

- The key difference between the two valuation methods is the discount rate.
- The discount rate is used to calculate the present value (PV) of future obligations.
- To comply with FRS102/IAS19 the Accounting Valuation must use a discount rate based on AA rated corporate bond yields. For 19/20 this discount rate was 1.35%, 1.60% in 20/21.
- Funding Valuations are carried out once every three years and look at the strategic asset allocation of the fund and the long-term expected return from these assets i.e. heavily weighted in equities. For the triennial Funding Valuation the discount rate was 3.90%.
- 3.90% v 1.35% isn't a big difference does it really make a significant impact?

Discount Rate Impact Example

The following example is not related to Perth College but is designed to show the impact the discount rate can make on pension liabilities.

No of Staff	40		
Life Expectancy on Retirement	20		
Annual Initial Salary	40,000		
Salary Increase per year	4.00%		

Discount Rate	3.90%		1.35%	Change in Liability due to Discount Rate
	Year	PV Pension Liability	PV Pension Liability	
	1	4,391,892	5,721,866	
	2	-	-	
	3	4,400,350	6,024,998	
	4	-	-	
	5	4,408,824	6,344,188	
	6	-	-	
	7	4,417,315	6,680,288	
	8	-	-	
	9	4,425,822	7,034,195	
		22,044,204	31,805,535	(£9,761,331)

The Bottom Line

- When the last triennial Funding Valuation (31/3/2020) assumptions (3.90% discount rate) were run for Perth College our LGPS pension was in surplus by £2.4M. This why the recommendation is to maintain the contribution rate at 17%.
- The Funding Valuation is not only reviewed by an Actuary and Trustees but also the Pension Regulator.
- When the assumptions to comply with FRS102/IAS19 are run against the Perth College Fund (1.35% discount rate in 19/20) it results in a pension deficit in the accounts.

Perth College UHI

Paper No. 2

Committee	Extraordinary Joint Meeting of Finance & Resources and Audit Committees
Subject	Perth College Provisional Annual External Audit Report 2020-21
Date of Committee meeting	28/02/2022
Author	Ernst & Young – External Auditors
Date paper prepared	23/02/2022
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. This report is provisional pending full completion of the audit ahead of its approval at the Board of Management.</p> <p>Impact:</p> <p>This report is presented to the Audit Committee primarily 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>Attached is the provisional report for the Audit Committee’s consideration and endorsement. The final version of this report will be completed and will then be forwarded to the Extraordinary Meeting of the Board of Management for consideration at its meeting on 07 March 2022.</p>
Consultation Please note which related parties, stakeholders and/or	Consultation has been undertaken with the Finance team, SMT and the College’s external auditors (EY).

Perth College UHI

<p>Committees have been consulted</p>	<p>This paper is for the Audit Committee's consideration and endorsement pending finalisation of the external audit prior to submission to the Board of Management.</p>
<p>Action requested</p>	<p> <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) </p>
<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>Yes</p> <p>This is a requirement of governance within the Financial Memorandum. This report will be published by Audit Scotland. With the upcoming election, completion within the timescales specified by SFC in order that the College's Financial Statements can be laid before parliament as soon as possible. The College remains at the end of the audit cycle and this is why the timescales are truncated for satisfactory completion of the audit processes.</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>

Perth College UHI

<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>
<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>No</p> <p>If yes, please give details:</p> <p>Click or tap here to enter text.</p>
<p>Status (e.g. confidential/non confidential)</p>	<p>Non Confidential</p>

Perth College UHI

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

**Annual Audit Report to the
members of the Board of
Management and the Auditor
General for Scotland**

7 March 2022



EY

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 2020/21 audit

[We intend to issue an unqualified audit opinion on the Group's 2020/21 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 2020/21.

Financial Statements

[We have materially completed our audit of the consolidated and College's financial statements for the year ended 31 July 2021.] We identified *[eight]* adjusted audit differences arising from the audit which *[have been]* reflected within the financial statements. Despite some initial delays to the agreed timetable, the draft financial statements and supporting working papers were delivered in sufficient time to ensure that the reporting deadlines could be achieved. While some improvements were noted in relation to the presentation of the financial statements compared to the prior year, we continued to work with the finance team to ensure material compliance with disclosure requirements.

[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, and the key changes in governance arrangements that were required as a result of changes to working practices due to Covid-19.]

Going Concern

Management is required to conclude on the going concern basis of preparation in the financial statements. As a result of the unprecedented financial and operational pressures faced by the College to respond to Covid-19, we placed additional emphasis on management's assessment of going concern and the related need to report on the impact of financial pressures on the College and its financial sustainability. We were satisfied that the College remains a going concern and *[has made appropriate required disclosures in the financial statements]*. We have considered the related risks to the financial sustainability of the College and its longer term delivery of strategic objectives in our wider scope reporting.

Wider Scope and Best Value

We summarise the conclusion 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 has resulted in further, significant financial pressures. While additional funding was awarded during 2020/21 which helped ease immediate pressures, the future outlook remains unclear. The College's FFR was submitted to the Scottish Funding Council in October 2021 showing breakeven adjusted operated position but accounting deficits across the three-year period due to non-cash items. Our assessment of red reflects the ongoing challenges facing Colleges' and the level of risk and uncertainty outside the College's control.

RED

Governance and Transparency

The key features of governance have remained in place at the College and have been operating effectively throughout the Covid-19 lockdown. The absence of the Board Secretary for part of the year has resulted in delays in some governance activities being performed including the timely publication of Board and committee minutes on the College website.

The College's Annual Governance Statement continues to disclose significant weaknesses in internal control, although we note significant progress against the Board's improvement plan.

AMBER

Financial Management

The College has an established budget setting and monitoring framework which includes presentation of financial updates to the Board and Finance and General Purposes and Audit committees throughout the year. Improvements have been made to the presentation of financial information to the Board and relevant committees during the year. Opportunities remain to improve financial controls and capacity within the finance team with the recent double salary payment demonstrating the importance of a strong control environment.

RED

Value for Money

The College has continued to review the effectiveness of balanced scorecard reporting during 2020/21, with further improvements planned for 2021/22 as part of a revised risk management framework incorporating the balanced scorecard. The College's performance against target has been maintained in comparison to 2019/20 with only 40% of performance measures meeting target partially due to external factors such as EU withdrawal and the Covid-19 pandemic.

AMBER



Introduction

As a result of the impact of Covid-19, Audit Scotland agreed to extend our appointment as external auditor of the College by at least 12 months, to 2021/22.

Purpose of this report

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 has been 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 Governors 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 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. Where we identify areas for improvement, we will highlight these throughout this report together with our judgements and conclusions regarding arrangements, and where relevant recommendations and actions agreed with management.

Our independence

We confirm that we have undertaken client and engagement continuance procedures, which include our assessment of our continuing independence to act as your 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 Audit Committee in May 2021.

The impact of the Covid-19 pandemic

In 2019/20 we were required to supplement our Annual Audit Plan with an addendum outlining the main anticipated areas of impact on the audit following our reassessment of all audit planning and risk assessments. As Covid-19 was a known factor in planning the audit in 2020/21, the same approach has not been required. We have, however, added to our planning and execution procedures throughout the audit to take into account various factors related to Covid-19, and have continued to reassess the risks facing the College in this light:

- ▶ 2020/21 was the first full year where there were material transactional impacts in the Group and College's financial statements, in particular through the recognition of additional Covid-19 related costs and subsequent Scottish Funding Council funding support.
- ▶ While some of the uncertainty around the impact of Covid-19 on key balance sheet valuations had reduced from 31 July 2020 to the current yearend, this also remained a key area of audit focus.
- ▶ We continued to work with management to ensure the financial statements adequately reflected the impact of Covid-19, in particular through the performance and accountability reports, governance statement, and accounting estimates and judgements disclosures.

The 2020/21 audit was conducted fully remotely. Information was shared between the College and the audit team through our secure portal, and inquiries and investigation took place through Microsoft teams meetings. In order to mitigate the risk of not being able to view key documents and information on systems in person, additional supplementary procedures were completed to verify the information provided by management.

Both the audit team and College finance team worked in conjunction to ensure the additional impact of these working arrangements were minimised as far as possible. We would take this opportunity to thank the full team for their co-operation and support throughout this period.

The ongoing disruption to the delivery of further education as a result of Covid-19 continues to have a significant impact on the financial statements and subsequent audit.

The financial statements reflect the impact of Covid-19 on the Group and College's financial position and performance.

We updated our assessment of materiality based on the 2020/21 financial performance of the College. Planning materiality was increased from £410,000 to £420,000.

Our review and reassessment of materiality

Our Annual Audit Plan explained that our audit procedures would be performed using a materiality of £410,000. We considered whether any change to our materiality was required in light of Covid-19 and the College's 2020/21 financial performance.

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.

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.

Overall Materiality

£420,000

1.5% of the Group's operating expenditure

Tolerable Error

£210,000

Materiality at an individual account level

Nominal amount

£21,000

Level that we will report to committee

Financial statement audit

We are responsible for conducting an audit of the College's financial statements. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; relevant Auditing Standards and applicable Practice Notes issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

We are responsible for conducting an audit of the financial statements of the College and provide an opinion on the financial statements as to:

- ▶ whether they give a true and fair view of the state of affairs of the College and Group as at 31 July 2021 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).

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.

Outstanding audit matters

While our audit work is materially complete, we note the following areas of outstanding work at the time of drafting of this report which require satisfactory completion before we can finalise our work and issue our audit opinion on the College's financial statements:

- ▶ Completion of work in relation to the remuneration report.
- ▶ Completion of work in relation to going concern.
- ▶ Completion of work in respect of consolidation and receipt of responses to group audit instructions.
- ▶ Finalisation of audit manager and partner review of all work and documentation.
- ▶ Completion of subsequent events inquires and audit work through to the date of approval of the financial statements.
- ▶ Receipt of the signed letter of representation and signed financial statements.



Financial Statements audit

Introduction

The financial statements provide the 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 one area that we identified as a fraud risk relating to the risk of fraud in revenue and expenditure recognition, including through management override of controls.

Compliance with financial reporting requirements

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, the Charities and Trustees Investment (Scotland) Act and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Management provided complete draft financial statements in January 2022 which was later than the agreed timetable. While we noted a number of areas of improvement in the content and structure of the financial statements, there were some areas which required updating to ensure they fully complied with the requirements of the SFC's 2020/21 Accounts Direction for colleges.

Audit Outcomes

We identified *[eight]* adjusted audit differences arising from the audit which *[have been reflected]* within the financial statements. The differences mainly related to accruals and deferred income errors and reclassifications. Our overall audit opinion is summarised on page 11.

Management provided draft financial statements and supporting working papers slightly later than the agreed timetable. However the timeliness of responses to audit queries has improved.

Group financial statements

The College prepares group financial statements, consolidating the results of the College and its subsidiary undertaking, AST (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 and expected to finalise in March 2022. We have issued group instructions and await complete responses. No issues have been reported to date.

Our audit opinion

Element of opinion	Basis of our opinion	Conclusions
<p>Financial statements</p> <p>The financial statements provide a true and fair view of the state of affairs of the Group and College at 31 July 2021 and of the deficit for the year then ended.</p> <p>The financial statements are prepared in accordance with the financial reporting framework</p>	<p>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.</p> <p>We are satisfied that accounting policies are appropriate and estimates are reasonable.</p> <p>We have considered the financial statements against the financial reporting requirements, and additional guidance issued by the SFC and Audit Scotland.</p>	<p><i>[We intend to issue an unqualified audit opinion on the 2020/21 financial statements for the Group and College.]</i></p>
<p>Going concern</p> <p>We are required to conclude and report on the appropriateness of the use of the going concern basis of accounting</p>	<p>We conduct core financial statements audit work, including management's assessment of the appropriateness of the going concern basis.</p> <p>Wider scope procedures, including financial forecasts are considered as part of our work on financial sustainability.</p>	<p>[Pending completion of our work, our audit opinion is unqualified in this respect.]</p>
<p>Other information</p> <p>We consider whether the other information in the financial statements is materially inconsistent with other knowledge obtained during the audit</p>	<p>We conduct a range of substantive procedures on the financial statements. Our conclusion draws upon:</p> <ul style="list-style-type: none"> ▶ Review of committee minutes and papers, regular discussions with management, our understanding of the College and the sector. 	<p>We are satisfied that the annual report materially meets the core requirements set out in the Accounts Direction.</p>
<p>Report on regularity of income and expenditure</p> <p>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</p>	<p>Our procedures include:</p> <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 	<p>We are satisfied that in all material respects income and expenditure are regular.</p>
<p>Matters prescribed by the Auditor General for Scotland</p> <p>Audited part of Remuneration Report has been properly prepared.</p> <p>The Performance Report and Annual Governance Statement are consistent with the financial statements and have been properly prepared.</p>	<p>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.</p>	<p><i>[We have no matters to report.]</i></p>
<p>Matters on which we are required to report by exception</p>	<p>We are required to report on whether:</p> <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 	<p>We have no matters to report.</p>

Significant and fraud audit risks

Risk of Fraud in income and 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 Scottish Funding Council (“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 furlough income and 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 did not identify any misstatements relating to revenue and expenditure recognition.
- ▶ We identified a number of audit differences in respect of revenue, expenditure and associated balance sheet accounts as detailed within Appendix D.
- ▶ We have assessed the treatment of Covid-19 related income streams, including furlough income and additional Covid-19 related grant income. We concur with management’s accounting treatment for the new 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 is applicable to the 2020/21 audit for the first time. 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 valuation.

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 inherent risk areas are summarised below.

Valuation of net pension 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 2021, the College's share of the pension scheme net liability totalled £6.848 million (2019/20: £12.612 million). Accounting for this scheme 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 Tayside Pension Fund in line with the assurance protocols laid out by Audit Scotland for IAS 19 and FRS 102. We also analysed the fund's estimated asset position at 31 July 2021 from both its financial yearend position at 31 March 2021 and the prior year end for the College of 31 July 2020 against expectations based on equity and other market movements in that time period;
- ▶ developing our own point estimate for the College's liabilities in the Fund and comparing to the actuary's assessment; and
- ▶ assessing the work of the actuaries in considering the impact of legal rulings impacting the liabilities in the fund.

Our conclusions

- ▶ In calculating the scheme assets as at 31 July 2021 the actuary performs a roll forward technique using investment returns and cash flow data since the last triennial valuation. We have considered the reasonableness of the reported asset position and note that the actuary's estimated investment returns were consistent with our own expectations.
- ▶ We have assessed the reasonableness of the calculation of the College's share of the Fund's liabilities and concluded these are consistent with our expectations.
- ▶ 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.

Inherent Risk - Valuation of Property, Plant & Equipment

The Group's property portfolio totals £40.6 million as at 31 July 2021 (2019/20: £41.8 million), with the major elements of this being in respect of land and buildings. Land and buildings are revalued to fair value with a full revaluation taking place at least every five years.

The College is required to consider annually that the valuation of the College estate remains appropriate outside of formal revaluation cycles.

Management engaged external valuers to conduct a full valuation of the land and buildings estate as at 31 July 2020. The impact of Covid-19 on the use of assets and future plans means that we will place significant scrutiny on management's assessment of impairment.

Given the size of this balance and the number of assumptions that are made in the valuation of the College estate, we assign a higher inherent risk to property, plant and equipment.

Our approach focused on:

- ▶ analysis of the College's estate, including consideration of the impact of Covid-19, any material changes from the prior year in its condition or planned future use, and assessment of the ongoing reasonableness of the assumptions and methods used in the valuation; and
- ▶ assessment of the potential for impairment across the College estate that has not been reflected in the financial statements or most recent formal valuation.

Our conclusions

- ▶ We concluded that there were no material audit differences in the approach and conclusions around management's valuation of the College's estate at 31 July 2021.
- ▶ We recognise the short term impact that Covid-19 has had on the utilisation of the College estate, however given the long term useful lives of the assets and the plans to return to normal teaching arrangements in future we consider the carrying value to remain appropriate. This is something which should be kept under consideration by management should teaching arrangements change on a more permanent basis in the future.

Going concern

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, International Auditing Standard 570 Going Concern, as applied by Practice Note 10: *Audit of financial statements of public sector bodies in the United Kingdom*, still require 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.

The rationale for going concern remains the same, but we continue to place increased focus on management's assertion of going concern and disclosures relating to financial sustainability as a result of the uncertainty and unprecedented budget pressures caused by Covid-19.

Covid-19 has created a number of financial pressures throughout the public sector, including further education. Uncertainty remains about the level of financial support that may become available from the SFC to reflect the financial consequences of Covid-19. As a result, the SFC's 2020/21 Accounts Direction requires an explanation of the adoption of the going concern basis and mitigating actions taken as a result of Covid-19 to be included as part of the going concern commentary within the College's financial statements, both in the Performance Overview and Annual Governance Statement.

Management's going concern assessment and associated disclosures cover the period of twelve months from the expected date of signing the financial statements. The cashflow forecast is based on the financial forecast return submitted to the Scottish Funding Council in October 2021 and updated for any information which has become available since submission.

After completing its going concern assessment in line with the information and support provided through the 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 2020/21 Accounts Direction.

Our conclusions

- ▶ *[We are satisfied that it remains appropriate for the College financial statements to be prepared on a going concern basis.]*
- ▶ *We worked with management to enhance some of the disclosures in relation to going concern and the expected medium term impact of Covid-19 which have been appropriately reflected within the College financial statements.]*



Wider Scope dimensions

Introduction

Under Audit Scotland's Code of Audit Practice (May 2016), we are required to reach conclusions in relation to the effectiveness and appropriateness of the College's arrangements for each of the wider scope audit dimensions. We apply our professional judgement to risk assess and focus our work on each of the dimensions.

The Wider Scope dimensions

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.

Financial Sustainability:

- ▶ Considers the medium and longer term outlook to determine if planning is effective to support service delivery. This will focus on the arrangements to develop viable and sustainable financial plans.

Governance and Transparency:

- ▶ Is concerned with the effectiveness of scrutiny and governance arrangements, leadership and decision making, and transparent reporting of financial and performance information.

Value for Money

- ▶ Considers whether value for money can be demonstrated in the use of resources. This includes the extent to which there is an alignment between spend, outputs and outcomes delivered and that there is a clear focus on improvement.

We outlined in our Annual Audit Plan, presented to the Audit Committee in May 2021, how our consideration and audit work in respect of the wider scope dimensions would be impacted by Covid-19 this year. Our areas of audit focus in these areas have therefore been undertaken through the lens of Covid-19.

Financial Sustainability

The financial environment in which the College operates was already challenging, and the Covid-19 pandemic 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 due to external factors. While additional funding was awarded during 2020/21 which helped ease immediate pressures, the future outlook remains unclear.

The College submitted a financial forecast return in October 2021 to the Scottish Funding Council which outlines an accounting deficit across the three years to 31 July 2024, consistent with expectations across the sector. The College has completed the FFR on the basis that a breakeven adjusted operated position needs to be achieved however there are significant risks to achieving this such as potential clawback of funding.

Our assessment reflects the ongoing challenges facing colleges' and the level of risk and uncertainty outside the College's control as well as the College's specific position.

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The context for financial sustainability in the College sector

In June 2020, Scottish Ministers asked the Scottish Funding Council (SFC) to review how they could best fulfil their mission of securing coherent, good quality, sustainable tertiary education and research in these changing times. This review has been conducted over three phases with the final phase published in June 2021.

In October 2021, the Scottish Government published their response to the review's recommendations, with the recommendations being broadly accepted. The Scottish Government recognises that some recommendations will require further development for consultation. In some instances, the pace, scale and timing of implementation will be determined by wider spending and resource considerations. Of particular note in respect of financial sustainability is that the Cabinet Secretary for Finance and the Economy has confirmed her plans to publish a multi-year resource spending review framework for public consultation alongside Budget 2022-23 and the Medium Term Financial Strategy.

As part of the phase 3 publication, the SFC published their updated review of '*Coherence and Sustainability: Financial Sustainability of Colleges and Universities*'. The report presented an aggregate review of the financial health of Scottish institutions based on 2019-20 published financial statements and the latest forecasts for 2020-21.

Improvement in the sector's underlying operating position was achieved in 2019-20 with a small surplus achieved which was significantly improved from the original deficit forecast. A similar position is currently forecast for 2020-21 with the impact of Covid-19 not considered to be as severe as anticipated. Non-recurring funding was made available which has helped stabilise the sector's finances, however challenges remain in future years.

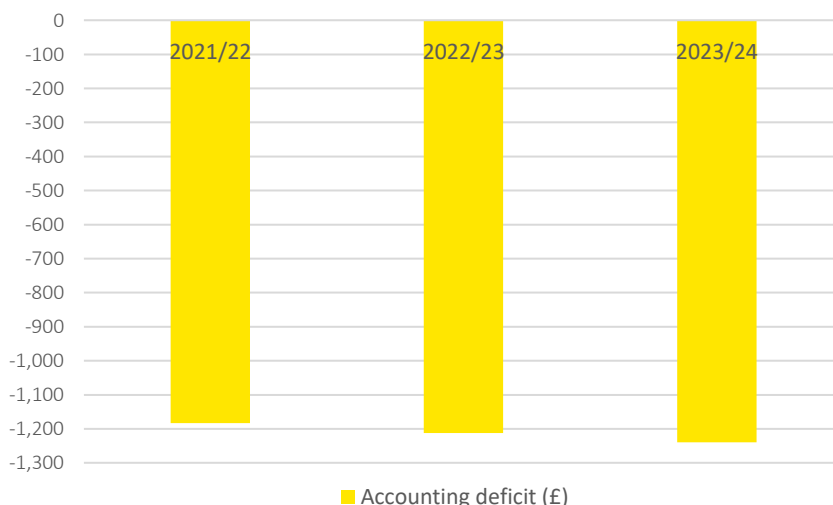
The SFC has recognised a number of key risk areas that could adversely impact colleges' financial performance and sustainability including:

- ▶ Maintaining short-term liquidity;
- ▶ Continued impact of the Covid-19 pandemic and the potential consequential failure to achieve income targets;
- ▶ Impact of cost efficiencies on both quality of student experience and on the health and wellbeing of college staff;
- ▶ Future arrangements for funding Foundation Apprenticeships;
- ▶ Additional staff costs arising from both cost of living pay awards, the outcome of the national bargaining job evaluation exercise for support staff and increases employer pension contributions; and
- ▶ Challenges of diversifying income and generating additional surplus.

Medium term financial forecasting

The College has prepared a three-year financial forecast for the period 2021 to 2024 and submitted these to the SFC in the form of the template Financial Forecast Return ('FFR'). The forecast is based on assumptions provided by the SFC in addition to College specific assumptions for areas such as other income and staff numbers. The assumptions were subject to scrutiny by and approval from the College's Finance and General Purposes Committee and Board. As Exhibit 1 demonstrates, this analysis forecasts an accounting deficit for the three years of the plan. The FFR shows a breakeven adjusted operating position in each year on the basis that this is what the College should be working towards achieving. Savings plans and income growth are factored into the return.

Exhibit 1: The College's FFR highlights that the College is forecasting an accounting deficit for the three year period to July 2024 driven by non-cash items.



Source: Perth College Financial Forecast Return, October 2021

The College's forecasts recognise significant uncertainty in the current environment. The College has identified the following risks within their forecasts:

- ▶ Uncertainty surrounding potential clawback of funding due to credits targets not being achieved.
- ▶ Reduced student numbers impacting tuition fee income levels.
- ▶ Uncertainty surrounding the finalisation of the job evaluation exercise which is scheduled to conclude during the forecast period.
- ▶ Commercial income uncertain due to competition and other external pressures.

Going concern cash flow forecasting

We have outlined our work in respect of going concern on page 17 of 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 being at least 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 2021/22 and 2022/23 academic years as a result of Covid-19.

As part of the FFR submission, the College has projected cashflows to 31 July 2023 with a closing balance of £3.2 million. Following the preparation of the FFR, management has prepared a detailed cashflow forecast to inform their going concern assessment, using the latest available information, which shows a forecast cash balance of £1.9 million as at March 2023.

Financial Management

The College reported an adjusted operating surplus of [£0.996] million, representing an increase of [£1.641] million compared to 2019/20. The reported position represented a £2.9 million improvement against budget with the variance being largely related to the impact of Covid-19, Management has established a new budget setting process for 2021/22 which passes greater ownership for the budget to relevant budget owners.

The College has an established budget setting and monitoring framework which includes presentation of financial updates to the Board and Finance and General Purposes and Audit committees throughout the year. Improvements have been made to the presentation of financial information to the Board and relevant committees during the year.

We are satisfied that the core financial management arrangements were not materially impacted as a result of Covid-19 and the subsequent lockdown. However 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.

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Financial performance and monitoring

The College Group reported a deficit of [£1.6] million for the year (2019/20: £2 million). Following an actuarial gain of £5.115 million, the College Group reported total comprehensive income of [£3.468] million (2019/20: £5.914 million expenditure). The College had an operating surplus after removal of non-cash accounting adjustments (relating to pension and capital accounting) of [£0.996] million (2019/20: £0.645 million deficit).

2020/21 was the first full financial year that the College had fully operated in the context of Covid-19 and the financial performance in 2020/21 was significantly impacted. Despite the challenges that this brought, the College was able to improve their operating deficit largely due to reductions in other operating expenses and additional grant funding and furlough income.

In line with previous years, the College's financial performance was monitored throughout the year by management and the Finance and General Purposes Committee and the Board. This process was not impacted by Covid-19, and there is evidence of financial monitoring, reporting and planning by the Board, Finance and General Purposes and Audit committees through the financial year, up to the approval of the 2021/22 budget.

We note that the quality of financial analysis and forecasting has improved during the financial year. In July 2020, the College appointed a new Director of Finance with one of the key improvements undertaken to date is the development of a new format of management accounts for budget holders and the Board. Feedback provided to date from committee members on the new format of reports has been positive to date. We will continue to monitor the quality of financial reporting in future years.

Throughout 2020/21 management reported budget pressures and variances through its management accounting. These were significant in the year with the difference between the original budget adjusted operating position and the actual adjusted operating position being approximately £2.9 million. While these largely related to the impact of Covid-19 on College operations and additional funding awarded late in the financial year, a new budget setting approach was implemented for the 2021/22 budget to improve the accuracy of the starting position and pass greater ownership to staff within the College. External factors such as uncertainty around Covid-19 restrictions, potential clawback and additional funding continue to create challenges for the sector in developing accurate forecasts.

Impact of Covid-19 on 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 a number of exceptions identified through internal audit work. We are satisfied that the issues arising have been satisfactorily disclosed and that actions are in place to address the weaknesses.

Throughout 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 June 2021, and updated our understanding as part of the yearend audit. Our work has not identified any further 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 Covid-19 on working arrangements.

As part of the audit action plan, a review of financial processes and controls within finance is to be performed. Improvements to date have focused on a review of the Financial Regulations, an updated budget setting process, system approval of invoices with purchase orders and improved reporting from the student records system, SITS. Further reviews of key financial processes and controls are planned.

Double salary payment

In October 2021, the College and subsidiary AST, 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. As at December 2021, £0.830 million had been repaid by staff. While we are satisfied that the College's response to the error was prompt and clear reporting occurred, it does highlight the importance of the College's review of key financial processes and controls to prevent further such incidents.

The College recognises that further improvements to financial processes and controls are required. The double salary payment in October 2021 has highlighted the importance of conducting this exercise in a timely manner.

Financial management resilience of the College remained an area of focus during the year however the continuity of the finance team during the year and planned recruitment exercises will provide further support.

Finance working arrangements and capacity

In the prior year, we reported that the College had experienced significant turnover within the finance team and that this has had a significant impact on the College's ability to provide the Board with the strategic financial planning support that it needs. Following the appointment of a Director of Finance in July 2020, the finance team has had a period of stability, however additional pressures continue to be felt through the impact of working from home on a small team with limited contingency and less sophisticated online systems and processes compared to some institutions.

We do, however, continue to note areas for further improvement, including areas of inefficiency and errors within financial accounting. 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. Recruitment is underway to provide further skills and capacity within the finance team.

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 in January 2021 and results of the investigation will be recorded on the NFI system. We noted progress continued to be made by the College however challenges accessing the system have led to some delays in investigating matches. A further assessment of the College's participation in the exercise [*has been*] reported to Audit Scotland in February 2022. The College has made reasonable progress in investigating matches to date and no actual or suspected fraud has been identified from the work performed.

Governance and Transparency

The key features of governance have remained in place at the College and have been operating effectively throughout the Covid-19 lockdown. The College responded quickly to ensure that governance arrangements were appropriate and operating effectively during the lockdown period caused by the global pandemic. However, we note that the absence of the Board Secretary for part of the year has resulted in delays in some governance activities being performed including the timely publication of Board and Committee minutes on the College website.

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 93% of actions now being either complete or partially complete.

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 in the year are required to be disclosed in the College's Annual Governance Statement within the financial statements. We reviewed the governance statement within the financial statements against the requirements outlined in the SFC's 2020/21 Accounts Direction and our understanding of governance arrangements in place up to 31 July 2021.

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:

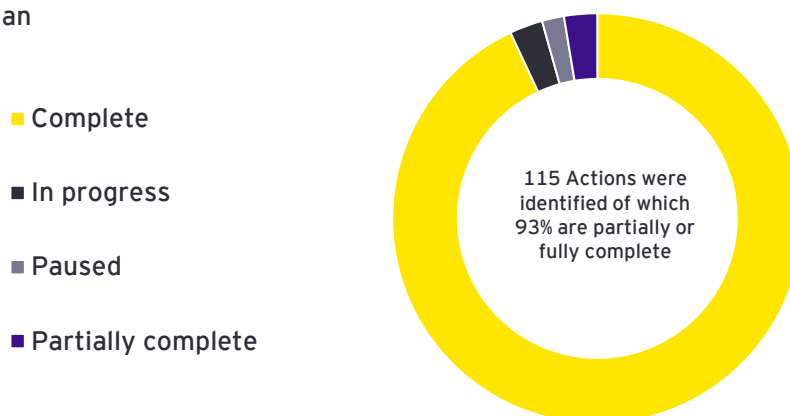
- ▶ ensuring that the College has met all requirements of the SFC's 2020/21 Accounts Direction;
- ▶ ensuring that the content of the statement is consistent with our understanding of the College's governance arrangements and any issues identified during the year; and
- ▶ ensuring that the College has 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 reviewed the Annual Governance Statement against the required guidance and 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. The governance statement included an appropriate level of detail on how governance arrangements were maintained during the revised operating period, as a result of Covid-19.

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 Joint Finance and Audit committee. As Exhibit 1 notes, as at November 2021, 93% of actions are fully or partially complete.

Exhibit 2: Good progress has been made against the Board's improvement plan



Source: Perth College Action Plan Monitoring Report, November 2021

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. We will continue to work with management to monitor and support the finalisation of 7 actions.

EU withdrawal

There continues to be a significant interest in public bodies' response to risks arising and the impact from EU withdrawal. Management has continued to consider and monitor the arrangements and risks around the UK's departure from the EU. The College is aware that there continues to be a potential for disruption to operations and costs arising from Brexit and continues to review any new information and guidance provided by bodies such as the Scottish Government and the SFC as it is published. Management is confident at this stage that the College is mitigated from the immediate direct impacts of EU withdrawal on its operations and funding.

The College should ensure that the Board secretary has appropriate support to ensure governance activities continue as normal during any periods of absence.

Minutes and papers of relevant Board and committee meetings should be published on the College website in a timely manner.

See Appendix E, Recommendation 1.

Covid-19 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 have continued as scheduled via remote working arrangements, and all relevant business continued to be considered as required.

We have however noted that the absence of the Board Secretary, for part of the year, has resulted in delays in some governance activities being performed including the timely publication of Board and committee minutes on the College website. The last publicly available meeting pack for the Board is October 2020. This highlights the key person dependency within the College.

Enquiries of those charged with governance

In line with previous years, we formally wrote to the Chair of the Audit Committee to make inquiries around the College's governance arrangements, including consideration by those charged with governance in respect of compliance with laws and regulations; identification of fraud, error and breaches of internal control; and material litigation and claims. *[No matters were brought to our attention.]*

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. For 2020/21, the internal auditor's opinion notes that, 'In our opinion, with the exception of the issues highlighted in paragraphs 1.11 and 1.12, the College has adequate and effective arrangements for risk management, control, and governance. With the exception of the efficiency issues around HR processes highlighted in paragraph 1.12, proper arrangements are in place to promote and secure Value for Money.' Paragraphs 1.11 and 1.12 refer to improvements required in HR processes and asset management. Good progress in implementing previous internal audit actions was noted.

UHI Cyber Incident

The UHI partnership suffered a Cyber Incident in March 2021. Many other colleges and universities in the UK were also affected during the past 24 months, and this had a serious effect, with many of the main IT systems being temporarily unavailable. Whilst main services were restored as efficiently as possible, staff had to move to cloud storage, as opposed to maintaining files on network drives, and this caused major disruption to the College for the remainder of the academic year.

Overall, we have seen a minor impact on the financial statement audit. We noted that due to the use of the cloud storage this has caused delays in staff's accessibility to information and some information was lost in the transfer. Where evidence had been missing other sources of support were provided enabling us to conclude on our testing. We note that this continues to add pressure to the College finance team.

Value for Money

The College has continued to review the effectiveness of balanced scorecard reporting during 2020/21, with further improvements planned for 2021/22 as part of a revised risk management framework incorporating the balanced scorecard. The College's performance against target has been maintained in comparison to 2019/20 with only 40% of performance measures meeting target.

Improvements have been made in relation to procurement processes however further changes are required to ensure compliance with the relevant guidance and best practice.

Strategic Plan 2016-21

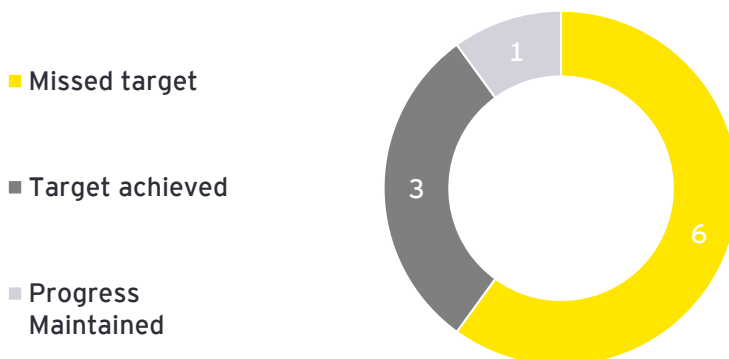
The College's Strategic Plan 2016-21 was published in June 2016. Performance has been reviewed against the four strategic objectives within a balanced scorecard covering:

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

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

Exhibit 3 highlights that the College missed the target for 60% of the measures for which data is available. This is in line with performance at the same point in 2020. Targets not achieved relate to student satisfaction (4 KPIs) and student and staff achieving their potential (2 KPIs). As the first full year of the College operating during the Covid-19 pandemic, a decline in performance statistics, including for example student experience, are not unexpected however the College should continue to monitor and identify any improvements that can be made.

Exhibit 3: College missed the target set for 60% of the key performance indicators reported to date in 2020/21



Source: Perth College Balanced Scorecard Progress Report, October 2021

The College should aim to publish performance information on their website on a more timely manner.

See Appendix E, recommendation 2.

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.

Risk Management framework

The College's strategic plan is due to be revised in 2021-22. The Board, Finance and Audit committees have endorsed a proposal to revise the risk management framework. This framework would incorporate the Balance Scorecard with the approach of aiming to greater align strategy with risk. The intention is for strategic KPIs to be translated through the balanced scorecard into operational targets allowing individuals and their departments to see the strategic impact of their work. We will monitor the development of the revised strategy and risk management framework including any amendments to performance reporting in our 2021/22 audit.

Procurement arrangements

During 2018/19, College management identified a number of areas of potential procurement weaknesses. To allow the College to understand the issues, the Head of Supply Chain for the UHI Partnership completed an audit of the College's systems, processes and procedures and found areas of non-compliance for improvement. In addition, during our audit we identified a number of weaknesses.

The College approved both a revised procurement strategy and policy in March 2020 taking account of the weaknesses identified. These will be due for review in 2022 following the development of the new strategic plan.

The Annual Procurement Report for 2020/21 was presented to the Finance and General Purposes Committee in November 2021 and covers a period of 4 years. The College exceeded the Scottish Government target of 40% of non-pay spend to be procured through National Frameworks by 1% which represents a significant increase of 9% compared to 2020/21. This highlights the improvements that have been made with the College's procurement function.

Further improvements are required with the report noting non-compliance with 10 areas of spend where contracts are not in place. This is a focus of the procurement team moving forward to ensure compliant contracts are in place.

Work additionally continues to ensure that purchases orders are in place for all expenditure with a 'no PO, no pay' policy being implemented.

Voluntary Severance Scheme

During 2020/21, 10 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.



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 Action Plan

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

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.

There are no relationships from 1 August 2020 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

Confirmations

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.

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.

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.

Audit Fees

	2020/21	2019/20
Component of fee:		
Auditor remuneration - expected fee	£18,890	£18,340
Additional audit procedures (see below)	£8,400	£16,500
Audit Scotland fixed charges:		
Pooled costs	£1,220	£880
Contribution to Audit Scotland costs	£800	£930
Total fee	£29,310	£36,650

The expected fee for each body is set centrally by Audit Scotland, and assumes that it has sound governance arrangements in place and operating effectively throughout the year, prepares comprehensive and accurate draft financial statements and supporting schedules, 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 and an unqualified audit opinion resulting from the audit.

The fee variation of £8,400 reflects our additional work which was required around the College's financial sustainability risk, the additional work from inclusion of the financial management and value for money wider scope dimensions, the follow up work required from a number of outstanding areas of focus in prior years, and the requirement to reduce materiality on our audit testing.

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 2021 UK Transparency Report can be accessed on our website at https://www.ey.com/en_uk/who-we-are/transparency-report-2021. 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 inaugural 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: <https://www.audit-scotland.gov.uk/report/quality-of-public-audit-in-scotland-annual-report-202021>

Appendix C: Required communications

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the audit, risk and governance committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter - audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p> <p>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.</p>	<p>Annual Audit Plan</p>
<p>Significant findings from the audit</p> <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 	<p>Annual Audit Plan</p> <p>Annual Audit Report</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the entity's ability to continue as a going concern, including:</p> <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 	<p>Annual Audit Report</p>
<p>Misstatements</p> <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 	<p>Annual Audit Report</p>
<p>Fraud</p> <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 	<p>Annual Audit Report</p>

Required communication	Our reporting to you
<p>Consideration of laws and regulations</p> <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 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 	<p>Annual Audit Report (to be issued on completion of audit work) or as occurring if material.</p>
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the entity's related parties including, when applicable:</p> <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 	<p>No significant matters have been identified.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <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 	<p>Annual Audit Plan</p> <p>Annual Audit Report - Appendix B</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>Annual Audit Report - no significant deficiencies reported</p>
<p>Subsequent events</p> <p>Where appropriate, asking the audit, risk and governance committee whether any subsequent events have occurred that might affect the financial statements.</p>	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>Annual Audit Report</p>

Required communication

Our reporting to you

Group audits

Annual Audit Plan

- ▶ 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

This Annual Audit Report

Appendix D: Errors identified during the audit - Adjusted

This Appendix sets out the eight (2019/20: ten) adjustments processed in the financial statements finalisation.

[Adjusted] differences				
No.	Description	Income and Expenditure Impact	Other Comprehensive Income and Expenditure Impact	Balance Sheet Impact
1	<i>Prepayment reclassification</i>			DR Trade Creditors £126,225 CR Prepayments £126,225
2	<i>Accrued income correction (updated information available post year end)</i>	DR Revenue £32,843		CR Accrued income £32,843
3	<i>Accrued expenditure (updated information available post year end)</i>	CR Expenditure £39,412		DR Accruals £39,412
4	<i>Deferred Income reclassification</i>			DR Deferred Income £297,382 CR Debtors £297,382
5	<i>Audit fee accrual</i>	CR Expenditure £7,580		DR Accruals £7,580
6	<i>Bad debt provision</i>	CR Bad debt expense £18,524		DR Bad debt provision £18,524
7	<i>Tuition fee income</i>	DR Tuition fee income £16,980		CR Accrued Income £16,980
8	<i>Exit packages accrual adjustment</i>	CR Expenditure £40,117		DR Accruals £40,117

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

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

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 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>
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 published on the College website in a timely manner. The College will develop a checklist of all documents that must 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>

Prior year recommendations follow up

No.	Findings and recommendation	Original Management response	Update on status
1	<p>Audit testing identified a significant level of error, particularly within accruals testing. We would not normally expect to find the level of error where effective management review processes are in place.</p> <p>The finance team must ensure that quality assurance and review processes are in place throughout the year to reduce the risk of fraud or error.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>A significant level of staff turnover within the Finance team has resulted in loss of institutional knowledge and continuity and consistency of service.</p> <p>Many of these errors related to previous financial years resulting in increased delays in the completion of the 2018/19 audit and impacted the final Adjusted Operating Position.</p> <p>SMT, the College Chair and subsequently the wider Board were aware of ongoing capacity issues within the Finance Team and all had expressed frustrations at the impact this had on late papers and the availability of information on which to base decisions. This continues to be addressed by SMT.</p> <p>Permanent appointments of vacant roles were made to ensure temporary appointments and staff turnover was no longer an issue. With the resignation of the previous Head of Finance, an interim appointment has been made pending the appointment of a Financial Director. The team is now more stable and will continue to be supported and developed to ensure outstanding issues are addressed effectively.</p> <p>Action Implement quality control and review processes across all transactions.</p> <p>Responsible officer: VP/HoF Implementation date: September 2020</p>	<p>We have noted improvements in the quality of working papers in areas such as accruals however, we do continue to note minor errors in relation to some financial accounting judgements, such as accruals. This would indicate that training and quality review processes should continue to be an area of focus for the College. In order to achieve this, the related capacity of the finance team should continue to be achieved to ensure sufficient resource is available to complete both business as usual activity and perform the planned review of financial controls.</p> <p>Our assessment: In progress</p>

No.	Findings and recommendation	Original Management response	Update on status
2	<p>As part of the additional work we were asked to perform on deferred income, we noted that management records and communication across College departments were ineffective. There is therefore a risk that income is not reflected accurately within financial statements.</p> <p>The Finance Team should review the processes in place to record and track all sources of income.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>The deferred income issue was raised with our External Auditors in March 2019 and was reported to Audit, FGPC, Chairs Committees and the Board, as well as to SFC in February 2019. Regular updates were provided as the situation developed.</p> <p>Discussions concluded with External Audit in August 2019 when it was confirmed that income could be appropriately released into 2018/19 with a non-material amount of deferred income relating to previous financial years.</p> <p>Actions</p> <p>An improved budgeting and contract management process to record and monitor performance milestones is underway.</p> <p>Improved communication between Finance and College teams to plan and monitor income and expenditure.</p> <p>Responsible officer: VP/ HoF Implementation date: June 2020</p>	<p>We have noted improvements in regard to documentation available to support deferred income balances. We do continue to observe some small errors in respect of income recognition and therefore this should continue to be an area of focus.</p> <p>Our assessment: In progress</p>

No.	Findings and recommendation	Original Management response	Update on status
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 has had a period of stability following the appointment of a Director of Finance in July 2020. The capacity of the finance team does continue to be an area of focus and plans are underway to improve both the skills and capacity of the team.</p> <p>Our assessment: In progress</p>
4	<p>We noted that key financial reports to the Board and committees were provided late, tabled on the day or replaced by verbal updates. In our view this is unacceptable and undermines the Board's ability to monitor financial performance.</p> <p>Financial reporting must be significantly improved to support Board member scrutiny.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>The Finance Team capacity issues reflected above have been an ongoing focus by SMT with the support of the Board. Actions already taken have addressed the continuity issues within the team and to enable fully compliant Board financial monitoring.</p> <p>Action</p> <p>Ensure robust financial reports are provided ahead of Committee and Board meetings: February 2020</p> <p>In consultation with the Board, Committees and budget holders work towards an information pack to manage the business: December 2020</p> <p>Responsible officer: Principal/VP</p> <p>Implementation date: December 2020</p>	<p>We have noted that the structure and timeliness of financial reports to Board and committees has improved during the year.</p> <p>Our assessment: Complete</p>

No.	Findings and recommendation	Original Management response	Update on status
5	<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: center;"><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 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 Ciph: 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 good progress was made to update key finance systems, including the ledger and HR system, we note that the review of key financial controls and processes is ongoing.</p> <p>Our assessment: In progress</p>

No.	Findings and recommendation	Original Management response	Update on status
6	<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.</p> <p>Our assessment: In progress</p>
7	<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 noted a number of improvements but some procurement actions within the audit action plan remain outstanding and are due for completion in 2022.</p> <p>Our assessment: In progress</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 2020/21 audit cycle.

	Audit Activity	Deliverable	Timing
APR	▶ Audit planning and setting scope and strategy for the 2020/21 audit	Annual Audit Plan	May/June 2021
MAY			
JUN	▶ Walkthrough Visit	Completion of internal documentation	June 2021
JUL			
DEC	▶ Year-end substantive audit fieldwork on unaudited financial statements	Submit Audit Scotland minimum dataset request	December 2021/January 2022
JAN	▶ Conclude on results of audit procedures	Issue Annual Audit Report	February 2022
FEB			
MAR	▶ Issue opinion on the College's financial statements	Audited Financial Statements	March 2022

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Perth College UHI

Paper No. 3

Committee	Extraordinary Joint Meeting of Finance & Resources and Audit Committees
Subject	Audit Committee Annual Report to the Board of Management 2020/21
Date of Committee meeting	28/02/2022
Author	Veronica Lynch, Vice Principal Ian McCartney, Clerk to the Board of Management
Date paper prepared	22/02/2022
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>Attached is the draft report for the Audit Committee's consideration and approval. This will then be forwarded to the Board of Management for consideration at its extraordinary meeting on 07 March 2022.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	Consultation has been undertaken with SMT and senior staff. This paper is for the Audit Committee's consideration and approval prior to submission to the Board of Management.
Action requested	<input type="checkbox"/> For information <input checked="" type="checkbox"/> For discussion <input type="checkbox"/> For endorsement

Perth College UHI

	<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.	Yes/ 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/ No This is a requirement of governance within the Financial Memorandum.
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
<u>Equality and diversity</u> Does this activity/proposal require an Equality Impact Assessment? If yes, please give details:	Yes/ No

Perth College UHI

<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>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>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?*</p>	<p>Yes/ No</p>

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

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

Audit Committee Annual Report to the Board of Management Academic Session 2020-21

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 2021.

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: 28 September 2020, 03 December 2019, 11 March 2020 and 31 May 2020. 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.

The annual operating plan would normally be based on a comprehensive Audit Needs Assessment (ANA) and three-year Strategic Plan, which would be prepared following discussion with Board members and managers throughout the College. Given that the College agreed a one-year contract extension, which took the ANA and Strategic Plan 2016 to 2020 (Report 2017/01, issued 6 September 2016), it was agreed that a full ANA would not be undertaken.

The annual operating plan for 2020/21 was based on discussions with the Director of Finance and consideration by members of the College Senior Management Team; 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 plan included the following assignments that were deferred from the 2019/20 internal audit programme due mainly to the impact of the COVID-19 pandemic: Asset Management, Staff Skills Profile, Staff Productivity and Performance Management, Curriculum and Quality and Corporate Planning / Regional Outcome Agreement. The work undertaken during the year followed that set out in the annual operating plan,

with the exception of a planned three-day review of Curriculum and Quality which was removed from the plan due to the cross over with the review of Student Recruitment and Retention.

The Annual Report of the Internal Auditors for 2020/21 was considered by the Audit Committee at its meeting on 29 November 2021. In the 2020/21 Annual Report, Henderson Loggie state that:

“In our opinion, with the exception of the issues highlighted in paragraphs 1.11 and 1.12 (relating to respectively Asset Management and Staff Skills Profile, Staff Productivity & Performance Management), the College has adequate and effective arrangements for risk management, control, and governance. With the exception of the efficiency issues around HR processes highlighted in paragraph 1.12, proper arrangements are in place to promote and secure Value for Money. This opinion has been arrived at taking into consideration the work we have undertaken during 2020/21 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
2021/01	Annual Plan 2020/21	N/A	N/A	N/A	N/A	N/A
2021/02	2019/20 Student Activity Data (Credits)	Audit Opinion Unqualified	3	-	-	3
2021/03	Student Support Funds 2019/20	FE – unqualified EMA – observation made	4	-	1	3
2021/04	Asset Management	Requires Improvement	4	-	3	1
2021/05	Corporate Planning / Regional Outcome Agreement	Good	1	-	-	1
2021/06	Student Recruitment and Retention	Good	3	-	-	3
2021/07	Follow Up	N/A	9	-	-	9
2021/08	Staff Skills Profile, Staff Productivity & Performance Management	Requires Improvement	12	-	5	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 28 February 2022 and will be reviewed by the Board of Management at a meeting on 07 March 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 2021 were submitted to the Committee on 28 February 2022 and after full discussion were recommended for approval by the Board at a meeting on 07 March 2022.

The Corporate Governance statement included in the audited Financial Statements for the year ended 31 July 2021 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 2020/21. 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.

The Audit Committee meets formally without the College Management Team present at least once a year. The independent members of the Audit Committee meet formally with the Colleges internal and external audit services at least annually.

The Audit Committee undertake a formal evaluation of the internal and external audit service annually.

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 annual 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 2020-21, Audit Committee reviewed the Internal Audit plan and took the decision to prioritise Audit days towards Corporate Planning, Student Recruitment and Retention, Asset Management, Staff Skills Profile, Staff Productivity and Performance Management, 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.

In addition, Audit Committee reviewed the College's Code of Good Governance Compliance Checklist at its meeting on 28 September 2021 and on 28 February 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 2021 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, 28 February 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 Student 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 and General Purposes Committee, the person elected by the teaching staff and the non-teaching staff of the College and the person nominated by HISA Perth.
- No member of the Finance and General Purposes Committee shall also be a member of the Audit Committee.
- The Chair of the Board, the Principal and the Chair of the Finance and General Purposes 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

Vice Principal (External)

Depute Principal (Academic)

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 2020 – 31 July 2021

Jim Crooks (Chair)
Ann Irvine (Vice Chair)
Graham Watson
Fiona Martin
Michaela Asisten

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 2020/21, the Audit Committee received the following internal audit reports from Henderson Loggie:

Annual Plan 2020/21
2019/20 Student Activity Data
Student Support Funds 2019/20
Corporate Planning/ Regional Outcome Agreement
Staff Skills Profile, Staff Productivity and Performance Management
Asset Management
Student Recruitment & Retention
AST Financial Controls
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 2020/21, the Finance and General Purposes 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.

A Balanced Score Card was used to monitor the implementation of the Strategic Plan to ensure financial and non-financial Performance Indicators were monitored at Board level. The Balanced Scorecard was monitored by four committees of the Board:

- Finance General Purposes Committee had oversight of the Financial and Environmental Sustainability Measures;
- Academic Affairs Committee had oversight of the Student Experience, Curriculum and Research Measures and some Developing our Organisation and Engagement Measures;
- Engagement Committee had oversight of the Engagement Measures and some Developing our Organisation Measures;
- The Audit Committee had oversight of the Financial Outturn measures.

A review of the format of the Balanced Scorecard took place between March and July 2019 and then subsequently between January and June 2020 to better reflect the needs of individual Committees and members, with proposed amendments approved by the Board in July 2020. An amended Balanced Scorecard and additional In-Year Reporting formats were utilised and reviewed throughout 2020/21.

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 2020/21 are listed as follows:

1. During 2020/21, the College Sector was significantly impacted by Covid lockdown restrictions resulting in challenges with student wellbeing with classes transitioning to online delivery. This led to student retention and attainment challenges with student wellbeing and addressing financial hardship being a priority throughout the year. The College made a substantial £250,000 investment in laptops to support expanded online delivery and to ensure all students could continue with their studies as well as raising funds from donors to support students ineligible to access publicly supported student support funds.
2. These ongoing covid restrictions and associated uncertainties over our commercial income streams impacted the College financially. These challenges were highlighted to Scottish Government through Colleges Scotland on behalf of the sector. Key messages focused on student wellbeing and on colleges operating within narrow financial margins and as a result, becoming more reliant on Scottish Government and SFC funding, supplemented by UK Government Coronavirus Retention Funding. This resulted in covid support funding for the College sector which included support for digital poverty, student wellbeing and the assurance that clawback measures would not be implemented.

3. During 2020/21, a focussed effort to target replacement revenue sources from International markets as a result of Brexit were included within the College's International and Business Development Strategies but were halted as a result of COVID restrictions. While International student delivery in market was able to continue during these pandemic, these restrictions did curtail the implementation of new partner developments and other key elements of these strategies.
4. The global response to the pandemic resulted in all but one of our commercial businesses recording a loss for the year. The exception was our largest commercial business, AST, who were able to record a profit in the year.
5. During 2020/21, work was undertaken to review control weaknesses in Asset Management which resulted in an action plan being created to revise the key controls to update the asset registers for Fixed Assets and IT to ensure improved asset management and monitoring. The College's Financial Regulations were updated to reflect these audit findings.
6. Work was also undertaken to review control weaknesses in Staff Skills Profile, Staff Productivity and Performance Management. This review identified that the College's 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 commenced.
7. Significant changes in the previous year which required additional attention of the College during 2020/21 included:
 - ongoing discussions concerning the UHI organisational structure, relationships and processes between UHI EO and Academic Partners;
 - College Sector Reclassification/ONS restrictions imposed on the College impacting on the College's ability to control and manage its own business, and therefore plan beyond the current year; An example of this included the College's requirement to source additional mechanisms to pre-fund and de-risk the Tay Cities Deal investment as a result of the public sector funding restrictions. This issue will continue into 2022/23.
 - National Pay Bargaining and its implications, not least financial, for the college sector due to the loss of direct control over staffing costs, a major element of the College cost base. While the academic staff roles have been agreed nationally, the professional services job evaluation exercise remains ongoing and will continue into at least 2022/23.

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**

Members of SMT met periodically to review the Strategic Risk Register. The reviewed Risk Register was then forwarded to Audit Committee for monitoring and oversight.

Continuing and emerging risks were recognised as:

The impact of COVID-19 in relation to financial sustainability, student retention and wellbeing, continued delivery of provision through blended approaches, continued financial uncertainty and sustainability, International students, Brexit implications, College Sector reclassification/ONS; Student numbers and Support Funding; 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. This has worked well and will continue to be formally implemented during 2020/21.

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

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

Area	Issue	Action
Health and Safety	Incomplete levels of mandatory training undertaken by staff as well as risk assessments without signatures or dates with insufficient evidence of follow up reviews – recommendations still to be fully implemented	Progress will be monitored within action plan.
AST Financial Controls	College financial regulations insufficient to enable AST financial controls. – recommendations still to be fully implemented	Progress will be monitored within action plan.
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 and will be completed by July 2022
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.

Area	Issue	Action
Financial management	<p>On 26 October 2021 a duplicate payment of the college payroll was made. Despite efforts to stop the payment it could not be stopped.</p> <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>Steps have been taken to recover the funds with 97% of the funds recovered by 23 February 2022.</p> <p>The system control has been implemented into the BACS bureau system to prevent reoccurrence.</p> <p>The control and recovery of funds has been reviewed by the internal audit function and has been given a satisfactory rating. Management consider this issue to be resolved.</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. 4

Committee	Extraordinary Joint Meeting of Finance & Resources and Audit Committees
Subject	Code of Governance Compliance Checklist
Date of Committee meeting	28/02/2022
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	23/02/2021
Executive summary of the paper	<p>This paper informs Board Members of the current checklist of items of assurance required to meet Code of Good Governance, together with summary of current compliance.</p> <p>The Checklist is prepared to provide reassurance that the College is fully compliant with the Code of Good Governance.</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)

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>Failure to establish compliance against the Code would have significant risk for the College</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>Click or tap here to enter text.</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

<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>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?*</p>	<p>Yes/No</p>

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

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

REVIEW OF COMPLIANCE WITH THE [CODE OF GOOD OF GOVERNANCE FOR SCOTLAND'S COLLEGES](#)

Code Principal	Evidence	Comments	Assurance	Action required
Section A: Leadership and Strategy				
Conduct in Public Life				
A1	Every college and regional strategic body must be governed by an effective board that is collectively responsible for setting, demonstrating and upholding the values and ethos of the organisation.	Perth College has an established Board which works collectively to set, demonstrate and uphold the values and ethos of the organisation. It meets 4 times a year and holds development evenings and strategy days bi-annually.		None
A2	Every board member must ensure that they are familiar with and their actions comply with the provisions of their board's Code of Conduct.	New Board Members receive induction on the Code of Conduct and other good practice guidance and attend CDN Board Member induction events.	New Board members recently recruited over summer registered for CDN induction events, some events yet to occur.	None
A3	The Nine Principles of Public Life in Scotland, which incorporate the seven Nolan principles, must be the basis for board decisions and behaviour. These key principles, which apply individually and collectively are: <ul style="list-style-type: none"> • Duty/Public Service • Selflessness • Integrity • Objectivity • Accountability and Stewardship • Openness • Honesty • Leadership • Respect 	The Board works collectively and follow the nine principles in its meetings and those of the sub committees. No issues have been raised in the operation of meetings which always start with seeking and declarations of conflicts of interest.	Board Members' Register of Interests are updated annually and published online.	None
Vision and Strategy				
A4	The board is responsible for determining their institution's vision, strategic direction, educational character, values and ethos. Regional strategic bodies must also determine the regional strategy for colleges assigned to them. The board of an assigned college must have regard to the strategy determined by the regional strategic body. Board members have a collective leadership role in fostering an environment that enables the body to fulfil its mission and meet Scottish Government priorities, for the benefit of students and the community it serves.	The College Strategy is currently under review and the review process has involved input from all key stakeholders, including the Board of Management.	New Strategic Plan scheduled to be tabled for approval by Board during AY 2021/22.	None
A5	The board must develop and articulate a clear vision for the region or college. This should be a formally agreed statement of its aims and desired outcomes which should be used as the basis for its overall strategy and planning processes.	The College Strategy is currently under review and the review process has involved input from all key stakeholders, including the Board of Management.	New Strategic Plan scheduled to be tabled for approval by Board during AY 2021/22.	None
A6	The board provides overall strategic leadership of the region or college. The board is responsible for formulating and agreeing strategy by identifying strategic priorities and providing direction within a structured planning framework.	The College Strategy is currently under review and the review process has involved input from all key stakeholders, including the Board of Management.	New Strategic Plan scheduled to be tabled for approval by Board during AY 2021/22.	None

Code Principal		Evidence	Comments	Assurance	Action required
A7	The board must ensure that a comprehensive performance measurement system is in place which identifies key performance indicators. It must ensure that it scrutinises performance measures and reports these on their website in a manner that is both timely and accessible to stakeholders. This will allow the board to determine whether or not the vision and mission of the region or the college are being fulfilled and that the interests of stakeholders are being met.	A Balanced Scorecard is overseen by the Board and a number of Committees, providing a framework for the Board to monitor progress against key priorities. Board papers and minutes are available on the College's web site and the Balanced Scorecard outcomes can be seen there. The Audit Committee also oversees the Risk Register quarterly and that too is available on the web site via Committee papers.	Approaches to monitoring of KPIs are being reviewed alongside the Strategic Plan.		Some recent papers require to be uploaded to website.
A8	The board (except in the case of assigned college boards) is responsible for overseeing the negotiation of its outcome agreement with SFC, to meet the needs of the college or region and make best use of available funding, consistent with national strategy. The board must ensure effective engagement with all relevant stakeholders in the development of its outcome agreement and monitor performance in achieving the agreed outcomes.	N/A			None
A9	The roles and responsibilities of the boards of assigned colleges should be undertaken in the context of the roles and responsibilities of their regional strategic body. Assigned college boards must contribute constructively to the development of the outcome agreement led in its region by the regional strategic body and support the regional strategic body to monitor performance in achieving the agreed outcomes.	The Chair is a member of key UHI Committees and is actively involved in the development of the outcome agreement. Performance of Perth College UHI (and all other Academic Partners) is reviewed regularly at RSC. The Board is regularly appraised of progress against ROA.			None
Corporate Social Responsibility					
A10	The board must demonstrate high levels of corporate social responsibility by ensuring it behaves ethically and contributes to economic development while seeking to improve the quality of life of the local community, society at large and its workforce.	The Board and Standing Committees regularly receive updates from the Vice Principal External which include discussion about business and stakeholder engagement. Opportunities for the local community to make more active use of the Academy for Sport and Wellbeing is promoted to the local community and staff.			None
A11	The board must exercise its functions with a view to improving economic, cultural and social wellbeing in the locality of the college or region. It must have regard to social and economic needs and social inclusion.	An active programme of evening classes and classes at the ASW is in place. The Board also supports the wider use of the ASW facility for national and international sport events.	ASW worked proactively throughout COVID lockdown restrictions to provide a programme of online wellbeing-focused session for members.		None
A12	The board must provide leadership in equality and diversity.	The Board reviews, suggests modifications and ultimately endorses all College policies related to equality and diversity, and is proactive in encouraging the college to seek enhancement opportunities to further demonstrate our commitment.			Policy updates are ongoing
A13	The board must seek to reflect in its membership, the make-up of the community through offering maximum opportunity of membership to a range of potential members and removing potential barriers to membership, in partnership with its regional strategic body, as appropriate.	Recent Board recruitment highlight the fact the College would welcome applications from under-represented groups and the College publicised that through the "Public Appointments Scotland" and "Change the Chemistry" websites.	Board commissioned a Short-Life Working Group to address issues of race equality throughout the organisation. The subsequent report produced by this group informed a cross-College Staff Conference event with a core theme of Addressing Racism		None
A14	The board must appoint one of the non-executive members to be the senior independent member to provide a sounding board for the chair and to serve as an intermediary for the principal, other board members and the board secretary when necessary (see Annex 1 for the definition of 'non-executive'). The senior independent member should also be	Senior Independent Member appointed August 2020. This role is separate from that of Chair or Vice Chair of the Board.			None

Code Principal		Evidence	Comments	Assurance	Action required
	available where contact through the normal channels of chair, principal or secretary has failed to resolve an issue or for which such contact is inappropriate. Further information on the role of the senior independent member can be found in The Guide for Board Members in the College Sector				
Section B: Quality of the Student Experience					
Student Engagement					
B1	The board must have close regard to the voice of its students and the quality of the student experience should be central to all board decisions.	The HISA Perth President and a Vice President attend meetings of the Board, Learner Experience, Finance & Resources and Audit Committees and provide updates on student matters to the former 2 of these.			None
B2	The board must lead by example in relation to openness, by ensuring that there is meaningful on-going engagement and dialogue with students, the students' association and as appropriate staff and trade unions in relation to the quality of the student experience. Consultation is essential where significant changes are being proposed.	As above. An annual Partnership Agreement, known as the Perth Partnership Project, is also agreed and monitored via Learner Experience Committee.			None
B3	The board must consider the outcome of student surveys and other student engagements, and monitor action plans that could impact on the quality of the student experience.	Learner Experience Committee considers the outcomes from student surveys and Action Plans are developed and monitored where outcomes may be a cause for concern.			None
B4	The college board must have regard to the Framework for the Development of Strong and Effective College Students' Associations in Scotland . It must put in place robust partnership procedures (e.g. partnership agreement) to work together to achieve change and which are supported by regular and open communications.	A Partnership Agreement is in place and projects are reported on via the Learner Experience Committee.			None
B5	The college board must encourage a strong and autonomous students' association and ensure that the students' association is adequately resourced.	HISA Perth employ 1 full-time and 2 part-time elected officers, plus 1 full time and 1 part-time permanent staff members. In addition, funding has been approved for additional resources where required and budgets have allowed, such as a communications intern.			None
B6	The college board must ensure that the students' association operates in a fair and democratic manner and fulfils its responsibilities.	Regular meetings are held between HISA Perth representatives and the Chair, and Principal/SMT.			None
B7	The college board must review the written constitution of its students' association at least every five years.	A strategic review of the Perth College Student Association (PCSA) was undertaken with NUS in 2016-17 and was effective in enabling the Association to further develop as an autonomous and sustainable structure for 2017-18 as HISA Perth.	Any review of the HISA Constitution as it affects HISA Perth & Perth College requires involvement of HISA on a Regional basis		None

Relevant and High-Quality Learning					
B8	The board must seek to secure coherent provision for students, having regard to other provision in the region or college's locality. The board must be aware of external local, national and international bodies and their impact on the quality of the student experience, including community planning partners, employers, skills development and enterprise agencies and employer bodies. The board must seek to foster good relationships and ensure that the body works in partnership with external bodies to enhance the student experience, including employability and the relevance of learning to industry needs.	A full review of the curriculum took place and was implemented during 2018/19 and 2019/20, which was reviewed and endorsed by Academic Affairs Committee, which takes account of the factors mentioned and national and local priorities, ensuring the College curriculum is fit for purpose and meets all stakeholder needs.			None
Quality Monitoring and Oversight					
B9	The board must ensure appropriate mechanisms are in place for the effective oversight of the quality and inclusivity of the learning experience in the college or region. The board must ensure that the college works in partnership with sector quality agencies and other appropriate bodies to support and promote quality enhancement and high-quality services for students.	Quality processes are managed by a dedicated quality team who work with other agencies to promote quality enhancement. The Audit Committee reviews all aspects of the Quality activities and actively promotes a culture of continuous improvement			None
Section C: Accountability					
Accountability and Delegation					
C1	The board is primarily accountable to its main funder, either SFC or its regional strategic body. Through the chain of funding, the body is ultimately responsible to the Scottish Ministers who are accountable to the Scottish Parliament.	The Board delegates the operational running of the College to the Principal & CEO, who ensures delivery of all agreed funding outcomes. Progress is regularly reviewed at Finance & Resources Committee and at Board level			None
C2	The board must ensure delivery of its outcome agreement or in the case of an assigned college, its agreed contribution to the region's outcome agreement.	See Above			None
C3	The board must ensure it fulfils its statutory duties and other obligations on it, and that the terms and conditions of its grant are being met.	In addition to the provisions noted above, all statutory duties are fulfilled by the Board directly or through its standing committees. In particular the statutory-required Audit and Remuneration committees are established and meet regularly. The Finance & Resources Committee reviews outcomes against commitments at each meeting.			None
C4	Scottish Ministers have powers to remove by order any or all board members of an incorporated college (except the principal) or a regional board for serious or repeated breaches of a term and condition of grant.	Through board induction, ongoing development and distribution of information updates, the Board remain aware of its duties and obligations.			None
C5	The board also has a wider accountability to a range of stakeholders including students (both current and prospective), its staff, the wider public, employers and the community it serves, for the provision high quality education that improves people's life chances and social and economic well-being.	All elements mentioned are addressed at the various board standing committees and directly by the board when circumstances require. The board sets the tone and agenda for the College - a central importance is given to "putting the student experience and journey at the heart of everything we do". The board is proactive in encouraging policies that facilitate active engagement and influence with all stakeholders with a view to continuously refining the fitness of the College offers to students and the wider community.			None

C6	Incorporated colleges and regional boards must maintain and publicly disclose a current register of interests for all board members. Board members should declare any conflicts of interest in the business of the meeting prior to the commencement of each meeting of the board and its committees and withdraw from meetings as appropriate.	A Register of interests is updated annually and published on the College's web site. Declaration of interests are sought at the beginning of all Board and standing committee meetings.			None
C7	The board must ensure that its decision-making processes are transparent, properly informed, rigorous and timely, and that appropriate and effective systems of financial and operational control, quality, management of staff, risk assessment and management are established, monitored, continuously improved and appropriately impact assessed. This includes: a) the prompt production, dissemination and online publication of board/committee agendas, minutes and papers to the public b) every board meeting and every committee meeting having a well-structured agenda circulated timeously in advance c) the retention of all key documentation which help justify the decisions made by the board and its committees.	In place and covered in College's Governance Manual. Members of the Board and Committees typically receive papers a week before meetings and papers, and approved minutes are published on the College's website. The Governance Manual was reviewed in full, June 2020. Electronic and hard copies of all Board papers are retained.			None
C8	The board may delegate responsibilities to committees for the effective conduct of board business. As a minimum the committees required are Audit, Remuneration, Finance and Nominations/Appointments. Delegation of responsibilities from and matters reserved to the board and its committees must be set out in a scheme of delegation including the functions delegated by the board to the chair, committees, the principal and the board secretary (and any other members of staff). Incorporated college boards and regional boards have no powers to delegate functions to an individual board member (except the chair who has no authority to act out with their delegated powers).	Delegated responsibilities are published in College Governance Manual, reviewed in June 2020 and available online.	A review of standing committees was undertaken in July/August 2021 to ensure the committee structures met the current needs of the organisation. The reviewed structure was agreed and implemented from January 2022 to coincide with the appointment of 3 new Board members.		None
C9	The board must ensure every board committee has a specified member of the management team to provide objective, specialist advice to support it to discharge its remit, including by explaining in an accessible way the matters under discussion and the possible implications of different options.	All members of the Senior Management Team are in attendance at Board meetings and attend standing committee meetings for the committees where their portfolio is relevant. Members of the College Management Team are also invited to attend specific meetings when their expertise and insight is required.			None
C10	The board must consider and have in place procedures to ensure effective working relationships and constructive dialogue amongst the board as a whole and ensure there are effective reporting and two-way communications between committees and the board. The board must ensure that discussions and decisions of every committee are accurately recorded and reported to the board, no later than the next meeting of the board.	In place with regular meeting cycles and standing agenda items. Minutes are prepared and circulated to the Committees between meetings, and formally approved (with any suggested amendments) at the next meeting.			None
Risk Management					
C11	The board of a college or a regional body is responsible for the overall management of risk and opportunity. It must set the risk appetite of the body and ensure there is an appropriate balance between risk and opportunity and that this is communicated via the principal to the body's management team.	Audit Committee (AC) oversees the management of risk on behalf of the Board, and the full Risk Register is regularly presented to the Board for information. Board utilises a risk appetite framework shared across the UHI partnership, which is reviewed periodically.	Risk Management recording processes are being review alongside the Strategic Plan to ensure closer alignment and monitoring.		None

C12	The board must ensure that sound risk management and internal control systems are in place and maintained. It must ensure there is a formal on-going process for identifying, reporting, evaluating and managing the body's significant risks and review the effectiveness of risk management, business continuity planning and internal control systems.	Each Board Standing Committee reviews risk in their area of responsibility at on a regular basis, including the review of residual risk scores and addition of new or developing risk items, and any amendments to risk areas are reported to the Board.			None
Audit Committee					
C13	The Audit Committee must support the board and the principal by reviewing the comprehensiveness, reliability and integrity of assurances including the body's governance, risk management and internal control framework.	The Board receives an annual report from the Audit Committee which provide assurances on systems of internal control.			None
C14	The scope of the Audit Committee's work must be defined in its terms of reference and encompass all of the assurance needs of the board and the principal. The Audit Committee must have particular engagement with internal and external audit and must work with management and auditors to resolve any issues in relation to financial reporting.	Internal Auditors attend every Audit Committee meeting and report on the internal audit plan; External auditors are routinely invited and attend most Audit Committee meetings. The Audit Committee will see and comment on Internal Audit Reports and recommendations.			None
C15	The Audit Committee must promptly pursue recommendations arising from audit reports and must monitor their implementation.	Follow up reviews are taken forward with Internal Auditors and reported to Audit Committee.			None
C16	The membership of the Audit Committee cannot include the board chair or the principal. The role of the college executive is to attend meetings at the invitation of the committee chair and to provide information for particular agenda items.	The Principal and other members of SMT attend Audit Committee and provide information in their executive management capacity only, not as a member.			None
C17	The Audit Committee terms of reference must provide for the committee to sit privately without any non-members present for all or part of a meeting if they so decide. The Audit Committee members should meet with the internal and external auditors without the executive team present at least annually.	The Audit Committee meets the internal and external auditors annually, without the executive team present.			None
C18	At least one member of the Audit Committee should have recent relevant financial or audit experience.	A chartered accountant sits on the Audit Committee, and other members have extensive experience in finance/audit.			None
Remuneration Committee					
C19	It essential that members of the Remuneration Committee understand their role and responsibilities. Members must undertake the online training module for Remuneration Committees provided by College Development Network within one month of appointment.	All Board members recruited to Remuneration Committee are advised of their requirement to complete the mandatory CDN training in a timely manner.			None
C20	The board must have a formal procedure in place for setting the remuneration of the principal by a designated committee of non-executive members. The board may wish to supplement this by taking evidence from a range of sources. In particular, staff and students should have a role in gathering and submitting evidence in relation to the college principal to the relevant committee.	The Remuneration Committee fulfils this role.	A process for absorbing HISA Perth input into the Principal's Annual Objectives were agreed in May 2021 and implemented thereafter.		None
C21	The board chair cannot be the chair of the Remuneration Committee (but they can be a member of it).	Remuneration Committee is chaired by the Board of Management Vice Chair.			None

Financial and Institutional Sustainability					
C22	The board is responsible for ensuring the financial and institutional sustainability of the body. The board must ensure compliance with its Financial Memorandum (either with SFC or the regional strategic body, depending on which is funding it), including in relation to incorporated colleges and regional boards, relevant aspects of the Scottish Public Finance Manual.	Finance & Resources Committee receives regular reports about the College's management accounts and immediate and long-term forecasts.			None
C23	The board must ensure that: <ul style="list-style-type: none"> • funds are used as economically, efficiently and effectively as possible • effective monitoring arrangements are in place • college staff report relevant financial matters to it. 	In place via Finance & Resources Committee. The Committee also receives an annual procurement report.			None
C24	For colleges that are charitable organisations, board members are also charity trustees. The board of a college that is a charity must ensure its members are aware of their responsibilities under charity legislation and for complying with relevant provisions as set out by the Office of the Scottish Charity Regulator. See OSCR Guidance and Good Practice for Charity Trustees .	This is covered in induction for new Board members both locally and in CDN training. This is reinforced by circulation of the linked document to all current board members.			None
Staff Governance					
C25	The college board as the employer, is responsible for promoting positive employee relations and for ensuring effective partnership between recognised trade unions and management.	Regular staff updates on HR business are provided to the appropriate standing committee.	A Staff Survey was commissioned during Semester 2 of AY 2020/21.		None
C26	The board must have a system of corporate accountability in place for the fair and effective management of all staff, to ensure all legal obligations are met and all policies and agreements are implemented and identify areas that require improvement and to develop action plans to address them.	College policies are regularly reviewed and are issued with a procedure for implementation. Board is advised at the start of each academic year of policies due for renewal and approval at that level. All policies are publicly available on the College's web site.			None
C27	The board must comply with the nationally agreed college sector Staff Governance Standard .	Senior staff tabled the Standard for discussion at a meeting of the Joint Negotiating Committee for local review.	Areas for improvement and implementation have been discussed but not yet implemented.		Progress to be monitored
C28	The college board must comply with collective agreements placed on it through national collective bargaining for colleges.	The Board is apprised of national bargaining matters as appropriate and regular JNC meetings are in place and reported to the Board at Finance & Resources Committee. The Chair and CEO attend regular Employers Association meetings and workshops at which collective bargaining and other national issues are discussed.			None

Section D: Effectiveness					
The Board Chair					
D1	<p>The chair is responsible for leadership of the board and ensuring its effectiveness in all aspects of its role. The chair is responsible for setting the board's agenda and ensuring that adequate time is available for discussion of all agenda items, particularly strategic issues. The chair must promote a culture of openness and debate by:</p> <ul style="list-style-type: none"> encouraging the effective contribution of all board members fostering constructive challenge and support to the principal, executive team and fellow board members effective team-working positive relations between board members. <p>The chair must engage with the principal and the board secretary in a manner which is both constructive and effective.</p>	<p>Effectiveness of Board (including culture and behaviours exemplified by the Chair) were reviewed in 2020 via an External Effectiveness Review and shown to be positive.</p> <p>Recommendations arising from the Effectiveness Review were acted upon and progress reported to the June 2021 Board Meeting.</p>			None
D2	<p>The board and its committees must have the appropriate balance of skills, experience, independence and knowledge of the body to enable them to discharge their respective duties and responsibilities effectively.</p>	<p>The Board skills matrix is reviewed annually by the Chair via one-to-one meetings with all independent board members.</p>	Changes to the Committee structure and recruitment of new Board members during 2021 allowed for a review of allocation of Board Members to standing committees, utilising the skills matrix to ensure a balanced mix of skills and experience across all committees.		None
Board Members					
D3	<p>Each board member is collectively responsible and accountable for all board decisions. Board members must make decisions in the best interests of the college and/or region as a whole rather than selectively or in the interests of a particular group.</p>	<p>Board members are aware of their responsibilities and this is covered at induction for new Board Members and is reinforced through Board development events, and through board members being invited to attend CDN workshops when available.</p>			None
D4	<p>Staff and student board members are full board members and bring essential and unique, skills, knowledge and experience to the board. Staff and student board members must not be excluded from board business unless there is a clear conflict of interest, in common with all board members.</p>	<p>HISA Perth President and one VP are nominated by HISA Perth to act as full Board member.</p> <p>Board positions are allocated to one teaching staff member and one support staff members are available.</p>			None
D5	<p>Where the college is a charity, all board members, as charity trustees, including staff and student board members, have legal duties and responsibilities under the Charities Act 2005. This includes registering any personal interests that could be seen as conflicting with the interests of the body. The 'objective test' for judging if there is a conflict of interest is:</p> <p><i>"... whether a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your decision making in your role as a member of a public body"</i>.</p>	<p>Covered in Board Member induction. See also comments above on reinforcing understanding of OSCR requirements.</p>			None
Principal and Chief Executive					
D6	<p>The college board must appoint the principal as chief executive of the college, securing approval for the</p>	In place			None

	appointment and terms and conditions of the appointment from the regional strategic body if necessary.				
D7	The college board must ensure there is an open and transparent recruitment process for the appointment. Students and staff must have an opportunity to contribute to the recruitment process.	In place.			None
D8	The college board must delegate to the principal, as chief executive, authority for the academic, corporate, financial, estate and human resource management of the college, and must ensure the establishment of such management functions are undertaken by and under the authority of the principal.	In place, and noted within job description.			None
D9	The college board must ensure a clear process is in place to set and agree personal performance measures for the principal. This process should seek the views of students and staff. The chair, on behalf of the board, should monitor, review and record the principal's performance, at least annually, against the agreed performance measures.	See C20			None
D10	The principal, as a board member, shares responsibility for good governance with the chair and all other members of the board, supported by the board secretary. The principal also enables good governance through supporting effective communication and interaction between the body and the rest of the college including staff and students.	In place			None
D11	The board provides strategic direction for the region and/or college, and the chair provides leadership to the board. The principal provides leadership to the staff of the body.	In place			None
D12	The board must provide a constructive challenge to the principal and executive team and hold them to account.	In place			None
Board Secretary					
D13	The board as a whole must appoint a board secretary who is responsible to it and reports directly to the chair in their board secretary capacity. The board secretary may be a member of the senior management team in their board secretary capacity, but they cannot hold any other senior management team position at the same time. The appointment and removal of the board secretary is a decision of the board as a whole.	In place. The board secretary is not a member of the senior management team and holds no other college posts.			None

D14	<p>All board members must have access to the board secretary who has an important governance role in advising the board, the committees and individual board members and supporting good governance. The distinctive board secretary role includes:</p> <ul style="list-style-type: none"> • facilitating good governance and advising board members on: <ul style="list-style-type: none"> - the proper exercise of their powers, including in relation to relevant legislation - the board's compliance with its Financial Memorandum, the Good Governance Code, its Standing Orders and Scheme of Delegation - their behaviour and conduct in relation to the board's Code of Conduct. • providing clear advice to the chair and the board/committees on any concerns the board secretary may have that board members have not been given: <ul style="list-style-type: none"> - sufficient information - information in an appropriate form - sufficient time to monitor, scrutinise or make informed and rigorous decisions in an open and transparent way. • attending and providing support to every board meeting and every meeting of every board committee. Where the board secretary is unable to attend, while the board secretary retains overall responsibility, proper arrangements must be made to cover the role with a person who is fully able to discharge the role effectively. • having an unambiguous right to speak at board and committee meetings to convey any concerns they may have about governance. This extends to someone substituting for the board secretary. • reporting any unresolved concerns about the governance of the body to the relevant funding body (i.e. SFC or the regional strategic body). 	<p>In place. The Chair encourages direct interactions of all board members with the board secretary.</p> <p>The board secretary is pro-active in provision of advice on the effective running of board business, and regularly participates in training and workshops to maintain effectiveness.</p>	<p>Board secretary undertook a formal governance qualification, completed in March 2021</p>		None
D15	<p>The board must ensure the board secretary:</p> <ul style="list-style-type: none"> • has suitable skills, knowledge and behaviours to carry out their role effectively • receives appropriate induction, and if new to the role, is mentored by a more experienced board secretary for at least their first year • has adequate time and resources available to undertake their role effectively. 	<p>In place.</p>			None
D16	<p>The board must ensure arrangements are in place to deal with a board secretary's potential or real conflicts of interest.</p>	<p>In place - requirements on declarations of conflict of interest apply to the Board secretary as well as board members.</p>			None

Board Member Appointment, Induction and Training					
D17	For boards with responsibility for board appointments, the board must ensure a formal and open procedure is in place for recruiting and selecting new non-executive board members. Boards must have regard to all relevant Ministerial Guidance on board appointments.	Whilst the College manages the recruitment processes for new Board members, responsibility for appointment lies with the RSB. A successful recruitment process led to the appointment of 3 new Board members and 1 co-opted committee member in late 2021, with appointments confirmed in January 2022. The recruitment process was open, and adverts were widely placed on key stakeholder websites and Change the Chemistry, amongst others. Interview panel comprised the Board Chair, an independent Perth College Board member, UHI Regional Lead for FE, an Independent member of UHI Court, and the Director of Sector Policy for Colleges Scotland.			None
D18	The board is responsible for ensuring appropriate arrangements are in place for the conduct of student elections and nominations, and elections of staff members to the board.	Student elections are managed by HISA and the Board receives regular briefings on the process followed and outcomes.			None
D19	The chair must ensure that new board members receive a formal induction on joining the board, tailored in accordance with their individual and collective needs. The board secretary should support the chair in the provision of relevant induction for new board members.	New Board members are invited to attend CDN led induction sessions, and attend a local induction.			None
D20	The board must ensure all board members undertake appropriate training and development in respect of their governance role. The board secretary should support the chair in the provision of relevant training and development opportunities for board members, which should be tailored to meet board members skills and needs. The board secretary must keep records of the development activity of board members, including the chair.	In place. Board Members are required to complete all mandatory training sessions provided to College staff, and completion rates are monitored via Finance & Resources Committee.			None
D21	The board must ensure that new committee members receive a committee induction and have their specific training needs assessed and met.	In place via new Board member induction and as a follow up to Board member/chair 1:1s.			None
Board Evaluation					
D22	Extension of the term of office of board appointments requires evidence and the board must ensure appropriate mechanisms are in place to support this.	In place – a review of the board members attendance and engagement and of the skills matrix is undertaken before an extension to a Board Member's tenure is made.			None
D23	The board must keep its effectiveness under annual review and have in place a robust self-evaluation process. There should also be an externally facilitated evaluation of its effectiveness at least every three years. The board must send its self-evaluation (including an externally facilitated evaluation) and board development plan (including progress on previous year's plan) to its funding body and publish them online.	Informal internal effectiveness takes place annually, led by the Chair. An External Effectiveness Review was conducted between March and June 2020 via the CDN bank of Reviewers, and reported to the Board meeting of June 2020.			None
D24	The board must agree a process for evaluating the effectiveness of the board chair and the committee chairs. The evaluation of the board chair should normally be led by the vice-chair/senior independent member.	In place			None
D25	The board must ensure all board members are subject to appraisal of their performance, conducted at least annually, normally by the chair of the board.	In place			None

D26	The performance of regional college chairs will also be evaluated by the Scottish Government, as regional college chairs are appointed by the Scottish Ministers and are personally accountable to them.	N/A			None
D28	The performance of assigned, incorporated college chairs will also be evaluated by the regional strategic body, as they are appointed by the regional strategic body and are personally accountable to them.	Board regularly supplies data to UHI on performance and review matters.			None
Section E: Relationships and Collaboration					
Partnership Working					
E1	The board must work in partnership to secure the coherent provision of high quality fundable further and higher education in their localities.	College is in regular contact with community stakeholders to ascertain local priorities, and this is fed to Board via the Learner Experience Committee.			None
E2	The board must ensure effective consultation, local and regional planning and must follow the principles of effective collaborative working: mutual respect, trust and working towards commonly agreed outcomes.	The Board encourages renewal and reinforcement of college representation at all community levels.			None
E3	The board must ensure effective partnership working with local and national bodies including businesses, public and third sector organisations to develop commonly agreed priorities following the principles of effective collaborative working.	See E1			None
E4	The board must encourage and support effective partnership working and collaboration within and across regions to address local needs and meet national priorities and specialisms.	Initiatives and changed circumstances that affect regional and national needs are regularly brought to the board for discussion and action. The Principal/CEO and others are actively engaged at various levels in Colleges Scotland.			None