

Finance and Resources Committee

Agenda

Meeting reference: F&R2022-23/02

Date: Monday 12 December 2022 at 5:00pm

Location: Boardroom (Braham Room 019)

Purpose: Scheduled meeting/Joint meeting with Audit Committee

* Denotes items for approval or discussion.

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

	Agenda Items	Author	Led by	Paper
1	Welcome and apologies		Chair	
2	Additions to the Agenda		Chair	
3	Declaration of a Conflict of Interest in any Agenda Item			
4	Minutes of the Meeting of the Finance & Resources Committee held on 05 October 2022		Chair	Paper 1
5	Actions arising from previous minutes			
6	Financial Performance & Budgets			
*6.1	Perth College Financial Update: Year to 31 October 2022	Vice Principal (Operations)	Vice Principal (Operations)	Paper 2
*6.2	Financial Outlook	Vice Principal (Operations)	Vice Principal (Operations)	Paper 3
7	Strategy			
7.1	Aviation Academy for Scotland/Tay Cities Deal – update		Vice Principal (External)	Paper 4
8	Estates			
8.1	Estates Update (for noting)	Head of Estates		Paper 5
9	Human Resources			
9.1	HR Update (for noting)	Head of HR & Organisational Development		Paper 6

	Agenda Items	Author	Led by	Paper
10	Committee Minutes (for noting)			Paper 7
10.1	EDIT Committee <ul style="list-style-type: none"> 15 September 2022 			Paper 7a
10.2	JNC Support Staff <ul style="list-style-type: none"> 17 November 2022 			Paper 7b
10.3	JNC Lecturing Staff <ul style="list-style-type: none"> 22 September 2022 17 November 2022 			Paper 7c Paper 7d
10.4	Staff Engagement Group <ul style="list-style-type: none"> 01 September 2022 03 November 2022 			Paper 7e Paper 7f
*11	Review of Meeting (Committee to check against the Terms of Reference to ensure all competent business has been covered)			Paper 8
	Joint Meeting with Audit Committee			
12	Joint Welcome & Apologies		Chairs of F&R and Audit	
13	Declaration of a Conflict of Interest in any Agenda Item			
*14	Draft Perth College Group Report & Financial Statements for the Year ended 31 July 2022	Vice Principal Operations	Vice Principal Operations	Paper 9
*15	Draft External Audit Annual Report 2021-22	External Auditors	External Auditors	Paper 10
*16	Draft Internal Audit Annual Report 2021-22	Internal Auditors	Internal Auditors	Paper 11
*17	Draft Audit Committee Annual Report to the Board of Management	Clerk	Clerk	Paper 12
18	Date and Time of next meeting <ul style="list-style-type: none"> Thursday 02 March 2023, 5pm (includes joint meeting with Strategic Development Committee)		Clerk	

Finance & Resources Committee

DRAFT Minutes

Meeting reference: F&R2022-23/01

Date: Wednesday 05 October 2022 at 5.00pm

Location: Boardroom (Braham Room 019)

Members present: Katrina Hodgson, Chair
Michael Buchanan, Board Member
Andrew Comrie, Board Member
Heather Cormack, Board Member
Graham Watson, Interim Chair, Board of Management
Margaret Cook, Principal
Todor Pavlov-Kennedy, Student Board Member

In attendance: Lorenz Cairns, Depute Principal
Veronica Lynch, Vice Principal (External)
Iain Wishart, Vice Principal (Operations)
Katy Lees, Head of HR & Organisational Development
Ian McCartney, Clerk to the Board

Apologies: John Dare, Staff Board Member
Kevin Lynch, Head of Estates

Chair: **Katrina Hodgson**

Minute Taker: Ian McCartney

Quorum: 4

MINUTES

Item		Action
1.	<p>Welcome and Apologies</p> <p>Chair welcomed everyone to the meeting and noted apologies.</p>	
2.	<p>Additions to the Agenda</p> <p>None</p>	
3.	<p>Declaration of Conflict of Interest in any Agenda Item</p> <p>Chair, Board of Management noted a professional interest in Item 6.2.</p>	
4.	<p>Minutes of Meeting of Finance & Resources Committee, 14 March 2022</p> <p>The minutes were approved as a true and accurate record of the meeting.</p>	
5.	<p>Matters Arising from previous minutes: 14 March 2022</p> <p><u>9 – HR Update</u></p> <p>Action: Principal to liaise with Clerk re determining best route for reporting changes to TQFE</p> <p>Action Update: Covered within Paper 8 – complete.</p> <p>Matters Arising from previous minutes: 24 May 2022</p> <p><u>6.1 – Update on Perth College Strategic Plan</u></p> <p>All actions from meeting of 24 May 2022 related to the Strategic Plan have been amalgamated with other Committee inputs into a final version which was subsequently approved by the Board of Management in June.</p>	
6.1	<p>Delivering The College Strategy</p> <p>Depute Principal introduced Paper 2, noting that the template would be rolled out to managers with a view to setting Year 1 targets within the next few weeks. Phase 2 will involve CMT managing the process and reporting progress, with Board being informed via the Balanced Scorecard, in line with the bottom-up approach taken to set the Strategy. SMT will be running a workshop to take managers through the process.</p>	

	<p>Chair queried whether each team will be expected to complete each area. Depute Principal advised that each team leader will be empowered to populate according to their team's ability to implement, and SMT will then scrutinise their areas of the document to ensure all KPIs are addressed, however it is hoped that this will be addressed during initial discussions.</p> <p>Board Member queried what would happen regarding clustering around specific KPIs and potential for silos. Depute Principal noted that clustering was in effect the litmus test of the Strategy as stakeholders had a significant input into the document therefore managers shouldn't feel that they can't contribute across the piece. Vice Principal (Operations) advised that the planned workshop will have populated examples to reduce risk of misunderstanding.</p> <p>Interim Chair sought clarification on how the Board would be involved in monitoring. Depute Principal advised that the annual planning process this academic year will be preceded by meetings between SMT and CMT in January, with a view to informing Board of agreed targets in Cycle 3, after which there will be a more consistent reporting mechanism to Board to allow for levers to be pulled if required within budget and planning processes.</p> <p>Committee noted Paper 2.</p>	
<p>6.2</p>	<p>Estates Strategy & Aviation Academy for Scotland Update</p> <p>Depute Principal outlined initial proposal detailed in Paper 3, noting that Perth & Kinross Council had resurrected the concept of a school building within the College footprint prior to a refreshed bid being submitted. It was proposed to take this initiative with a view to the bid proceeding, however there was a need to be mindful of the potential impact on the concurrent Aviation Academy for Scotland bid.</p> <p>Vice Principal (External) noted that the latest iteration of the AAS bid involved £6m of funding for workshops and labs (as opposed to a standalone "academy" building), meaning that AST would still require hangar space at Scone. It was felt that it would be a better position across the board to undertake the PKC masterplan with AAS absorbed into this bid, inclusive of the £6m investment.</p> <p>Vice Principal (External) wanted to appraise Committee of latest developments as expectations around AAS have to be managed; whilst AAS is sympathetic around the flexibility re investment, the proposal does have a knock-on effect with regard to draw-down timetables.</p> <p>Board Member agreed that the proposal makes strategic sense, however queried the extent to which AAS will be inhibited by the</p>	

	<p>delay as the masterplan process may take years. Vice Principal (External) advised that all parties were aware of the risks, but also the need to capitalise on the opportunity presented, and that a small window exists before any investment is committed to. Vice Principal (External) noted that AST has lease for hangar and workshops at Scone due for renegotiation by 2024, so are looking to enter into discussions around extending lease.</p> <p>Board Member queried the size of the campus footprint owned by the Council and whether this would be enough for the schools element of the proposal. Depute Principal advised that there is a total of 32 acres on the campus site, but PKC's share is not enough for their needs. The option of selling or leasing land to PKC has not been discussed within the project as yet.</p> <p>Board Member queried whether AST buildings could be phased early in development. This matter would be discussed with architects, and would be subject to location and timings.</p> <p>Chair enquired as to potential financial benefit to the College, similar to that achieved by Fife College/Woodmill High School. Principal advised that, while this is possible, the current site is very challenging and funding options are still unclear. Principal indicated that UHI were supportive of the approach being proposed.</p> <p>Board Member queried whether Scottish Futures Trust funding will be sought. This was confirmed, however Principal clarified that College can't access SFT money, however UHI can.</p> <p>Board Member noted that, given the current push to Net Zero, it was possible to refurbish or remodel existing buildings, rather than rebuild, due to embedded carbon. Principal advised that this issue had already been discussed with the College's architects. Interim Chair noted that refurbishment rather than new build was a strong recommendation of the recent Scottish Government for Infrastructure Commission for Scotland report.</p> <p>Committee ENDORSED the alignment of the Estates Strategy with continuing discussions with PKC, and the inclusion of the AAS development options within Masterplan discussions.</p>	
7.1	<p>Perth College Financial Update: Year to 31 July 2022</p> <p>Vice Principal (Operations) presented Paper 4, noting that, despite the £1m clawback noted previously, College was only £300k down on income due to a number of items being ahead of budget.</p> <p>Vice Principal (Operations) clarified that clawback is retained by UHI and, if SFC do not demand these funds be returned, it is UHI who will decide what to do with it. Academic Partners may be able to bid for funds that are yet to be determined.</p>	

	<p>Vice Principal (Operations) advised that the MicroRAM, which was expected to run to £300k, was this year £140k, and further advised that Staff costs were £1m better than budgeted, mainly due to fewer backfills being required as a result of a drop in student numbers. With non-staff costs broadly on budget, the College was likely to report an overall surplus of around £500k.</p> <p>Interim Chair queried staff/non-staff cost ratio compared to other Colleges. Vice Principal (Operations) advised that Perth Colleges staff costs were higher than average. Board Member queried how other Colleges manage a lower rate; Vice Principal (Operations) advised that other Colleges have a greater number of students or better flexibility around delivery methods.</p> <p>Committee noted Paper 4.</p>	
<p>7.2</p>	<p>Perth College Financial Outlook</p> <p>Vice Principal (Operations) presented Paper 5, advising this was a precursor to the FFR scheduled to be issued to SFC, and noting that the picture being painted was bleak whichever assumption was followed.</p> <p>Vice Principal (Operations) detailed the scenario-panning aspects around reduction in student numbers and the impacts of various shortfalls, advising that a reduction of 350 students was broadly equivalent to a shortfall of £1.5m.</p> <p>Vice Principal (Operations) outlined options that may be required, including lobbying for SFC funding regime change, a serious rationalisation of cost areas and a diversification of offers. Vice Principal (Operations) advised that it looks likely that all the above scenarios would need addressed in parallel.</p> <p>Board Member noted that commercial operations need to be running at a surplus and need to be making a higher level of overhead contributions than other departments, as the public purse is not going to grow.</p> <p>Vice Principal (External) noted that a growth in international business is possible, eg in US and Asia, however these need to be undertaken in conjunction with UHI and this takes time to put in place.</p> <p>Committee APPROVED the proposals outlined in Paper 5, however it was suggested that there be a prioritisation of potential interventions going forward.</p>	
<p>8.1</p>	<p>AST Budget 2022/23</p>	

	<p>Vice Principal (Operations) presented Paper 6, which provided an oversight to developments within the AST Budget over the summer. Vice Principal (Operations) noted that this matter had been discussed in detail at 2 AST Boards.</p> <p>Interim Chair advised that there had been a perfect storm in terms of changes to key contracts however the AST management team had mitigated these issues and was looking at additional resource avenues.</p> <p>Chair noted membership of AST Board, and noted that, while this budget was problematic, the focus is very much on the medium- to long-term.</p> <p>Committee ENDORSED Paper 6, which would be passed to Board for full approval.</p>	
9.1	<p>Estates Update</p> <p>Depute Principal presented Paper 7 for information.</p> <p>Committee noted Paper 7</p>	
10.1	<p>HR Update</p> <p>Head of HR & Organisational Development presented Paper 8 for information.</p> <p>Board Member noted that it would be useful to have a split of full-time versus part-time numbers regarding Mandatory Training.</p> <p>In response to a query about Board Mandatory Training, Head of HR agreed to liaise with Clerk to issue the current requirements to Board Members.</p> <p>The HR Update was noted.</p>	Head of HR/Clerk
11.	<p>Committee Minutes</p> <p>The following Committee Minutes were noted:</p> <ul style="list-style-type: none"> • EDIT Committee, 16 June 2022 • JNC Support Staff, 02 June 2022 • JNC Lecturing Staff, 13 June 2022 • Staff Engagement Committee, 13 June 2022 	
12.	<p>Date & Time of Next Meeting</p> <ul style="list-style-type: none"> • Monday 12 December 2022 @ 5:00pm 	

	Clerk noted that this meeting would include a joint meeting with Audit Committee.	
13.	Review of Meeting Committee confirmed that the meeting had been conducted in line with its Terms of Reference.	

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

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

Status of Minutes – Open (Except Item 6.2)

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

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

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

Do the minutes contain items which may be contentious under the terms of the Data Protection Act 2018? **Yes** **No**

Committee	Finance & Resources Committee
Subject	Management Accounts (Q1 22/23)
Date of Committee meeting	12/12/2022
Author	Iain Wishart, VP Operations
Date paper prepared	06/12/2022
Executive summary of the paper	Review first quarter 22/23 management accounts.
Consultation How has consultation with partners been carried out?	First presentation at this meeting
Action requested	<input checked="" type="checkbox"/> For information only <input type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input type="checkbox"/> For approval
Resource implications (If yes, please provide details)	Yes/ No Details the use and performance of resources
Risk implications (If yes, please provide details)	Yes/ No Details surplus/deficit position and cash outlook
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: <ul style="list-style-type: none"> • Compliance • National Student Survey 	This project supports the delivery of the strategic objective of Financial sustainability

<ul style="list-style-type: none"> • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>This paper assists with risk management, compliance with legal duties and with the Code of Good College Governance.</p>
<p><u>Equality and diversity</u> Yes/ No If yes, please give details:</p>	<p>Click or tap here to enter text.</p>
<p>Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?</p>	<p>Yes/ No If yes, please give details: Click or tap here to enter text.</p>
<p><u>Data Protection</u> Does this activity/ proposal require a Data Protection Impact Assessment?</p>	<p>Yes/ No Set out any data protection aspects and whether a data protection impact assessment is needed</p>
<p>Status (e.g. confidential/non confidential)</p>	<p>Non-Confidential</p>
<p>Freedom of information Can this paper be included in “open” business?* -Yes</p>	<p>Papers should be open unless there is a compelling reason for them to remain closed. If a paper, or parts of a paper, are to remain closed the reason for that exemption must be specified – see reasons below</p>

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

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

For how long must the paper be withheld? Until the OBC and FBC are approved and funding awarded to begin the project. This would be for an estimated 12 months.

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

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

UHI Perth

Financial Performance Review

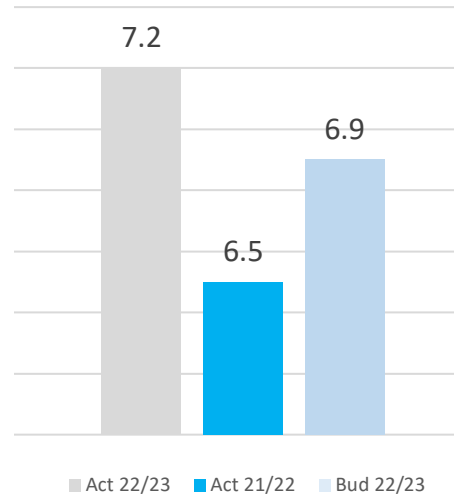
Q1 22/23



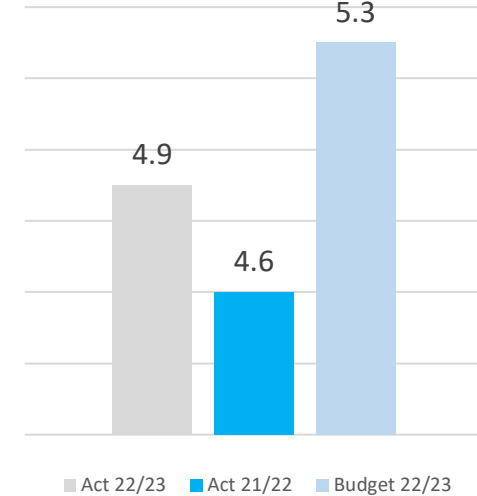
Group Overview

A good start to the year with the YTD surplus coming in ahead of budget. However, the actual staff costs don't include any national bargaining (3% assumed in the budget). If you add 3% to our actual numbers then our YTD actual surplus is closer to breakeven. The timing of some academic income accounts for the remaining difference.

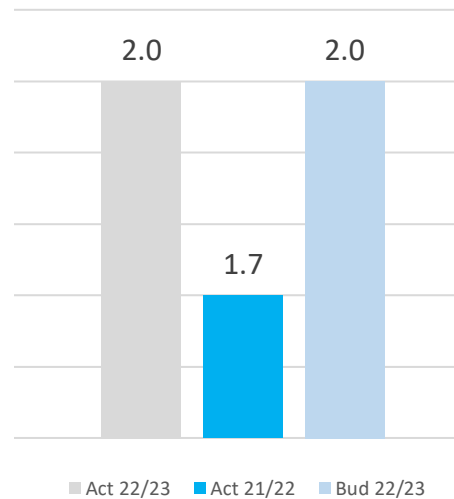
YTD Income (Excl Bursary) £M



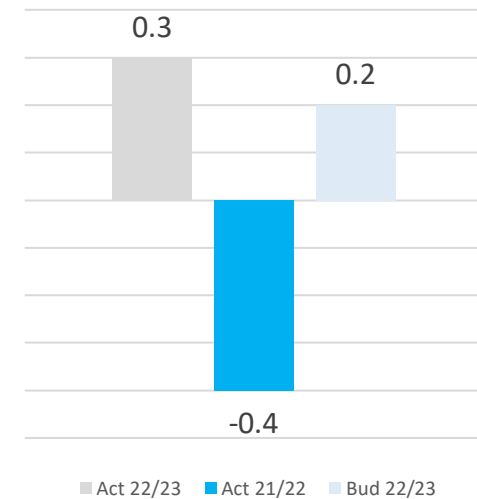
YTD Staff Cost £M



YTD Non-Staff Cost £M



YTD Surplus/Deficit £M



Group Overview v Budget

The Gross Profit of the academic areas are comfortably above the 32.3% FY budget overhead rate for 22/23. This compares with the businesses who are at a Gross Margin of 1.9%.

Actual staff costs do not include any national bargaining (3% assumed in the budget). If 3% is added to the a actual staff costs the Surplus/Deficit for the year would be closer to breakeven and ahead favourable to budget.

Actual £K

Actual YTD 22/23	Academic	Business	Services	Total
Funding	4,068	27	357	4,452
Tuition Fees	1,090	470	0	1,560
Commercial	674	319	190	1,184
Total Income	5,832	817	547	7,195
Staff Costs	3,177	513	1,254	4,944
% Income	54.5%	62.8%	229.4%	68.7%
Non-Staff Costs	466	288	1,213	1,968
% Income	8.0%	35.3%	221.8%	27.3%
Surplus/(Deficit)	2,189	15	(1,921)	283
% Income	37.5%	1.9%	(351.2)%	3.9%

Budget £K

Academic	Business	Services	Total
4,083	0	189	4,272
916	438	0	1,354
746	278	215	1,239
5,745	716	404	6,865
3,375	535	1,422	5,332
58.7%	74.7%	351.8%	77.7%
655	234	1,077	1,966
11.4%	32.7%	266.5%	28.6%
1,715	(53)	(2,095)	(433)
29.9%	(7.4)%	(518.4)%	(6.3)%

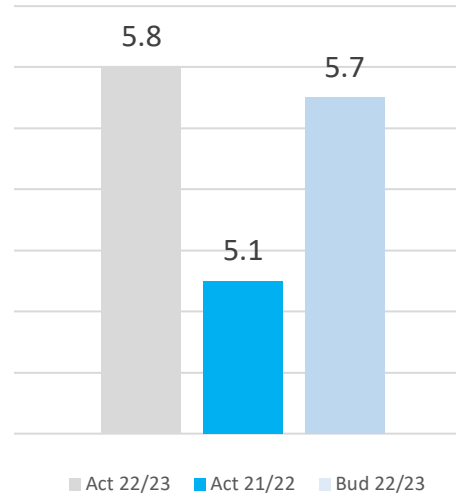
Variance £K

Academic	Business	Services	Total
(15)	27	168	180
174	32	0	206
(72)	41	(25)	(55)
87	101	143	331
198	22	168	387
226.7%	21.7%	117.4%	117.2%
188	(54)	(136)	(2)
215.5%	-53.8%	-95.2%	-0.5%
474	68	174	716

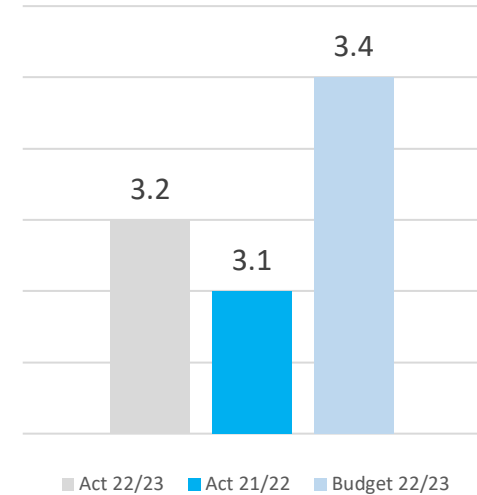
Academic Performance

The full year budget overhead rate is 32.3%. You can see that the Gross Margin for academic areas are in excess of this value. Actual staff costs do not include the 3% national bargaining assumed in the budget but even when this is factored in the Gross Margin is still comfortably better than the full year budget overhead.

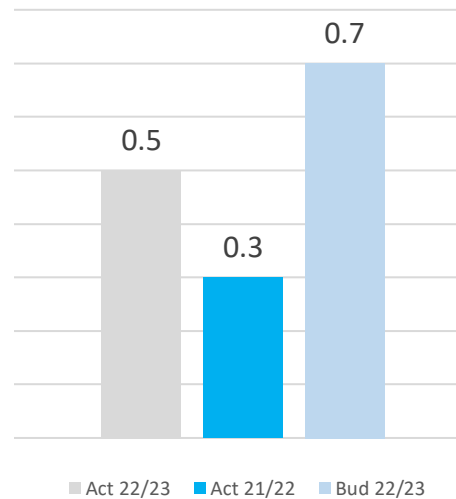
YTD Income (Excl Bursary) £M



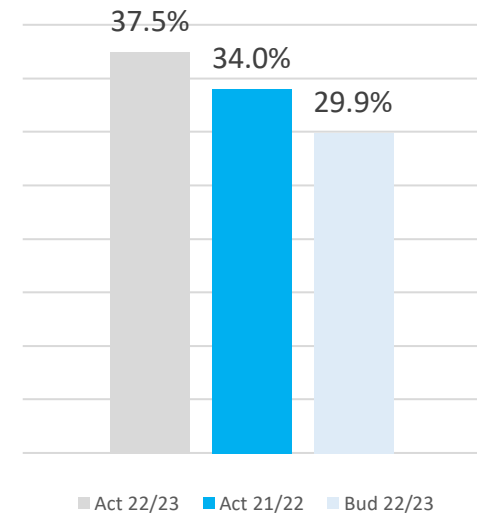
YTD Staff Cost £M



YTD Non-Staff Cost £M



YTD Gross Margin £M



Academic Performance

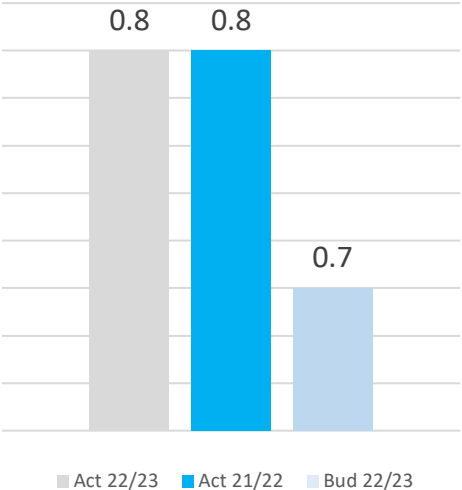
The figures below show Gross Profit at £474K better than budget. However, the actual values do not include any national bargaining increase (which is assumed in the budget at 3%). If this increase was taken from the surplus then the surplus drops to £378 better than budget. Staff costs reflect less temporary staff needed due to the shortfall in HE students while non-staff costs are better than budget due to spending £69K less on training (timing) and £66K less on travel.

Actual £K							Budget £K						Variance £K					
Actual YTD 21/22	STEM	BMCL	CCI	ALS	Research	Academic Total	STEM	BMCL	CCI	ALS	Research	Academic Total	STEM	BMCL	CCI	ALS	Research	Academic Total
Funding	952	943	837	1,322	13	4,068	953	951	829	1,335	15	4,083	(1)	(8)	8	(12)	(2)	(15)
Tuition Fees	94	348	269	373	7	1,090	77	289	250	299	0	916	17	59	19	74	7	174
Commercial	325	193	65	62	28	674	371	214	62	56	43	746	(46)	(21)	3	6	(15)	(72)
Total Income	1,371	1,483	1,172	1,758	48	5,832	1,401	1,454	1,141	1,690	58	5,745	(30)	29	31	67	(10)	87
Staff Costs	794	751	562	1,027	42	3,177	789	902	633	1,008	43	3,375	(5)	151	71	(20)	1	198
% Income	57.9%	50.6%	48.0%	58.5%	87.6%	54.5%	56.3%	62.1%	55.5%	59.6%	74.2%	58.7%		516.3%	232.0%	-29.6%		226.7%
Non-Staff Costs	156	150	88	66	6	466	219	101	156	175	4	655	63	(49)	69	108	(2)	188
% Income	11.4%	10.1%	7.5%	3.8%	12.2%	8.0%	15.6%	7.0%	13.7%	10.3%	6.4%	11.4%		-168.3%	225.2%	160.4%		215.5%
Gross Profit	421	582	522	664	0	2,189	393	451	352	508	11	1,715	28	131	170	156	(11)	474
Gross Margin	30.7%	39.2%	44.5%	37.8%	0.2%	37.5%	28.1%	31.0%	30.8%	30.1%	19.4%	29.9%						

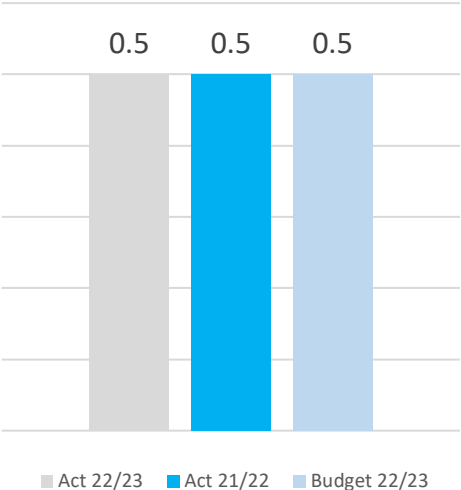
Business Performance

Actuals were close to budget across all categories. The Gross Margin %'s have large % differences but this converts into small absolute values.

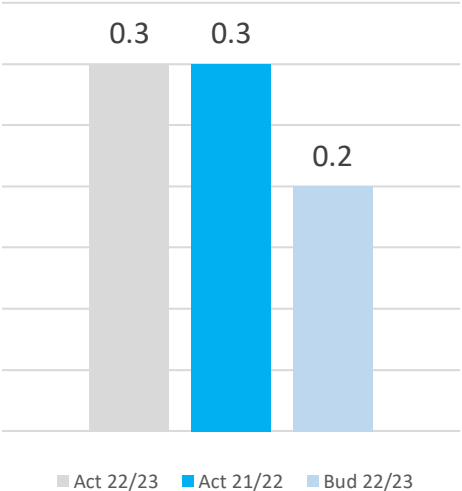
YTD Income (Excl Bursary) £M



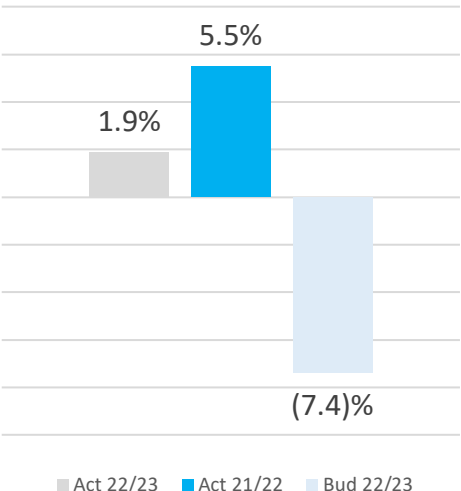
YTD Staff Cost £M



YTD Non-Staff Cost £M



YTD Gross Margin £M



Business

The commercial business numbers are broadly in line with budget.

The favourable AST Gross Margin, versus budget, was down to an unbudgeted course worth £25K.

ASW's unfavourable Gross Margin was due to £10K of costs for bank staff and music licence costs for that last three years, £8K.

Residences Gross Margin was favourable to budget due to income for summer lets.

Actual £K

Actual YTD 21/22	AST	Residences	ASW	Nursery	Total
Funding	0	0	0	27	27
Tuition Fees	470	0	0	0	470
Commercial	1	158	132	28	319
Total Income	471	158	132	56	817

Budget £K

AST	Residences	ASW	Nursery	Total
0	0	0	0	0
438	0	0	0	438
3	84	137	54	278
441	84	137	54	716

Variance £K

AST	Residences	ASW	Nursery	Business Total
0	0	0	27	27
32	0	0	0	32
(1)	74	(5)	(26)	41
30	74	(5)	1	101

Staff Costs	313	0	112	88	513
% Income	66.5%	0.0%	84.9%	157.5%	62.8%

332	0	115	87	535
75.4%	0.0%	84.4%	160.3%	74.7%

19	0	3	(1)	22
62.4%	0.0%		-42.6%	21.7%

Non-Staff Costs	143	99	43	4	288
% Income	30.3%	62.7%	32.5%	6.4%	35.3%

147	53	25	10	234
33.5%	62.3%	18.0%	17.6%	32.7%

5	(47)	(18)	6	(54)
15.3%	-63.2%		450.8%	-53.8%

Gross Profit	15	59	(23)	(36)	15
Gross Margin	3.2%	37.3%	(17.3)%	(63.9)%	1.9%

(39)	32	(3)	(42)	(53)
(8.9)%	37.7%	(2.4)%	(77.9)%	(7.4)%

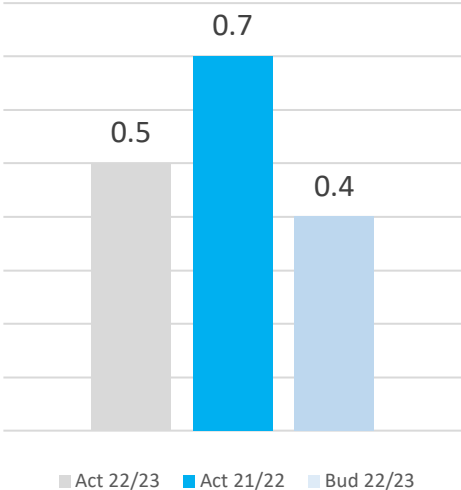
54	27	(20)	7	68
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Services (Overhead) Performance

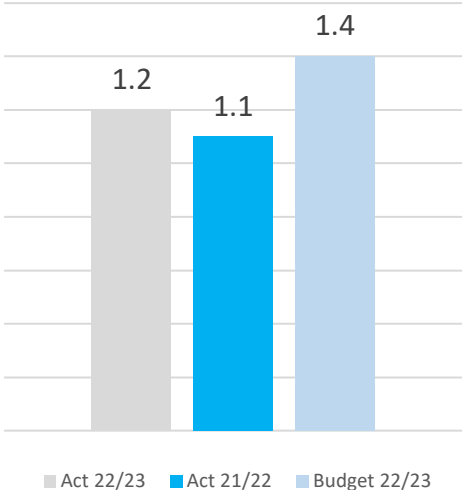
The staff cost and non-staff costs are similar to budget. AS with the other areas in this document, staff costs do not include the 3% national bargaining increase assumed in the budget. Making this adjustment would bring staff costs up to £1.3M.

Overhead finding needs reviewed as it includes Micro-RAM which should be included in the Academic section. This will be adjusted in Q2.

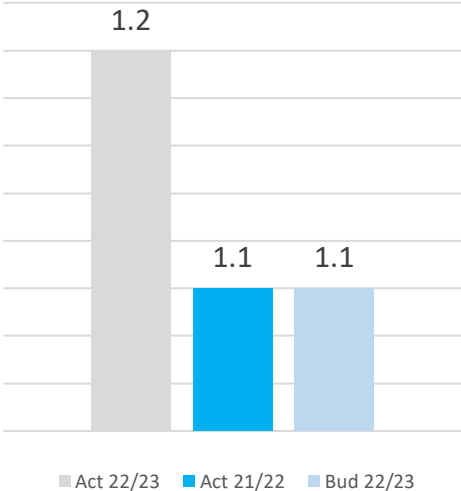
YTD Ohd Funding £M



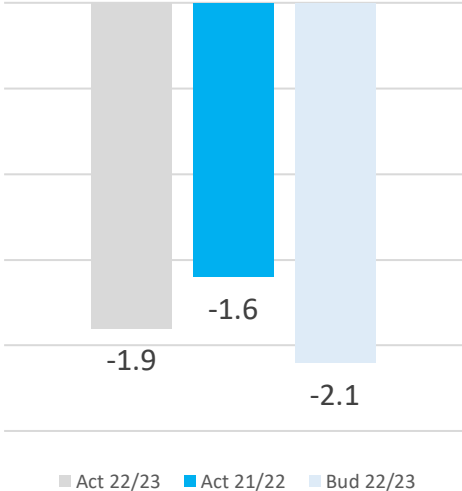
YTD Staff Cost £M



YTD Non-Staff Cost £M



YTD Net Ohd £M



Services (Overheads)

The Estates income variance, favourable £130K is actually drawdown of funds to meet Estates costs, you will see that the non-staff cost variance is unfavourable £(96)K. This is for the continuation of summer works started in 21/22. This is a timing issue and will correct over the year.

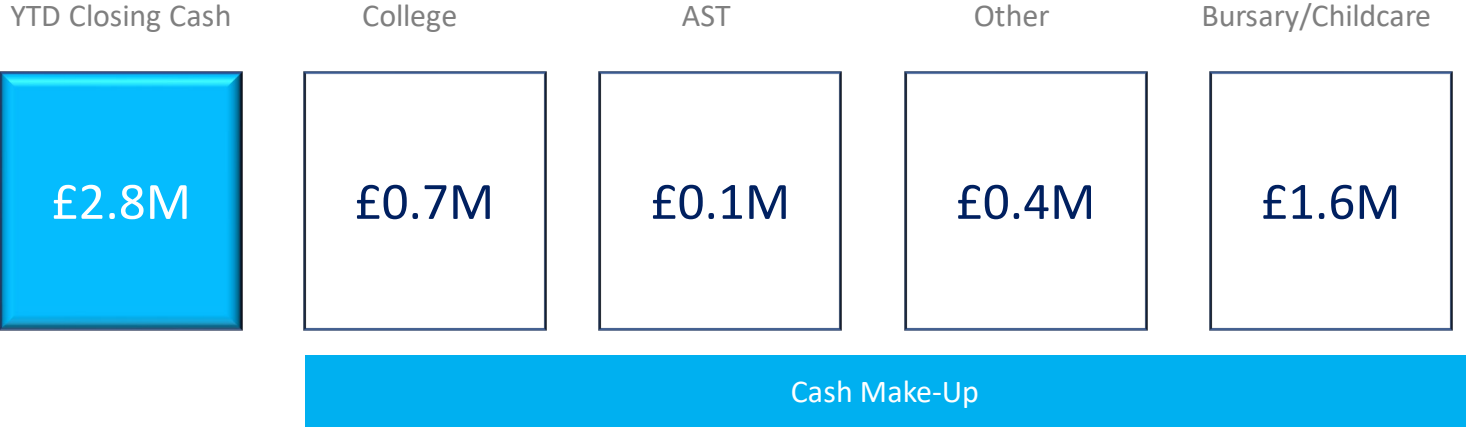
ICT is also a timing issue and represents front loaded spend. Ideally the costs would be spread over the year but as this will all be spent in the year and would be difficult to manage, it is all charged when the goods are purchased.

Canteen was a loss in Q1 due to students not being on site until the middle of September. This loss should reduce, closer to budget, in Q2.

The Bus Services income variance is related to Micro-RAM and should be moved to academic in Q2.

Actual £K							Budget £K						Variance £K					
Actual YTD 21/22	Student Services	Estates	ICT	Canteen	Business Services	Services Total	Student Services	Estates	ICT	Canteen	Business Services	Services Total	Student Services	Estates	ICT	Canteen	Business Services	Services Total
Funding	13	368	0	0	(24)	357	25	236	0	0	(72)	189	(12)	131	0	0	48	168
Tuition Fees	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Commercial	7	7	0	150	27	190	19	9	0	188	(1)	215	(13)	(2)	0	(38)	27	(25)
Total Income	20	375	0	150	3	547	44	245	0	188	(73)	404	(25)	130	0	(38)	75	143
Staff Costs	297	195	124	0	638	1,254	341	226	131	0	724	1,422	44	30	7	0	86	168
% Income	1505.6%	52.2%		0.0%	22110.0%	229.4%	771.5%	92.1%		0.0%		351.8%		23.3%			114.7%	117.4%
Non-Staff Costs	89	547	217	173	188	1,213	113	451	154	160	199	1,077	24	(96)	(63)	(13)	12	(136)
% Income	452.1%	146.0%		115.3%	6502.7%	221.8%	256.3%	184.1%		85.3%		266.5%		-73.8%			15.4%	-95.2%
Net Cost	(367) (1857.7) %	(368) (98.2)%	(341)	(23) (15.3)%	(822) (28512.7)%	(1,921) (351.2)%	(411) (927.8)%	(432) (176.3)%	(285)	28 14.7%	(996)	(2,095) (518.4)%	44	64	(57)	(50)	174	174

Cash



Committee	Finance & Resources Committee
Subject	Financial Outlook
Date of Committee meeting	12/12/2022
Author	Iain Wishart, VP Operations
Date paper prepared	06/12/2022
Executive summary of the paper	Review the financial outlook
Consultation How has consultation with partners been carried out?	A section of the paper has already been reviewed by the Strategic Development Committee.
Action requested	<input type="checkbox"/> For information only <input checked="" type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input type="checkbox"/> For approval
Resource implications (If yes, please provide details)	Yes/ No Details the use and performance of resources
Risk implications (If yes, please provide details)	Yes/ No Details surplus/deficit position and cash outlook
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: <ul style="list-style-type: none"> • Compliance • National Student Survey 	This project supports the delivery of the strategic objective of Financial sustainability

<ul style="list-style-type: none"> • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>This paper assists with risk management, compliance with legal duties and with the Code of Good College Governance.</p>
<p><u>Equality and diversity</u> Yes/ No If yes, please give details:</p>	<p>Click or tap here to enter text.</p>
<p>Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?</p>	<p>Yes/ No If yes, please give details: Click or tap here to enter text.</p>
<p><u>Data Protection</u> Does this activity/ proposal require a Data Protection Impact Assessment?</p>	<p>Yes/ No Set out any data protection aspects and whether a data protection impact assessment is needed</p>
<p>Status (e.g. confidential/non confidential)</p>	<p>Confidential</p>
<p>Freedom of information Can this paper be included in “open” business?* -Yes</p>	<p>Papers should be open unless there is a compelling reason for them to remain closed. If a paper, or parts of a paper, are to remain closed the reason for that exemption must be specified – see reasons below</p>

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

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

For how long must the paper be withheld? Until the OBC and FBC are approved and funding awarded to begin the project. This would be for an estimated 12 months.

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

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

UHI Perth Financial Review & Outlook

December 2022

UHI Perth Financial Review & Outlook

Introduction

The college sector is facing significant challenges to financial sustainability. These challenges originate from a number of sources:

- Flat government funding.
If we classify government funding as SFC monies and associated tuition monies then these account for 75% of UHI Perth income. The tuition funding levels have been “flat” for a number of years.
- Inflation.
A combination of the war in Ukraine, debt created from COVID 19 and Brexit have driven inflation to over 11% (as at 14/11/22) and energy prices are even higher.
- Staff cost increases.
It is expected that staff cost increases will be significantly higher than we have experienced in recent years. Higher inflation has resulted in demands for growth in salaries. At the time of writing the increase requested by unions equates to around 11%.
- Job Evaluation:
Staff salaries are being reviewed and could be adjusted back to 2018. There is a sector funding “pot” of around £56M to cover any increases from 2018 through to the current date. However, anything over £56M would need to be met by colleges and any ongoing salary increases on the same awards would need to be met by the UHI Perth.

This document sets out how these risks could impact on UHI Perth’s financial sustainability and presents a detailed review of current financial performance.

Before moving into the financial review, it will be beneficial for the reader to formulate answers to the following questions:

1. Why does UHI Perth exist, what is our purpose? The classic business book Good to Great suggests that great organisations should only be involved in activities that meet ALL three of the following:
 - Only do what you are experts at.
 - Only do what you are passionate about.
 - Only do what makes the right level of profit.

Profit/surplus may be referred to, in some capacity, throughout this document. However, consolidated results for UJI Perth should only deliver a breakeven each year. The reason that profit/surplus is talked about is to be able to create monies that we can then spent to improve the college/student experience. This requires us to be in control of the organisation to the point that short term financial performance is predictable.

2. What is the definition/hurdle rates required for a business to be classed as a commercial business at UHI Perth?
3. Why do we have commercial businesses at UHI Perth?
4. What is the minimum financial performance required of a commercial business at UHI Perth?

In addition to formulating answers to the questions above, please remember that a public sector organisation cannot use public funds to support a commercial business i.e. if our commercial businesses were stand alone would they be solvent?

Complexity = Cost

UHI Perth is a complex organisation, and this is important point when considering financial sustainability. The graphic below sets out the key income streams at UHI Perth. “Other” is made up of many small income streams ranging from hairdressing to short term courses for the unemployed and beyond.

FE Core	HE Core	Tuition	International
Foundation Apprenticeships	Modern Apprenticeships	SECCT	SNIPF
CiTB	AST	Gym	Climbing Wall
Bursary	Nursery	Childcare	Research
Estates	Residences	Micro RAM	FWDF
Catering	Other Income		

Each of the businesses above operate as standalone businesses and their various compliance requirements and complexities (some are very complex) have to be understood and managed. The number of businesses we have makes management and control very difficult. This complexity not only drives the level of direct cost but also overhead cost. An

organisation that is effective and efficient with clear lines of responsibility and flow will minimise these costs.

Complexity =

1. Cost.
2. Stress where there is a limited capacity.
3. Risk.
4. Control challenges.

For most readers of this paper, we have inherited the current portfolio of businesses/income streams. The government, through the SFC, have indicated that colleges should not rely on government funding and find their other sources of income. This has led to a drive for income, often at low value. While UHI Perth is a £25+ million business we will chase income opportunities of only a few thousand and celebrate when we win this. However, a £3,000 income stream can easily take as much time to manage as a £100,000. Two or three £3,000 ventures can take up all available capacity.

While we have to look to other sources of income an alternative approach could be:

1. Core Focus: If a business is not within our core areas of expertise we should resist being/moving into that market.
2. Minimum Requirements/Hurdle Rates: If a business cannot meet the basic financial requirements, then we should exit/not enter that market.
3. Minimum Income Level: Even when the basic financial requirements are met, we should also have a minimum profit level before entering into a venture. As a £25 million pound business we should be looking at a minimum level of profit..... or keep looking.
4. Capacity: If we don't have capacity to deal with additional income then we don't add business until we have the capacity in place.
5. Planning: We must have a plan from start to final cash collection BEFORE we take on any income.
6. Responsibility: We assign responsibility for the plan and performance to an owner.
7. Compliance: We do not fund or shore up commercial businesses with public funds.

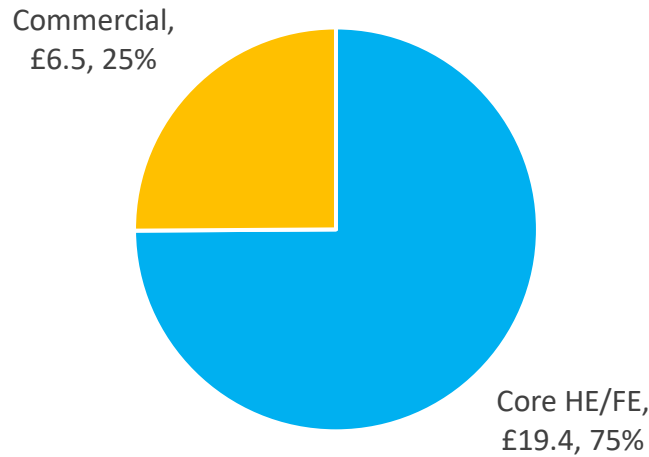
As we start to develop a plan to meet the financial challenges and secure financial sustainability there will be lots of rationalisation and justification as to why everything must remain the same, but we need to step back and consider:

- Whether we can afford to do all the things we do today. If not, something has to give no matter how good our justification is.
- Do we have the capacity to be excellent at everything we do today?
- Are we experts at running ALL these areas?

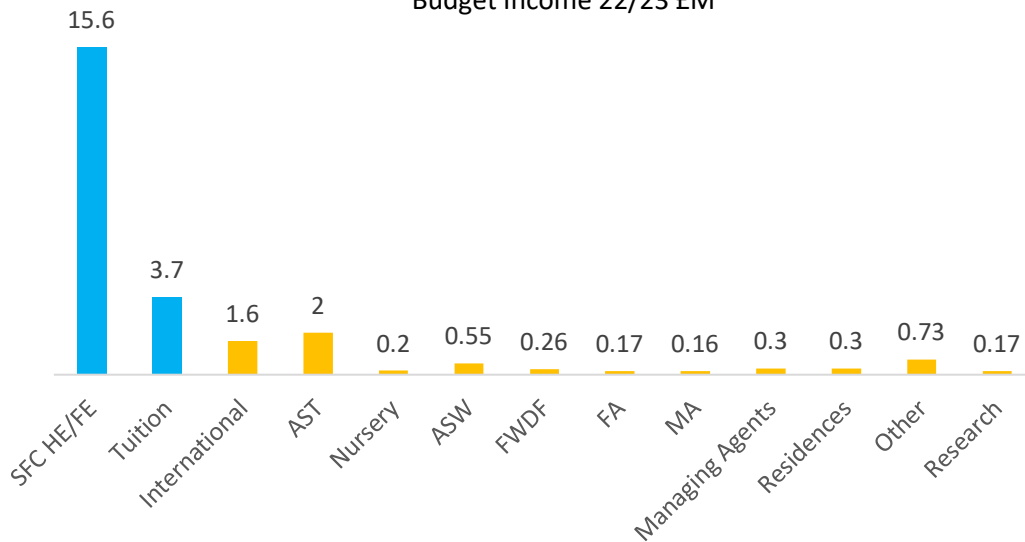
- Do our commercial businesses fit with why we exist/our purpose.

Another important consideration for commercial businesses is their impact on our core businesses. This is an important consideration as the graph below shows that the size of our, currently defined, commercial businesses is substantially smaller than our core HE/FE business. Work carried out by professional services, and sometimes our academic areas, on commercial businesses is time lost to our core businesses.

Budget Income 22/23 £M



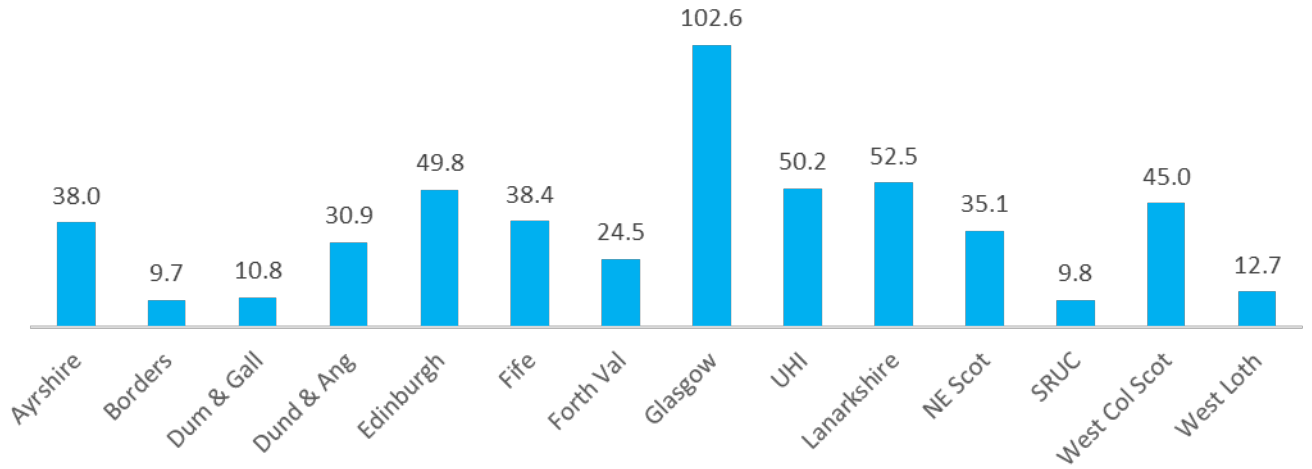
Budget Income 22/23 £M



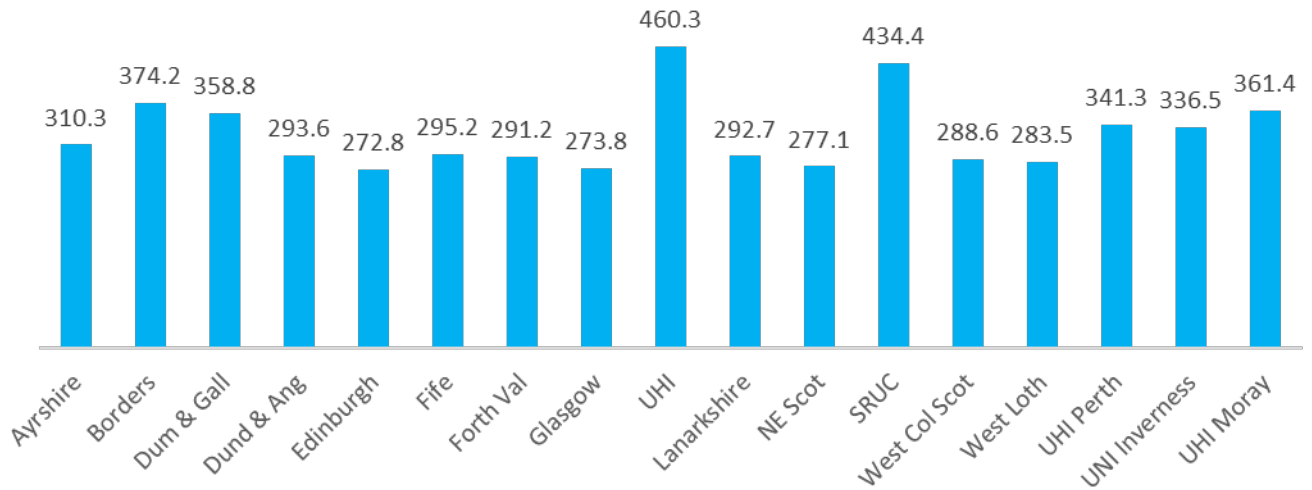
Sector Comparison

The following charts set out how UHI Perth compares across the sector in terms of SFC Core Income.

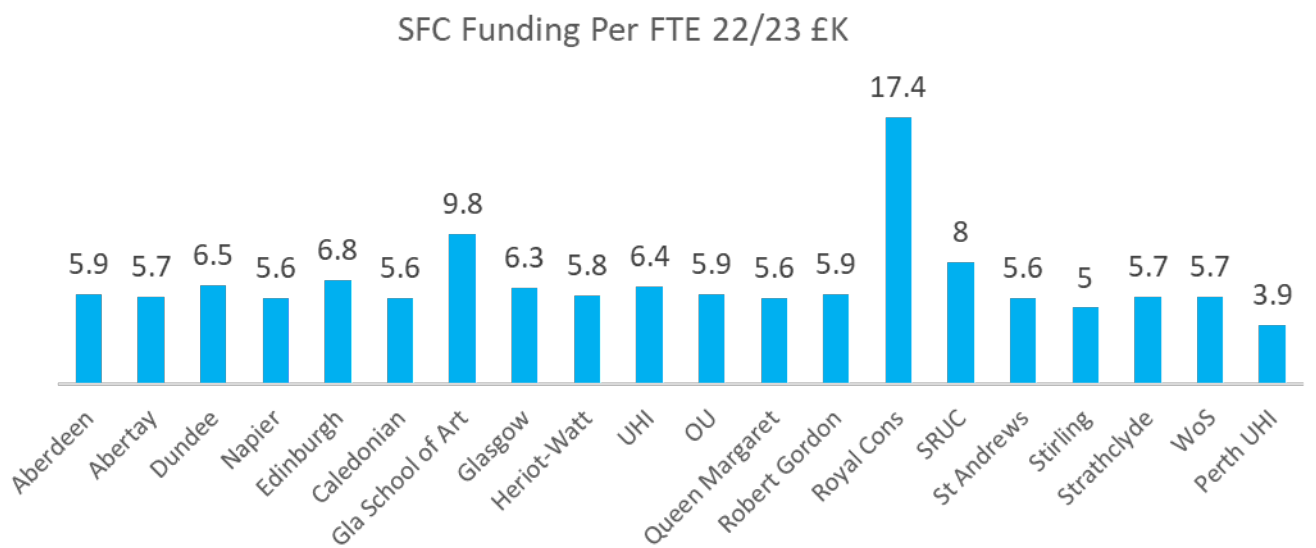
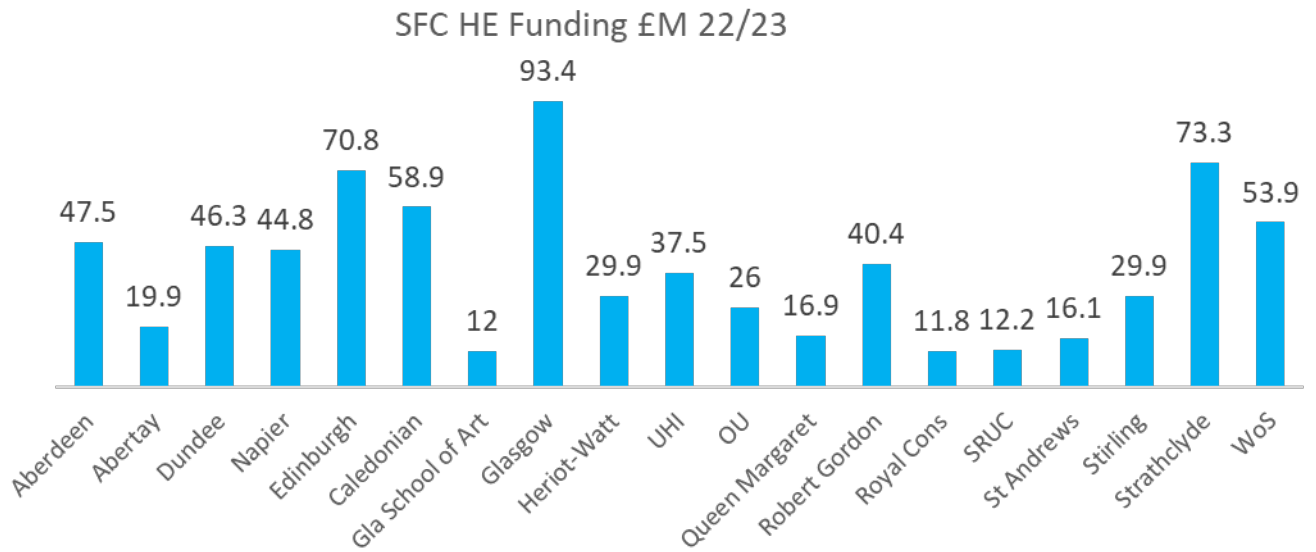
SFC FE Funding 22/23 £M



SFC Funding Per Credit 22/23 £



UHI Perth FE income per credit compares well versus other colleges in Scotland. These figures are after Top-Slice which is 10%. The figures above exclude Foundation Apprenticeships.



The chart above shows that Perth receives a much lower income per FTE compared with the other Universities in Scotland. This is due to the Top-Slice that is applied by EO, 30%. The Top-Slice is applied to fund central/university costs that EO incur on behalf of the partnership.

The table below shows UHI Perth spend versus other selected colleges. Comparisons are very difficult to make as colleges can use different terminology for types of income and spend. Not all colleges report the same information e.g. the Edinburgh College accounts did not include a split of staff costs between academic and non-academic. The information presented should only be used as a high-level comparison as there is no guarantee that you are looking at an “apples-apples” comparison.

	City of Glasgow	Edinburgh	UHI Perth	UHI Inverness	UHI Moray
% of Total Spend					
Academic Spend	62.4%	n/a	61.5%	56.4%	53.1%
Non-Academic Spend	37.6%	n/a	38.5%	43.6%	46.9%
% of Total Spend					
Staff Cost	79.7%	78.4%	72.9%	65.9%	70.3%
Total Academic Spend/ Income			63.2%	48.5%	54.2%

Overhead

Overheads are those functions who do not earn income. Some of these areas do receive funding but as this is not income for services any funding is netted off so that the net overhead cost is shown. The following table sets out the UHI Perth overhead costs as presented in the 22/23 budget.

Overheads	Funding	Staff Cost	Non-Staff Cost	Net Overhead
Student Experience		471,153	9,855	481,008
Student Records		415,854	293,040	708,894
Student Support	100,000	465,655	127,469	493,124
Estates	931,870	902,740	1,841,360	1,812,230
ICT		523,561	615,473	1,139,034
SMT		824,609	40,320	864,929
HR		410,049	152,183	562,232
Health & Safety		71,540	50,041	121,581
Finance		403,616	114,461	518,077
Marketing		152,332	45,000	197,332
Library		202,666	57,310	259,976
CAT		225,914	32,750	258,664
Pension Admin etc		166,932	106,800	273,732
L&TE		284,952	27,820	312,772
Procurement		25,930	81,600	107,530
Quality		148,577	4,389	152,966
Catering	750,000		800,000	50,000
Schools Program		50,667		50,667
Total Overhead	1,781,870	5,746,747	4,399,871	8,364,748

As overheads don't earn income, they need to be paid for from the Gross Profits made by our various businesses. Business performance is measured by reviewing the Gross Profit and the level of Surplus after an ALLOCATION of overheads. The allocation of overheads can be an emotive topic, so it is important to agree the rules of overhead allocation. Overhead can

be allocated under any methodology but once you move away from an equal share to all businesses then you open up a potentially never-ending debate and a need for additional resource. An equal share to each business is the methodology applied in this document.

An equal share is calculated by taking the total overheads of the organisation and dividing this value by the total income for the organisation. For UHI Perth, this equal allocation amount, sometimes referred to as hurdle rate, is 32.3% for 22/23.

If a business is allowed to have a lower overhead allocation than others, then the others need to receive a higher allocation. The example below is only for demonstration purposes and isn't related to UHI Perth but shows three businesses receiving an equal allocation of overhead, 33.3% of income.

1	A	B	C	Total
Income	1,000	1,000	1,000	3,000
Staff Cost	400	350	300	1,050
Non-Staff Cost	300	300	300	900
Gross Margin	300	350	400	1,050
Overhead	333	333	333	1,000
Surplus/(Deficit)	(33)	17	67	50
Overhead % Income	33.3%	33.3%	33.3%	33.3%

The second example below shows the impact of giving a lower allocation, 29%, to A. You can see that the full 1,000 still needs to be allocated so B and C need to take a 35.5% overhead allocation.

2	A	B	C	Total
Income	1,000	1,000	1,000	3,000
Staff Cost	400	350	300	1,050
Non-Staff Cost	300	300	300	900
Gross Margin	300	350	400	1,050
Overhead	290	355	355	1,000
Surplus/(Deficit)	10	(5)	45	50
Overhead % Income	29.0%	35.5%	35.5%	33.3%

Outlook

The outlook for the sector is extremely challenging. The exact impact will depend on the actual clawback/long term HE numbers, national bargaining settlement and inflation.

The recent FFR stipulated assumptions that included:

- No clawback in 22/23 and
- Salary increases of just under 3%.

Under these assumptions it's no surprise that UHI Perth would be sustainable for a few years before flat cash and falling HE numbers result in UHI Perth becoming insolvent (if we didn't take any action).

There was another set of assumptions through the FD community which resulted in UHI Perth becoming insolvent in 23/24 (assuming we take no action). However, this scenario only assumed salary increases of 5.5%.

The table, below, has the following assumptions:

Example 1

Income per 22/23 budget but salary increases are +11%, based on preaudit 21/22 actuals, and non-staff costs have been increased to take account of 11% inflation (as announced in Nov 22). This scenario shows UHI Perth remaining solvent in 22/23 with £684K of cash, just over 1 week's cost on average.

Example 2

Uses the same salary and non-staff assumptions as 1 but assumes claw back based on being 400 FTE's down on target. Under this assumption UHI Perth would become insolvent in 22/23.

	£K Pre Audit <u>21/22</u>	£K Budget <u>22/23</u>	£K 1 <u>22/23</u>	£K 2 <u>22/23</u>
Income	25,420	25,991	25,991	23,991
Staff Costs	19,921	21,044	22,112	22,112
% of income	78.4%	81.0%	85.1%	92.2%
Non-Staff Costs	4,934	4,947	5,194	5,194
% of income	19.4%	19.0%	20.0%	21.7%
Cash Surplus / (Deficit)	565	0	(1,316)	(3,316)
College Cash			2,000	2,000
Closing cash			684	(1,316)

Please note that cash is not as linear as presented above. Cash can be received in advance of services provide and cash can be received some time after services have been provided. However, for this exercise it is assumed that the net of cash in advance and cash after services nets to a linear profile.

While we don't know what the actual impact of clawback, national bargaining and inflation will finally be we have to set out a plan for all eventualities. A key point to note is that any national bargaining settlement won't just be for one year but will have to be paid year on year and there will be further increases each year. We also have to consider that while we talk about clawback in 22/23, it may be the case that lower HE numbers will be the norm moving forwards.

Using examples 1 and 2 from the previous page the tables below attempt to project what UHI Perth would need to do to close with £2M of cash at the end of 25/26. Both models assume that all restructuring would be made in 22/23 rather than cuts over a number of years. Both scenarios assume 22/23 inflation and non-staff costs at 11%, 23/24 at 5%, 24/25 at 3% and 25/26 at 2%.

For many years now there have been cuts to non-staff costs. Although we may find some more non-staff cost savings, they will be small relative to the potential gap. The models below assume that it will be staff costs which will need to be reduced to ensure financial sustainability.

Please note that as there is no funding for staff cost reduction, further staff cost reduction will need to be made to fund the initial staff cost reduction.

As with the models above, cash flow is assumed to be linear which may not be how the cash flow materialises on an actual basis.

Table A, below, assumes that there is clawback in 22/23 and that our HE numbers remain low in future years.

<u>A</u>	<u>Close 21/22</u>	<u>22/23</u>	<u>23/24</u>	<u>24/25</u>	<u>25/26</u>
Income		23,991	23,991	23,991	23,991
Staff + Non-Staff		22,644	23,350	24,050	24,531
Cash Surplus / (Deficit)		1,347	641	(59)	(540)
Restructuring		(1,479)	0	0	0
Cash Surplus / (Deficit)		(132)	641	(59)	(540)
Cash	2,000	1,868	2,509	2,450	1,910

Table B assumes no clawback in 22/23 and that our HE numbers recover to 20/21 levels in future years.

<u>B</u>	<u>Close 21/22</u>	<u>22/23</u>	<u>23/24</u>	<u>24/25</u>	<u>25/26</u>
Income		25,991	25,991	25,991	25,991
Staff + Non-Staff		24,573	25,462	26,226	26,750
Cash Surplus / (Deficit)		1,418	529	(235)	(759)
Restructuring		(867)	0	0	0
Cash Surplus / (Deficit)		551	529	(235)	(759)
Cash	2,000	2,551	3,080	2,845	2,086

Performance Overview

The table below sets out the performance across our businesses based on the 22/23 budget.

Income Generators	Income	Staff Cost	Non-Staff Cost	Gross Profit	Gross Margin	Overhead Allocation	Surplus / (Deficit)
Academic	22,643,296	13,331,173	1,368,121	7,944,002	35.1%	7,315,257	628,745
Research (Mountain Studies)	172,278	171,733	10,450	(9,905)	(5.7)%	55,657	(65,562)
AST	1,974,615	1,329,370	516,590	128,655	6.5%	637,929	(509,274)
ASW	546,988	461,579	98,424	(13,015)	(2.4)%	176,713	(189,728)
Nursery	217,488	348,627	26,275	(157,414)	(72.4)%	70,263	(227,677)
Residences	337,176	0	210,055	127,121	37.7%	108,930	18,191
Total Income Generators	25,891,841	15,642,482	2,229,915	8,019,444	31.0%	8,364,748	(345,304)

You can see from above that only two areas make a surplus. The first area to review is our academic areas.

Academic Performance

Academic performance is spread over four sectors. The Gross Margin, unaudited, that was reported for these areas in 21/22 were:

STEM, Gross Margin 32.2%

BMCL, Gross Margin 29.5%

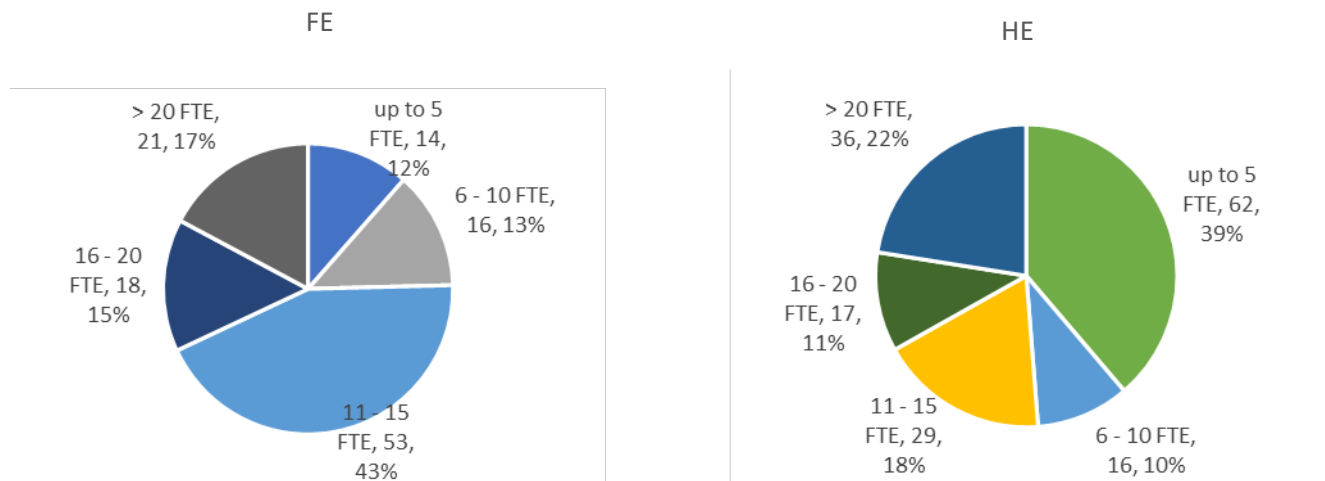
CCI, Gross Margin 37.1%

ALS, Gross Margin 38.3%

Three sectors have a gross margin that would be enough to take an equal allocation of the 22/23 budget overhead of 32.3%. Although BMCL is just below the level required this would only require a gross margin improvement of around £120K to breakeven with an equal overhead allocation.

The assumption, from the information above, could be that as the academic areas can take their allocation of overhead that there is minimal room for improvement, but this is not the case. However, complexity makes it difficult to pin-point opportunities, but they do exist.

The charts below show a breakdown of student numbers on the courses that we run. These numbers are based on the 21/22 Target setting. There were 282 courses in total (this is just core FE & HE).



The HE chart indicates that almost 50% of our courses run with 10 heads of less. Is the opportunity just a case of stopping these courses and the reduction in cost of delivery will be significantly more than the loss of income due to low student numbers? Enter complexity:

- Some courses are delivered together so three courses with say student numbers of, 2, 6 and 14 are run at the same time by one lecturer, so a class of 22.
- We may deliver this across UHI so while we only have say 4 on the course there are another 20 across the partnership making a class of 24 for UHI and Perth would receive funding for delivering to the other 20 through Micro RAM.
- If you take the opposite to the example above, if we stopped a course because we only had 8 students this may make the course unsustainable for the College who are the lead and reducing overall UHI income.
- Some of these courses will be years 2,3 and 4 of a degree i.e. you may have 3 students on year 1, 3 students on year 2, 4 students on year 3 and 2 students on year 4. You could stop the year 1 but would have to complete the course for year 2,3, and 4 students.
- This is only core FE & HE. Some courses receive other funding or students in addition to SFC funding for the core such as Managing Agents or International students.

Finding these opportunities today isn't straight forward. Models have been developed that will give us more detailed clarity around academic performance, but this won't be available until March/April 2023.

Commercial Performance

The commercial businesses covered in this document are:

- ASW

- AST
- Nursey
- Residences
- Mountain Studies (Research)
- International
- Core Skills

ASW

Is ASW is an overhead or a commercial business? Your definition at question 1 in the opening section will allow you to answer this question. While ASW has student members it has more non-student members, and the facility would be available to students whether the commercial part of the business existed or not. There are a number of commercial gyms in Perth and an upgraded council facility is just about to be opened which will bring even more competition.

ASW was originally set-up to support the curriculum. At some point during construction, it was decided to create a commercial business to generate income for the college. However, income isn't the key driver of a commercial business, profit is the key driver.

From a finance point of view ASW is a commercial business.

The budget for 22/23 shows ASW making a small gross margin loss (which means it can't cover its own direct costs). When an equal share of overhead is applied then ASW makes a significant loss. This financial performance has been consistent for a number of years.

	£
Income	546,988
Staff Cost	461,579
Non-Staff Cost	98,424
Gross Profit	(13,015)
Gross Margin	(2.4)%
Ohd Allocation	176,713
Surplus/(Deficit)	(189,728)
% of income	(34.7)%

The key financial issue for ASW is that it was set up within the College and not as standalone limited company. This means that staff receive salaries and pensions much higher than they could earn in the private sector. ASW don't have much flexibility around price levels as they are in a competitive market which results in the performance above. Despite lots of hard

work by the ASW team the cost and price position noted above means that they can never make a profit or even break-even.

There is a proposal to invest around £170K in football pitches which have been presented as being profitable. However, there is no market data, at the moment, to support the numbers.

AST

The first thing to note is that the numbers below are different to the budget approved by the AST Board. This is done to convert published accounting numbers into management accounts. Key changes include:

- The cost of depreciation has been removed.
- The £100K overhead that AST pay to the College has been removed and replaced with an equal share of college overhead.

For several years AST gift aided profits to UHI Perth. Recently, cash difficulties have meant that AST have not been able to gift aid profits to the college and the Board of Management have allowed AST not to pay anything to UHI Perth until further notice. Financial challenges will remain for some time to come and cash challenges could intensify quickly.

UHI Perth cannot offer financial support to AST but UHI EO could offer financial support.

	£
Income	1,974,615
Staff Cost	1,329,370
Non-Staff Cost	516,590
Gross Profit	128,655
Gross Margin	6.5%
Ohd Allocation	637,929
Surplus/(Deficit)	(509,274)
% of income	(25.8)%

From a college perspective, AST are not an important part of their offerings/numbers today and if AST were not part of UHI Perth there would be almost no impact today.

Nursery

Similar to ASW, the nursery:

- Was set up within the college rather than as a standalone limited company.
- Salaries and pensions are at public sector levels, which are much higher than a staff member would earn in the private sector.

- Prices can't be raised as the nursery is in a competitive market.

The nursery has 30 children on average (numbers vary each day). There are a number of commercial nurseries in Perth and students would receive funding for their children if they went to a competitor's nursery rather than Perth.

	£
Income	217,488
Staff Cost	348,627
Non-Staff Cost	26,275
Gross Profit	(157,414)
Gross Margin	(72.4)%
Ohd Allocation	70,263
Surplus/(Deficit)	(227,677)
% of income	(104.7)%

Another consideration for the nursery is how long the current building will be fit for purpose.

Residences

Our residences are a success story. Our residences are always at full capacity (outside of COVID) and we let out our residences over the summer to bring in additional income.

	£
Income	337,176
Staff Cost	0
Non-Staff Cost	210,055
Gross Profit	127,121
Gross Margin	37.7%
Ohd Allocation	108,930
Surplus/(Deficit)	18,191
% of income	5.4%

Residences have a benefit over some of our other commercial businesses as there is limited student accommodation (competition) in Perth relative to the number of students.

Mountain Studies (Research)

I have added research under commercial as most of their income does not originate from SFC core funding. It may be decided that research should have different financial performance requirements to other commercial businesses, but these requirements should be documented and measured. For this paper I have calculated the research surplus/deficit on the same basis as other commercial businesses in this paper.

	£
Income	172,278
Staff Cost	171,733
Non-Staff Cost	10,450
Gross Profit	(9,905)
Gross Margin	(5.7)%
Ohd Allocation	55,657
Surplus/Deficit	(65,562)
% of income	(38.1)%

International & Core Skills

Core skills are made up of Foundation Apprenticeships, Modern Apprenticeships, Managing Agents and FWDF.

Currently the profitability of International and Core Skills is unknown. Splitting costs is difficult as some courses have core SFC funded students as well as International or Core Skills students and academic staff are based in academic cost centres so moving the relevant portion of academic cost against the correct income stream is not possible today. To capture cost information on an actual basis a process would require:

- Academics to time-write so that we know how much time they spent on international and core skills courses and
- An understanding of the student split across relevant courses on a daily basis.

This process could be achieved but would require further capacity in finance and academic staff willing to, and remembering to, time-write against specific courses.

Although there is no actual process today, we should be able to get an understanding of International and Core Skills profitability when we carry out the budget in March 2023. Models have been developed that will capture this information.

Another issue, from a financial perspective, is that there is no owner of these categories. International and Business Development teams look for income while academic areas carry out the delivery.

However, are International and Core Skills commercial businesses? Should International and Core Skills be rolled in with the question about student numbers and course profitability rather than being tracked as commercial businesses? Should academic Sector Development Directors (SDD's) be setting out the student numbers they require to maximise their course profitability and capacity?

Conclusion

Although we can see the risk, we do not have clarity on what will and will not materialise. If the FD community assumptions are correct then we have a year to prepare, however, if the current national bargaining request and clawback materialise for this year then it could already be too late to do enough to prevent the college running out of cash. The national bargaining may not be settled until the end of the year and clawback decisions can take longer than a year.

Solutions are available but it will require further analysis and an acceptance that we may need to stop doing things (no matter how well they can be justified) to ensure that our core business and our financial sustainability is secured. Although we stop doing some of the things we do today it doesn't mean they won't exist through a new owner.

Supplemental Paper

Please note that the following paper was submitted to Strategic Development Committee on 05 December 2022 for discussion, and is now provided Finance & Resources Committee as an extract from Paper 3 to provide some supplemental non-financial thoughts around the commercial businesses.

Introduction

This paper sets out the current status of non- SFC funded activity together with a series of Challenge Questions for Committee’s consideration. This will inform the way forward for a Commercial Strategy for UHI Perth. This will also influence the work to refresh the enabling strategies of International, Business Development and Development Trust in line with the new College Strategy along with the UHI Engagement Strategy and Together Campaign.

Context

Before reading the rest of this paper and in order to consider the financial position of some of our businesses it is important for you to formulate a definition of:

1. *What is the definition/hurdle rates for a business to be classed as a commercial business at UHI Perth?*
2. *Why do we have commercial businesses at UHI Perth?*
3. *What is the minimum financial performance of commercial businesses at UHI Perth?*

The Committee are asked to bear in mind that a public sector organisation cannot use public funds to support a commercial business.

Complexity = Cost

UHI Perth is a complex organisation, and this is important point when considering financial sustainability. The graphic below sets out the key income streams at UHI Perth. “Other” is made up of many small income streams ranging from hairdressing to short term courses for the unemployed and beyond.

FE Core	HE Core	Tuition	International
Foundation Apprenticeships	Modern Apprenticeships	SECCT	SNIPF
CiTB	AST	Gym	Climbing Wall
Bursary	Nursery	Childcare	Research
Estates	Residences	Micro RAM	FWDF
Catering	Other Income		

From a professional services point of view most of the businesses above operate as standalone businesses. Their various compliance requirements and complexities (some are very complex) have to be understood and managed. The number of businesses we have makes this very difficult. The challenge is further compounded when two or more of these businesses arrive at professional services expecting, understandably, that their business is dealt with first.

Complexity =

1. Cost.
2. Stress on professional service areas (there is a limited capacity).
3. Risk.
4. Control challenges.

For most readers of this paper, we have inherited the current portfolio. While each income stream at UHI Perth can be rationalised/justified it is important to step back and consider:

- Whether we can afford to do all these things,
- Do we have the capacity, certainly in professional services,
- Are we experts at running ALL these areas?
- Do our commercial businesses fit with why we exist/our purpose.

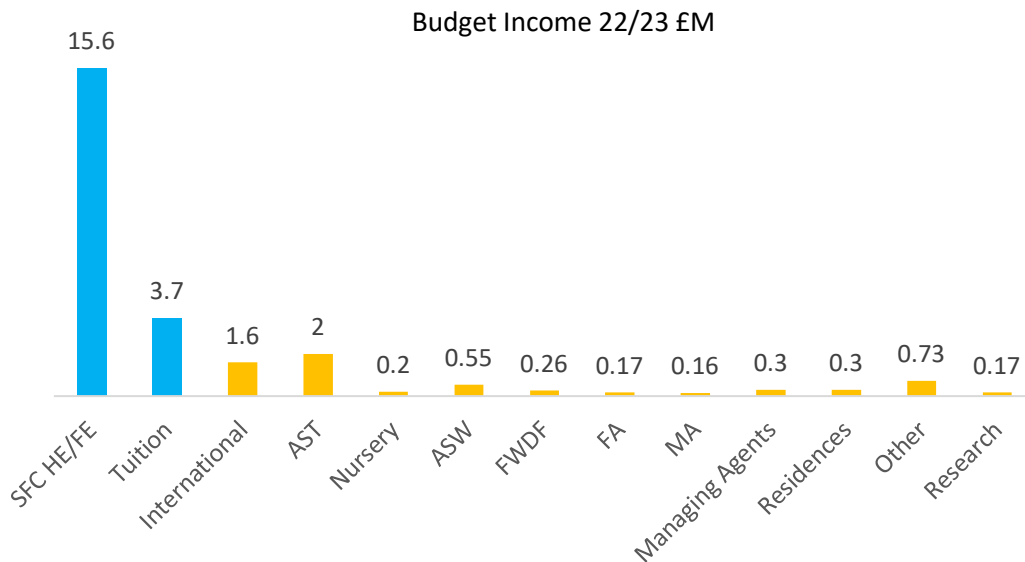
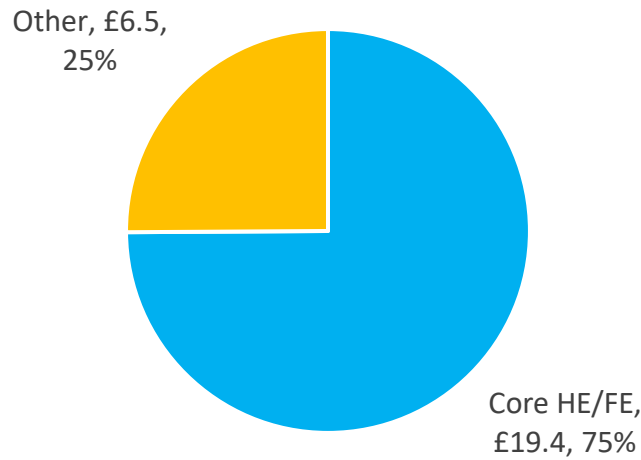
While income is important, a more important requirement is profitable income. However, even when an income stream is profitable, we need hurdle rates before entering into the venture....

From a finance point of view, we would recommend that:

1. If a business is not within our core areas of expertise we should resist being/moving into that market.
2. If a business cannot meet the basic financial requirements, set out by you at question 3 in the opening section above, then we should exit/not enter that market.
3. Even when the basic financial requirements are met, we should also have a minimum profit level before entering into a venture. This is because a £3,000 income stream with a 10% profit can take up as much time to manage as a £100,000 with a 10% profit. Two or three £3,000 ventures can take up all available capacity. It would also be the case that if staff looking for opportunities don't have a basic hurdle rate, then they will be looking for any level of income which may not be the best use of our resource.
4. We do not have capacity then we don't add more business until we do have the capacity in place.
5. We have a plan from inception to final cash collection in place BEFORE we take on any income. Very often we commit to the income and have no plan resulting in an unplanned process which can require you to "drop everything else".
6. We assign responsibility for the plan and performance to an owner.
7. We do not fund or shore up commercial businesses with public funds.

Another important consideration for commercial businesses is their impact on our core businesses. This is an important consideration as the graph below shows the size of our, currently defined, commercial businesses relative to our core HE/FE business. Any work carried out by professional services, and sometimes our academic areas, on commercial businesses is time lost to our core businesses.

Budget Income 22/23 £M



The final area to consider before looking at individual business performance is the allocation of overheads. Commercial businesses will argue that they should only pay for the overhead that they consume. While this makes sense at one level, in practice this would result in a continuous debate over what overhead each business has used AND you would also need to add finance staff to carry our detailed analysis. Where would this debate stop ... “I only had three staff in the canteen last week so I should only be allocated ((3/total staff in the canteen) * total canteen cost), and this has to be adjusted as they all had salads, so we want to pay less for electricity and gas consumption”. Most organisations avoid doing detailed overhead allocation and prefer each business to take an equal share of the overall overhead. This document follows that principle.

The commercial businesses covered in this document are:

- ASW
- AST
- Nursery
- Residences
- Research
- International and Commercial Skills

Academy for Sport and Wellbeing (ASW)

Should ASW be categorised as an overhead or as a commercial business? Your definition at question 1 in the opening section will allow you to answer this question. While ASW has student members it has more non-student members, and the facility would be available to students whether the commercial part of the business existed or not. There are a number of commercial gyms in Perth and an upgraded council facility has recently opened which has created more competition, however, ASW has a loyal membership which continues to grow.

ASW was originally set-up to support the curriculum and reduce external hire fees for curriculum delivery. At some point during construction, it was decided to create a commercial business to generate income for the college.

From a finance perspective, ASW is deemed a commercial business and therefore driven to create profitable income. The budget for 22/23 shows ASW making a small gross margin loss (which means it is not covering its own direct costs). When an equal share of overhead is applied then ASW makes a significant loss. This financial performance has been consistent for a number of years.

ASW does however also significantly support college recruitment and offers high numbers of student workplacements, many of those students ultimately creating their own sport and wellbeing businesses. In addition, bringing commercial customers and other members of the community onto campus for ASW activities and events stimulates applications, however this is difficult to quantify and therefore recognition of that function is not included within any of the commercial performance data.

Income	546,988
	£
Staff Cost	461,579
Non-Staff Cost	98,424
Gross Profit	(13,015)
Gross Margin	(2.4)%
Ohd Allocation	176,713
Surplus/(Deficit)	(189,728)
% of income	(34.7)%

The key financial issue for ASW is that it was set up within the college and not as standalone limited company. This means that staff receive salaries and pensions much higher than they could earn in the private sector. ASW don't have much flexibility around price levels as they are in a competitive market which results in the performance above. Despite significant levels of hard work by the ASW team, the cost and price position noted above means that they can never make a profit or even break-even.

There is a proposal to invest around £160K of funds raised through the Development Trust into football pitches which would create an additional outdoor classroom and provide the opportunity to generate a projected profitable revenue, thereby adding an improved margin to ASW. The market data which was prepared pre-covid is being revisited to confirm the projections.

Air Service Training (AST)

The first thing to note is that the numbers below are different to the budget approved by the AST Board. This is done to convert published accounting numbers into management accounts. Key changes include:

- The cost of depreciation has been removed.
- The £100K overhead that AST pay to the College has been removed and replaced with an equal share of college overhead.

For several years AST gift aided approximately £150 - 200k annual profits to UHI Perth over the last 10 years. Recently, cash flow difficulties have meant that AST have not been able to gift aid profits to the college and the Board of Management have allowed AST not to pay anything to UHI Perth for 2021/22. This decision would be reviewed annually for a 3 year period. Financial challenges will remain for some time to come and cash challenges could intensify quickly.

UHI Perth cannot offer financial support to AST but UHI EO could offer financial support or consideration could be given towards potentially offering shares within AST or the creation of a different ownership structure, particularly where opportunities to commercialise IP exist.

Income	£ 1,974,615
Staff Cost	1,329,370
Non-Staff Cost	516,590
Gross Profit	128,655
Gross Margin	6.5%
Ohd Allocation	637,929
Surplus/(Deficit)	(509,274)
% of income	(25.8)%

A paper on the ownership of AST was reviewed at the Board in 2021 with a decision to retain ownership taken at that time. This review could be revisited on the basis of the current scenarios facing AST as deemed appropriate by the Board. From a college perspective, AST are not a critical element of UHI Perth offerings/numbers today.

Nursery

Similar to ASW, the nursery:

- Was set up within the college rather than as a standalone limited company.
- Salaries and pensions are at public sector levels, which are much higher than a staff member would earn in the private sector.
- Prices can't be raised as the nursery is in a competitive market.

The nursery has 30 children on average (numbers vary each day). There are a number of commercial nurseries in Perth and students would receive funding for their children if they went to a competitor's nursery rather than Perth.

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Income	217,488
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Ohd Allocation	70,263
Surplus/(Deficit)	(227,677)
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Another consideration for the nursery is how long the current building will remain fit for purpose.

Residences

Our residences are a success story. Our residences are always at full capacity (outside of COVID) and we let out our residences over the summer to bring in additional income.

	£
Income	337,176
Staff Cost	0
Non-Staff Cost	210,055
Gross Profit	127,121
Gross Margin	37.7%
Ohd Allocation	108,930
Surplus/(Deficit)	18,191
% of income	5.4%

Residences have a benefit over some of our other commercial businesses as there is limited student accommodation (competition) in Perth relative to the number of students with demand greater than supply. This scenario can also mean UHI Perth is capacity constrained for recruitment where we are aiming to attract students to Perth for our USP courses. This will be discussed within the Estates Master Planning work being undertaken in partnership with Perth and Kinross Council.

Research (Mountain Studies)

Research has been included under commercial as most of their income does not originate from SFC core funding. It may be decided that research should have different financial performance requirements to other commercial businesses, but these requirements should be documented and measured. For this paper, the research surplus/deficit calculation is presented on the same basis as other commercial businesses in this paper.

	£
Income	172,278
Staff Cost	171,733
Non-Staff Cost	10,450
Gross Profit	(9,905)
Gross Margin	(5.7)%
Ohd Allocation	55,657
Surplus/Deficit	(65,562)
% of income	(38.1)%

International & Commercial Skills

Commercial skills are made up of Foundation Apprenticeships (SFC credit funded from 2022/23), Modern Apprenticeships, Managing Agents and Flexible Workforce Development Fund (FWDF).

Currently the profitability of International and Commercial Skills is unknown. Splitting costs is difficult as some courses have core SFC funded students as well as International or Commercial Skills students. Academic staff are based in academic cost centres so moving the relevant portion of academic cost against the correct income stream is not possible today. To capture cost information on an actual basis a process would require:

- Academics to time-write so that we know how much time they spent on international and commercial skills courses and
- An understanding of the student split across relevant courses on a daily basis.

This process could be achieved but would require further capacity in finance and academic staff willing to, and remembering to, time-write against specific courses.

Although there is no actual process today, we should be able to get an understanding of International and Commercial Skills profitability when we carry out the budget in March 2023. Models have been developed that will capture this information.

Another issue, from a financial perspective, is that there is no dedicated owner of these categories with a collaborative business development and delivery model in place. International and Business Development teams look for income while academic areas carry out the delivery.

On this basis, the following questions are presented to the Committee for consideration.

Q - Should International and Commercial Skills be commercial businesses in their own right?

Q - Should International and Commercial Skills be rolled in with student numbers and course profitability rather than being tracked as separate commercial businesses?

Q - Should academic Sector Development Directors (SDD's) be setting out the student numbers they require to maximise their course profitability and capacity?

Conclusion

The answers to questions 1-3 in the Context section of this paper will provide a basis for your decision making.

From a finance perspective, the current and future challenges to financial sustainability require UHI Perth to consider whether we have the funds and expertise to do all things we are doing today, is it time to reduce our complexity and in doing so reduce cost, risk, and capacity pressures?

In writing this paper there is a strong case that we have five commercial businesses and only one of these is making a surplus once the standard college overhead is applied. International and Commercial Skills have not yet been fully quantified for the reasons outlined above.

Q - Can we afford/justify the commercial businesses unable to return a full profit in the format they are in today?

In the short to medium term, it may be more appropriate for International and Commercial Skills to be considered under student numbers and course profitability rather than as standalone commercial businesses.

Final Consideration

It should be noted that by reducing the cost of our commercial businesses, and/or by exiting should also see a reduction in overheads. However, overhead reduction is difficult to identify as matching overhead with a specific business is very difficult as noted under "Complexity = Cost" above.

Recommendation

The Committee is asked to review the content of the paper ahead of the discussion within the meeting in order that key parameters can be set for the creation of a College Commercial Strategy which will overarch the enabling International, Business Development and Development Trust refreshed Strategies.

Committee	Finance and Resources Committee
Subject	AAS Update
Date of Committee meeting	12/12/2022
Author	Veronica Lynch
Date paper prepared	02/12/2022
Executive summary of the paper	<p>Please outline the follow elements of this paper:</p> <ul style="list-style-type: none"> i) Purpose – what is it for ii) Impact – what are the intended outcomes iii) Course of Action – what happens next & by whom <ul style="list-style-type: none"> i) Purpose – This paper provides an update on developments since the previous Aviation Academy for Scotland (AAS) update at the Board of Management on 20 October 2022 which endorsed the inclusion of the AAS project into the UHI Perth Estate Masterplan in collaboration with Perth and Kinross Council. It outlines the status of discussions with PKC and the TCD PMO in relation to the creation of a proposed Masterplan and resulting impacts on forecasted drawdown due to delays in the completion of the OBC. ii) Impact – this approach will provide an opportunity to redevelop the Perth College estate in collaboration with PKC. This would increase the likelihood of presenting a strong case for funding to take these proposals forward to implementation. These proposals would also enable a more effective use of the capital funding of £5.096m from Tay Cities Deal towards the AAS project, however delays in the timing of the drawdown are impacted into 2029/30. iii) Course of Action – It is recommended that the Board of Management <ul style="list-style-type: none"> a. note the status update and the ongoing discussions with the PMO and the new owners of Tayside Aviation in relation to the approval processes for either a combined Outline Business Case (OBC) and Full Business Case (FBC) or to separate the Perth and

Perth College UHI

	<p>Dundee elements of the project within a Programme Approval to enable a combined OBC and separate FBC to be finalised and submitted within the earliest possible approval cycle that best suits the timescales of each partner.</p> <p>b. note the change in financial drawdown profile for 2023/24 with the scheduled £2.743m plus the previous £1.63m deferred grant drawdown (previously projected for 2022/23) both now being delayed drawdown until 2029/30.</p>
<p>Consultation</p> <p>Please note which related parties, stakeholders and/or Committees have been consulted</p>	<p>College Board, Regional Partners, UHI.</p>
<p>Action requested</p>	<p><input checked="" type="checkbox"/> For information</p> <p><input 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? If yes, please provide details.</p>	<p>Yes/ No</p> <p>The Masterplan development will be led by PKC in conjunction with SMT and the College's Estates consultants. Resource implications will become clearer as this work develops.</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk? (If yes, please provide details)</p>	<p>Yes/ No</p> <p>While the discussions to include AAS within the Estates Masterplan pose no risk to the College at this time, the delays in deferring the drawdown from 2023/24 to 2029/30 mean that the full funding for any development works may need to wait until that timeline to drawdown that element of the funding. PMO indications are that this is a relatively low risk.</p> <p>As discussions develop, any associated risks will become clearer.</p>

Perth College UHI

<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>Estates Strategy</p> <p>Growing the College's reach regionally, nationally and internationally</p> <p>Improved learner experience</p> <p>New opportunity for the Curriculum and AST</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p> <p>Click or tap here to enter text.</p>
<p>Island communities</p> <p>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>Confidential</p>
<p>Freedom of information</p> <p>Can this paper be included in "open" business?*</p>	<p>Yes/ No</p>

Perth College UHI

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

Its disclosure would substantially prejudice a programme of research	<input type="checkbox"/>	Its disclosure would substantially prejudice the effective conduct of public affairs	<input checked="" type="checkbox"/>
Its disclosure would substantially prejudice the commercial interests of any person or organisation	<input checked="" 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? December 2024

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

Executive Summary

This paper provides an update on developments since the previous Aviation Academy for Scotland (AAS) update at the Board of Management on 20 October 2022 which endorsed the inclusion of the AAS project into the UHI Perth Estate Masterplan in collaboration with Perth and Kinross Council.

The Committee are requested to note the project update.

AAS Perth Campus Update

The College has been progressing discussions previously endorsed by the Board of Management to include the AAS project development into the UHI Perth Estates Masterplan in collaboration with Perth and Kinross Council (PKC). These discussions would enable the inclusion of the initial scoping work which had identified the preferred option of a re-alignment, refurbishment and extension of the existing Crieff Road estate to provide the additional workshops, labs and classrooms required to deliver the AAS outputs. With the inclusion of this project development within the overall Masterplan, more flexibilities on delivery along with the opportunity to leverage other sources of external funding should be more achievable. Current plans are that this would still require the AST hangar to be retained at Scone.

While this Estates Masterplan work is at a very early stage and still requires to be fully scoped, the College's proposal to review all elements of the campus within either a new-build or a re-configuration of the campus with associated financial implications of each option, along with reviewing the likelihood potential support from Scottish Futures Trust is underway and currently led by PKC.

This approach means that the Outline Business Case (OBC) for AAS to drawdown the £5.96m budget has been further delayed. The Board had previously endorsed a reprofile of the original budget profile where the first scheduled drawdown of £1.63m in 2022/23 was not required within the 2022/23 fiscal year and this had previously been confirmed with the PMO.

The next scheduled drawdown within the original budget profile is £2.743m by 31 March 2024. With the timescale of the Masterplan works and the subsequent OBC and Full Business Case (FBC) process taking 12 months, it would be prudent at this stage to inform the Tay Cities Deal Programme Management Office (PMO) at this stage that this drawdown milestone would be delayed. With the endorsement from the Finance and Resources Committee, this would be included within the AAS quarter 3 report to be submitted by 16 December 2022.

All scoping works will be funded from the UHI Strategic Investment Funding of £300k which can be drawn down when required.

AAS Dundee Campus Update

The second part of AAS involves a new-build of facilities at Dundee Airport for use by Tayside Aviation (TA). While Dundee City Council (DCC) had an in-principle agreement on a Heads of Terms market price rental model with Tayside Aviation at Dundee Airport, this has now experienced further delays as a result of new owners purchasing TA in early January 2022.

There has been a subsequent change in senior staff at TA in the last month and relationships between the College and those new representatives are being built. The College has had meetings with the new owners and they are confirming their commitment to the AAS project however require further discussions with DCC and Highlands & Islands Airports Limited (HIAL) before any decisions on the preferred way forward for them can be made.

Tayside Aviation are receptive to work with the College to engage with the Programme Management Office (PMO) of the Tay Cities Deal (TCD) to review options on a scope change process to separate the approval processes to identify how the Perth and Dundee parts of the project approvals can progress separately should that be required. A scope change may be brought forward should our respective approval timescales require a programme approach to build in greater flexibility.

Engagement with PMO

Discussions continue to take place with the PMO to keep them abreast of developments in the project and we already have agreement from them on how the scope change process can be progressed if required to better meet the needs of all partners in the project.

The College had previously discussed with the PMO that as a result of the discussions with the new owners of Tayside Aviation and the College's work with PKC on our Estate Masterplan, this would mean that the scheduled £2.743m drawdown will no longer be required in 2023/24. The Committee are asked to note the risk that this allocation nominally moves to year 10 in the deal profile before this can be drawn down.

The PMO have indicated, however that to date it has been possible for other projects facing the same issues of not matching the drawdown profile as specified in the heads of terms have not yet been disadvantaged as the PMO aim to manage these issues across the deal and therefore while not guaranteed, it is possible that this will be available earlier than year 10 a therefore a minimal risk.

Revised Financial Profile

The revised financial drawdown profile looks as presented below.

TCD Profile		Yr 1	Yr 2	Yr 3	Yr 4	Yr 5	Yr 6	Yr 7	Yr 8	Yr 9	Yr 10	All Years
CAPITAL Programme		Funder 2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29	2029/30	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
TCD023	UKG	0.0	0.0	1,630.0	2,743.0	1,779.0	1,753.0	195.0	0.0	0.0	1,630.0	
Aviation Academy for Scotland												+2,743
												=4,373
												8,100.0

Revised Timeline

The revised timeline given to the PMO for submission of both the OBC and FBC has not yet been confirmed and will be dependant upon the completion of the Estate Masterplan to enable the OBC to be finalised and resubmitted. The OBC and FBC approval process is currently estimated to be in excess of 12 months from submission.

Recommendations

The Committee are requested to note the following:

- a. note the status update and the ongoing discussions with the PMO and the new owners of Tayside Aviation in relation to the approval processes for either a combined Outline Business Case (OBC) and Full Business Case (FBC) or to separate the Perth and Dundee elements of the project within a Programme Approval to enable a combined OBC and separate FBC to be finalised and submitted within the earliest possible approval cycle that best suits the timescales of each partner.
- b. note the change in financial drawdown profile for 2023/24 with the scheduled £2.743m plus the previous £1.63m deferred grant drawdown (previously projected for 2022/23) both now being delayed drawdown until 2029/30.

Perth College UHI

Paper No. 5

Committee	Finance and Resources Committee
Subject	Estates Update
Date of Committee meeting	12/12/2022
Author	Kevin Lynch, Head of Estates
Date paper prepared	06/12/2022
Executive summary of the paper	Update on the recent activities within the Estates department
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)
Resource implications Does this activity/proposal require the use of College resources to implement? If yes, please provide details.	No
Risk implications	No

Perth College UHI

<p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk? (If yes, please provide details)</p>	<p>Click or tap here to enter text.</p>
<p>Link with strategy 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> Does this activity/proposal require an Equality Impact Assessment? If yes, please give details:</p>	<p>No</p>
<p><u>Data Protection</u> Does this activity/proposal require a Data Protection Impact Assessment? If yes, please give details:</p>	<p>No</p> <p>Click or tap here to enter text.</p>
<p>Island communities Does this activity/ proposal have an effect on an island community which is significantly different from its effect on other communities (including other island communities)?</p>	<p>No</p> <p>If yes, please give details:</p> <p>Click or tap here to enter text.</p>

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Status (e.g. confidential/non confidential)	Non-Confidential
Freedom of information Can this paper be included in "open" business?*	Yes

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

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

For how long must the paper be withheld? [Click or tap here to enter text.](#)

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

<http://www.itspublicknowledge.info/ScottishPublicAuthorities/ScottishPublicAuthorities.asp>

and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Estates Update December 2022

Introduction

The following report provides an update of activities within the Estates Department as of 6th December 2022.

Covid 19

All Covid restrictions have been relaxed but we have kept the one-way system in place within the library and this continues to work well.

We also continue to supply hand sanitizer, sterile wipes etc. to maintain standards.

Estates Strategy

The Estates Strategy is still ongoing, but the consultants are aware of the discussions with P&KC re a joint project on our campus, which has delayed the final document.

Current Works

We are currently working on 2 projects:

- Relocation of first aid room in the ASW
- Refurbishment of old shower area in the Brahan to create a new textile room

We have completed the creation of 2 new group study rooms in the library and are currently exploring options for additional space for AST and reconfiguration of the STEM office space.

We are currently having issues with the heating to the upper floors in the Goodlyburn. The issues are taking longer to resolve due to the availability of parts for an aging system.

Environmental Sustainability

Environmental Sustainability Group have begun to meet regularly and have invited various stakeholders to join the group.

We are still at the early stages of creating a Climate Action Plan for the College and will benchmark against other similar sized organisations.

We submitted our annual climate change report to Sustainable Scotland Network and our carbon production for 21/22 has gone up slightly from our 20/21 footprint. In 20/21 we produced 1576 tonnes of CO₂ and for 21/22 we have produced 1646 tonnes of CO₂. However, this increase is due to increased activity on campus after the pandemic and the fact that we are reporting on more activities each year.

Utilities costs

Utilities bills have gone up considerably since 1st April, however early indications of the price cap recently announced by the UK Government are, that we are already paying less than the price cap and are therefore unlikely to make any savings but we await confirmation from APUC on this matter.

Contracts

We are in the process of appointing a new contractor, SPIE, for our fire alarm , intruder alarm and CCTV service and maintenance.

We continue to work with APUC to review all contracts and suppliers and make savings where possible.

Kevin Lynch

Head of Estates

Perth College UHI

Paper 6

Committee	Finance & Resources Committee
Subject	HR Update
Date of Committee meeting	12/12/2022
Author	Katy Lees, Head of HR & Organisational Development
Date paper prepared	28/09/2022
Executive summary of the paper	Update on key HR issues for the period to December 2022
Consultation How has consultation with partners been carried out?	N/A
Action requested	<input checked="" type="checkbox"/> For information only <input type="checkbox"/> For discussion <input type="checkbox"/> For recommendation <input type="checkbox"/> For approval
Resource implications (If yes, please provide details)	No
Risk implications (If yes, please provide details)	
Link with strategy Please highlight how the paper links to the Strategic Plan, or assist with: <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	

Perth College UHI

<p><u>Equality and diversity</u></p> <p>Yes/ No</p> <p>If yes, please give details:</p>	No
<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>	No
<p><u>Data Protection</u></p> <p>Does this activity/ proposal require a Data Protection Impact Assessment?</p>	No
<p>Status (e.g. confidential/non confidential)</p>	Non-Confidential
<p>Freedom of information</p> <p>Can this paper be included in “open” business?*</p>	Open Business

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

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

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

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and

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Finance and Resources Committee HR&OD Update

Prepared by: Katy Lees, Head of HR & Organisational Development

Date: 6 December 2022

National Job Evaluation Scheme – latest update

Following our update in July 2022, we can now report that over the past few months, the project team has been concluding on the final quality assurance checks on the scores across all 22 colleges, as part of Stage Two (evaluation of roles) of the project.

The outcomes from the evaluation process will be presented to individual college HR departments for final feedback during mid-November 2022 before these are presented to the NJNC Job Evaluation Working Group and subsequently to the full NJNC for ratification.

Once Stage Two of the project has concluded, the project team will be able to communicate definite timescales for taking forward Stage Three (development of pay and grading options).

We appreciate your continued support whilst we do the necessary work to conclude Stage Two and we will aim to provide a further update during December 2022.

National Bargaining

There is no progress on this matter.

Employee Relations

The College has one ongoing Employment Tribunal claim which is being defended by the College.

Equality and Diversity

Pronoun training pilots and Reasonable Adjustment Pilots are now underway.

Stress Survey

The next meeting of the Stress Management Group is taking place on the 19 December 2022 and the group will be focusing on the findings of the Stress Management Group. The stress survey planned for January 2023 is being postponed until later in the year to allow the focus to be on the focus group findings.

Sickness Absence

Please find below college sickness absence information for the academic year 2019/20 to date:

CIPHR	2019/2020 (full year)		2020/2021 (full year)		2021/2022 (Aug – April)	
	Total Sick Days	Average Sick Days per Head	Total Sick Days	Average Sick Days per Head	Total Sick Days	Average Sick Days per Head
Management	35	1.95	0	0.0	105	5.8
Support	3161.5	12.65	1557	6.7	1987	12.6
Academic	852	3.46	706	2.8	1128	6.1
Total	4048.5	7.88	2263	4.5	3220	8.9

As can be seen the 2022/2023 sickness year is about where we would expect at this time of year.

The initial figures for 22/23 are below

	Cumulative (Aug 2021 - July 2022)		Cumulative (Aug 2022 – Oct 22 only)	
	Short Term - Total Sick Days	Long Term - Total Sick Days	Short Term - Total Sick Days	Long Term - Total Sick Days
Management	41	64	21	0
Support	932	1055	241	62
Academic	406	722	114	16
Total	1379	1841	376	78

Cold/Flu is the main reasons for short term sickness absence in October 2022

Professional Reviews

Professional Reviews for staff will be taking place between the 17 October 2022 and the end of January 2023. Training is being put on for Managers and staff alike about on the process and paperwork alike from the 17 October 2022 and these sessions will be run by HR staff and the Head of Learning and Teaching Enhancement (for Academic managers only).

Organisational Development

The College is looking to take control of some of the mandatory training that is currently held on the UHI area of Brightspace (GBV training, EQIA training etc), however this is a complicated process and the HR team are currently working through the challenges that they are likely to experience in this implementation

(based on identified challenges from other partners who have already completed this process).

We submitted our validation paperwork in time for the GTCS validation meeting for UHI which is taking place in December 2022.

Staff (including Board members) are required to complete a number of mandatory trainings of which completion rates are set out below. The College has a target of 95% completion in all of these trainings, however this may not be feasible and 90% may be a more realistic target. Numbers are affected at this time of year by the number of starters and leavers since the end/start of the academic year. As can be seen in the table below there is a small positive increase in most areas, but still a little work to get to target.

Completed at

Course name	22/11/2021	28/09/2022	06/12/2022
Bribery Act v.1	88%	88%	90%
Bullying and Harassment Part 1 v.1	87%	87%	89%
Data Protection (GDPR) v.1	88%	87%	88%
Diversity in the Workplace v.1	88%	87%	90%
Health and Safety Part 1 v.1	86%	87%	90%
Health and Safety Part 2 v.1	85%	87%	90%
Let's Talk About Race	N/A	63%	68%
Safeguarding in FE Colleges v.1	89%	88%	90%
Stress Management for All Staff v.1	87%	88%	90%

Procurement

There have been a number of procurement related activities managed by the HR department over the last few months including:

- The protective eyewear contract has now moved from Vision Express to SpecSavers under the Crown Commercial contract framework.
- Social Optic have been commissioned to undertake the two pulse surveys each academic year and the next full staff survey (in 2024) to support the Perth College UHI Strategy 2022-2027.
- There is an ongoing process looking at the procurement for a new HR and Payroll system.

Voluntary Severance

The College submitted a business case to UHI as our regional strategic body to extend the College's voluntary severance scheme, prior to UHI then submitting this for approval to the SFC. This has now been approved

Equality Diversity and Inclusion Team (EDIT)

Note of meeting held on Thursday 15 September 2022

Paper 7a

09.30am, By Microsoft Teams VC

Present: Katy Lees (KFL), Head of HR & OD (Chair)
 Gerald McLaughlin (GM), Student Services Manager
 Ian Bow (IB), HS&W Adviser
 Alexander Weir (AW), Wellbeing & Support Officer
 Jane Edwards (JE), UNISON Rep
 Sarah Wood (SW), EDI Advisor
 David Gourley (DG), Head of Learning & Teaching Enhancement
 Catherine Etri (CE), Associate Principal (Academic)
 Sara O'Hagan, EIS-FELA Representative

Apologies: Christiana Margiotti (CM), SDD,CCI
 Charlea Jefts (CJ), HISA
 Lorenz Cairns (LC),
 David Snowden (DS), Exams Manager, AST
 Kevin Lynch (KL), Head of Estates

Note Taker: Trudy Guthrie

Summary of Action Items

Ref	Action	Responsibility	Timeline
7.	British Sign Language Update – GM to send TG link to Shells Development Modules.	GM	Completed
9.	All asked to read EQIA toolkit and to provide any feedback to SW	ALL	Next meeting
10.	Terms of Reference - KFL will look at the purpose, update the document and bring back to the next meeting.	KFL	Next Meeting
11.	Equality Outcomes to go on next 2 agendas	KFL/TG	Next Meeting
12.	12.1 Period Poverty Act - GM to bring an update on this to next meeting. 12.2 EIAs relating to cost-of-living crisis - JE will share the document she created for Unison in relation to this.	GM JE	Next Meeting Next Meeting
14.	EDIT Members update - IB to compile a report on non-accessible areas and send to KFL to raise with SMT. SW will contact Perth Autism Support with a view to see if they could carry out more	IB SW	Asap Asap

Summary of Action Items

Ref	Action	Responsibility	Timeline
	training and will ask if they can review our Student Code of Conduct		
16.	Guidance on accessibility and training of training that is available to staff to be brought to next meeting	DG	Next meeting

MINUTES:

Item	Action
<p>1. Welcome & Apologies</p> <p>KFL welcomed all present.</p> <p>Apologies were noted.</p>	
<p>2. Addition to the Agenda for AOCB</p> <ul style="list-style-type: none"> None. 	
<p>3. Minutes of previous meeting</p> <p>The minutes of the EDIT meeting held on 15 June 2022 were approved as an accurate reflection of the discussions that had taken place.</p>	
<p>4. Matters Arising not included elsewhere on the Agenda/ Review of Actions from previous meeting</p> <p>9.1 Unison Guide on DAL – KFL to take to SMT – still outstanding</p> <p>9.4 Training for Managers on Equality issues – KFL/JE still to meet</p> <p>10. Equality Outcomes for the next 4 weeks – Feedback to SW</p> <p>AW/TPK to meet to discuss mental health training for learner voice reps – still to meet</p> <p>Outstanding action from March meeting – Car Parking signage to be created for designated spaces – KFL advised that the disabled bays have been repainted so are more visible. All discussed current problems with parking and an action for KL to progress signage as a matter of priority.</p>	<p>KFL</p> <p>KFL/JE</p> <p>ALL</p> <p>AW/TPK</p> <p>KL</p>
<p>5. UHI Equality, Diversity and Inclusiveness Policy – update</p> <p>KFL advised that this policy is shortly up for review and the new EDI lead at UHI will be managing this review across UHI.</p>	

Item	Action
<p>6. Policy/Procedure Approvals</p> <p>None for this meeting.</p>	
<p>7. British Sign Language – update</p> <p>GM advised the UHI the SHHELs Development modules are now up for optional completion, available to view by clicking on this link SHHELs staff development modules. A scoping exercise will take place to see which web pages should be translated to BSL this is being managed by Mark Ross, Disability Coordinator at UHI.</p>	
<p>8. Reasonable Adjustment Passport</p> <p>SW talked to this proposal and asked all for feedback on this and the draft forms. SW will carry out focus groups with staff for additional feedback then a pilot scheme will be created. All discussed at length.</p>	
<p>9. EQIA Toolkit</p> <p>SW stated there has been a lack of consistency and quality with the EQIAs so has drafted a guidance document and held a training session. Asked all to read and provide feedback.</p>	ALL
<p>10. Terms of Reference</p> <p>All discussed if ToR are acceptable, A lengthy discussion took place. KFL will look at the purpose, update the document and bring back to the next meeting.</p> <p>In addition, KFL has updated the Terms of Membership document and changed the quorate member to 5.</p>	KFL
<p>11. Equality Outcomes 2021-2025 – Update</p> <p>SW has updated this document with comments received from staff. SW took team through all the outcomes. Will look at outcomes 2 and 3 in December and outcomes 4 and 5 in March. All approved.</p>	KFL/TG
<p>12. UNISON Update</p> <p>12.1 Period Products Act JE advised that her work in this area had identified that we need to produce a Statement of Intent but a survey of students accessing period products needs to be carried out first. GM to bring an update on this to next meeting.</p> <p>12.2 EIAs relating to cost-of-living crisis</p>	GM

Item	Action
<p>JE provided an update on the work she has been doing in relation to this. Wanted to highlight the issues wants to work on developing our social and corporate responsibility. JE will share the document she created for Unison in relation to this.</p>	JE
<p>12.3 Lived Experience JE discussed the consultation carried out by the Scottish Government in April and recommended that we use the Lived Experience examples in all areas.</p>	
<p>13. Equality, Diversity & Inclusion Adviser</p>	
<p>SW provided an update on the Pay Gap report and said she will create a Disability Pay Gap report by March. Talked to this paper in detail. We have signed up for the Disability Confidence Scheme and were now working towards meeting our commitments at level 1 prior to looking at what we would need to do to progress to level 2.</p>	
<p>14. EDIT Members Updates – any other items not included elsewhere on the Agenda</p>	
<p>AW provided an update on work with external suppliers like Samaritans, Mindspace etc to provide support to children. Also looking into workshops to deliver external expertise. Provided an update on workshops currently being run and others in the pipeline. Detailed other work including working with Andy's Man Club etc.</p>	
<p>GM said he is looking for support for FE cohort for funding etc.</p>	
<p>JE highlighted a concern on the equalities front, which is in relation to age. Unison branch meeting have started talking about this and and would like this group to discuss. JE to provide details to the Chair when ready.</p>	
<p>IB has been working on Personal Evacuation Plans with some students and highlighted some of the non-accessible areas in the College. IB to liaise with KL about these and see what can be done to rectify the problems. IB to compile a report and send to KFL to raise with SMT.</p>	IB
<p>CE queried if we are compiling information about students who have access problems and is concerned that we are keeping on top of this. There has been a substantial increase in neurodiverse learners on campus this year and we need to communicate to all this is the correct term to use. Stated that all staff, including Aramark staff, should go through the training programme which has already been provided to Academic staff. SW will contact Perth Autism Support with a view to carrying out the training and will also ask if they can review our Student Code of Conduct.</p>	

Item	Action
<p>15. Feedback to EDICT</p> <p>Not discussed.</p>	
<p>16. AOCB</p> <ul style="list-style-type: none"> DG reminded all about our Digital Accessibility recommendations and advised that anything we put on PerthHub and our website need to meet their criteria. Asked all to contact the DTP team who will be able to digitise information. All discussed training on accessibility and the need for more guidance. DG to bring details of guidance and training available to next meeting. 	DG
<p>17. Date and time of next meetings:</p> <ul style="list-style-type: none"> 8 December 2022 <p>All meetings are on Thursday, 09.30-11.30am, via Microsoft Teams VC.</p> <p>Meeting End: 11.51</p>	

JNC Meeting 1 for Support Staff

Note of Meeting held on Thursday 17 November, 1.30pm, MS Teams

Present: **Management Representatives**
 Katy Lees (KFL), Head of HR & OD (Chair)
 Dr Margaret Cook (MC), Principal
 Lorenz Cairns (LC), Depute Principal Academic
 Iain Wishart (IW), Vice Principal Operations

Unison Representatives
 Jane Edwards (JE)
 John Dare (JD)

Apologies: Winston Flynn (WF)

Note Taker: Trudy Guthrie

Summary of Action Items

Ref	Action	Responsibility	Timeline
5.2	TOIL Guidelines – update – to be added to next agenda	CSW	Next Meeting
6.	HR Statistics & Updates – to be circulated	KFL	Asap
8.	Career Development Activity – KFL to create a form to be reviewed by UNISON	KFL	Next Meeting
13.	13.1 Reviewed Policies – KFL to arrange a joint meeting between UNISON and EIS to look at what policies need reviewed.	KFL	Asap
	13.1.2 Redundancy – KFL to circulate correct document to all	KFL	Asap
	13.2 New Policies – JD to read policies and provide feedback to group	JD	Asap
	13.2.2 Digital Etiquette Policy – KFL to raise UNISON’s concerns with this policy to Marketing and feedback	KFL	Asap
14.	14.1 Social Responsibility Initiatives to Help Staff – MC will discuss with KFL and IW. JE will liaise with EIS for wording for members.	MC/KFL/IW	Asap
		JE	Asap

Summary of Action Items

Ref	Action	Responsibility	Timeline
14.2	UHI Strategic Direction To be added to the December agenda as a main item.	CSW	Next Meeting
14.3	Any Staff Impacted by Circular 02/21 - KFL to contact JE outwith this meeting to discuss.	KFL/JE	Asap

DRAFT

Minute

Item		ACTION
1	<p>Welcome and Apologies</p> <p>KFL welcomed everyone to the JNC for Support Staff meeting.</p> <p>Apologies were noted.</p>	
2	<p>Finance Update</p> <p>IW advised that the consultancy breakdown is not available at the moment as Finance are currently working with auditors so will send this out in December. IW shared this document on screen and took group through 2021/22 overview. All discussed in detail.</p> <p>JE expressed concern about the potential risk for the organisation re formula for payment for part time workers – KFL advised that this matter was being looked into.</p>	
3	<p>Additions to the Agenda for AOCB</p> <ul style="list-style-type: none"> • CPD from JE 	
4	<p>Minute of Previous Meeting</p> <p>The minute of the JNC for Support Staff meeting held on 2 June 2022, having been circulated, was approved as an accurate reflection of the discussions that had taken place.</p>	
5	<p>Review of Actions / Matters arising not included elsewhere on the agenda:</p> <p>5.1 <u>Notification of Rep Training to HR</u> JE to provide formal notification of the training for one of the Reps, who had already completed the initial training and also for the other reps once they had selected their dates - JE advised that both John Dare and Ian McCartney (Careers) have completed their UNISON training and were now recognised UNISON representatives. Caroline Taylor has qualified as a H & S Rep for UNISON</p> <p>5.2 <u>TOIL Guidelines - update</u> Unison to feedback to KFL on their meeting with EIS, regarding TOIL Guidelines, before the next JNC. To be brought back to next meeting on 15th December.</p>	<p>CSW</p>
6	<p>HR Statistics & Updates</p> <p>KFL to circulate these statistics next week.</p>	<p>KFL</p>

Item		ACTION
7	<p>Voluntary Severance</p> <p>MC provided an update advising VS had stopped and SMT have applied for permission to reopen with exactly the same terms and conditions. JE raised an objection to this stating there had been no consultation with UNISON. MC noted this objection and advised VS will be raised at the Chairs Committee meeting next week. JE reiterated UNISON would say no to this VS as there is no rationale and there was a failure to consult with them.</p>	
8	<p>Career Development Activity</p> <p>KFL explained this came out of national bargaining as part of the pay award 2021 for support staff, support staff would receive a guaranteed 14 hours per academic year for annual career development activity, for self-directed career development planning and research. KFL will create a form for this which will be added to Ciphre for staff to request if they wish. KFL will send to JE/JD to check over before processing.</p> <p>JE brought up the CPD AOCB item at this point. Her concern was that 6 days CPD for everybody is potentially unequal. Suggested a piece of work needs to be done on how CPD can target people who haven't achieved good career progression throughout their lives. All discussed this complex issue including what constitutes development. MC stated that we have to be careful not to make assumptions before we have information which informs our decision on what current CPD is being carried out. KFL advised she is working on this and wants the information included in Ciphre. Will be doing this annually at the end of the financial year starting from the end of the 22/23 financial year.</p>	<p>KFL</p>
9	<p>Facilities Time</p> <p>9.1 Total Facilities time from 2021/2022 still outstanding</p> <p><u>Update on action from 02/06/2022 meeting:</u></p> <p>9.1 Unison Reps to provide Management with a breakdown of their work, per the usual annual return to management, but for the period between August 2021 – February 2022</p> <p>9.2 Management to review Facilities Time allowance again once information provided by Unison</p> <p>KFL advised that item 9.1 is complete and SMT will look at 9.2 for the December meeting.</p>	
10	<p>Staff Engagement Group – update</p> <p>KFL provided a brief overview of this meeting.</p>	

Item		ACTION
11	<p>Health & Wellbeing Group – update</p> <p>KFL provided a brief overview of this meeting including activities which will be taking part in the coming months.</p>	
12	<p>Management of Stress Group – update</p> <p>KFL advised she will be arranging a meeting of this group in December to go through the results of the stress focus groups.</p>	
13	<p>Policies & Procedures Approval:</p> <p>13.1 <u>Reviewed Policies:</u></p> <p>13.1.1 Organisational Change – KFL referred all to this paper and to note changes made. JE asked that this policy comes back for a more detailed review. KFL stated that many policies need reviewed and will arrange a joint meeting between UNISON and EIS to look at what policies need reviewed.</p> <p>13.1.2 Redundancy – This will be included in the meeting to be arranged above item 13.1.1. KFL had attached the incorrect document and will forward the correct document to all and asked all to feedback.</p> <p>13.2 <u>New Policies:</u></p> <p>13.2.1 Travel & Subsistence – KFL advised this is a new policy written by Finance and detailed the changes. JD to read these and send comments back to group asap.</p> <p>13.2.2 Digital Etiquette Policy – KFL stated this policy has been around for several years and is now being led by Marketing. All discussed. JE raised concerns about the contents and stated this would not be approved by UNISON. KFL will feed this back to Marketing and come back to UNISON.</p>	<p>KFL</p> <p>KFL</p> <p>JD</p> <p>KFL</p>
14	<p>Unison Items:</p> <p>14.1 Social Responsibility Initiatives to Help Staff – JE queried that as the cost of living is rising what SMT are planning to do to support staff within our existing programmes. MC voiced concerns re spending of public money to use for staff not just students. MC will discuss with KFL and IW. All discussed possibilities, JE asked for some signposting created on what is availability for staff locally. JE will liaise with EIS for wording for members.</p> <p>14.2 UHI Strategic Direction</p>	<p>MC</p> <p>JE</p>

Item		ACTION
	<p>MC advised she had spoken to Lorna Walker about UNISONs concern about the lack of TU involvement in this and raised it with the Chair of Court and will pick this up outwith the meeting.</p> <p>UHI Strategic Direction to be added to the December agenda as a main item.</p> <p>14.3 Any Staff Impacted by Circular 02/21 KFL to contact JE outwith this meeting to discuss.</p>	<p>CSW</p> <p>KFL/JE</p>
15	<p>AOCB</p> <ul style="list-style-type: none"> Covered in item 8 	
16	<p>Date and time of next meetings:</p> <ul style="list-style-type: none"> 15 December 2022 <p>All meetings are on Thursdays, by MS Teams, or in Rm 019 (unless otherwise stated)</p> <p>Meeting End Time</p> <p>The meeting concluded: 15.02</p>	

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PERTH COLLEGE UHI

JNC : Lecturers

Note of Meeting held on Thursday 22 September 2022
3.00 pm, MS Teams / Rm 019

Present: **Management Representatives**
Katy Lees (KFL), Head of HR & OD (Chair)
Lorenz Cairns (LC), Depute Principal Academic

Academic Staff Representatives
Sara O'Hagan (SOH), EIS-FELA
Scott Innes (SI), EIS-FELA

Apologies: Dr Margaret Cook (MC), Principal

In Attendance: Iain Wishart (IN), Director of Finance

Note Taker: Carolyn Sweeney-Wilson

Summary of Action Items

Ref	Action	Responsibility	Timeline
4.	Minute of Previous Meeting <ul style="list-style-type: none"> KFL took note of the amendments requested by SOH regarding the previous minute and undertook to make those changes, prior to re-circulating the minute. 	Katy Lees	17/11/2022
7.	Policies and Procedures Approval <p>7.1.2 <u>Redundancy</u></p> <ul style="list-style-type: none"> KFL to email a copy of the Redundancy policy to EIS. <p>7.1.3 <u>Professional Reviews</u></p> <ul style="list-style-type: none"> KFL to circulate the policy and paperwork for the Professional Review process to EIS. 	Katy Lees Katy Lees	17/11/2022 17/11/2022
10.	Facilities Time <ul style="list-style-type: none"> Facilities Time to become a standard agenda item on future JNC agendas. 	Carolyn Sweeney-Wilson	17/11/2022
15.	Action Short of a Strike (ASOS)		

Summary of Action Items

Ref	Action	Responsibility	Timeline
	<ul style="list-style-type: none"> This item to be removed from the agenda as it was historically on. 	Carolyn Sweeney-Wilson	17/11/2022
16.	Other Items from Management 16.4 <u>TOIL Guidelines</u> <ul style="list-style-type: none"> This item to be added to the November JNC Agenda, for discussion. 	Carolyn Sweeney-Wilson	17/11/2022

Minutes

Item		ACTION
1.	<p>Welcome and Apologies</p> <p>KFL welcomed everyone to the JNC for Lecturers meeting and welcomed IW to start with providing the Finance Update.</p> <p>Apologies were noted.</p>	
2.	<p>Finance Update</p> <p>IW updated on current status of Finances. He advised that Finance were working on closing off last year's accounts and so he was not able to provide a definitive figure as to the final balance. However, as the situation stood he anticipated that the College would be in profit to some degree.</p> <p>IW said he was intending to meet with all budget holders to review their budgets and look at how much any savings to be made would offset any potential clawback from SFC.</p> <p>SOH queried, in terms of the College's strategy, was Finance considering the potential catastrophe for the College of the clawback.</p> <p>IW said that no discussions had been held yet in that regard, because everything was so unknown. IW said he would be presenting the information he had provided EIS with at this meeting, to the Board and then there would need to be some planning discussions with the Board for the potential different levels of impact that any clawback might have.</p> <p>KFL thanked IW for his update and IW then left the meeting.</p>	

Item		ACTION
3.	<p>Additions to the Agenda for AOCB</p> <p>Timetabling protocols – SOH.</p>	
4.	<p>Minute of Previous Meeting</p> <p>SOH provided some minor adjustments that she wished to be made to the minute, to provide clarity to some of the discussions.</p> <p>Action: KFL took note of the amendments requested by SOH regarding the previous minute and undertook to make those changes, prior to re-circulating the minute.</p> <p>Subject to the amendments requested by SOH, the minute of the meeting held on 13 June 2022, which had been previously circulated, was approved as an accurate reflection of the discussions that had taken place.</p>	KFL
5.	<p>Review of Actions / Matters Arising not included elsewhere on the Agenda</p> <p>5.1 <u>Staff Governance Code</u></p> <p>KFL noted that this was an ongoing item.</p> <p>5.2 <u>Leisure Tutors – update</u></p> <p>KFL advised that all meetings were being arranged, however, some Leisure Tutors had now left, or taken voluntary redundancy. Some Tutors were still interested in working for College. KFL advised that the Head of Student Experience was working on this.</p> <p>5.3 <u>BRAG - update</u></p> <p>KFL confirmed that the EIS feedback regarding BRAG was passed on to the Head of Student Experience.</p>	
6	<p>HR Statistics & Updates</p> <p>KFL advised that the HR Statistics would be available for the next meeting.</p> <p>As a general update from HR, KFL advised that the new holiday year had been uploaded into CiPHR and all SLs/SMs were now being asked to log their holiday in CiPHR. The extra week in August was locally managed and not done through CiPHR.</p> <p>KFL advised that she hoped to have the new HR database in place by the end of the year.</p>	
7	<p>Policies and Procedures Approval</p>	

Item		ACTION
	<p>7.1 <u>Reviewed Policies:</u></p> <p>KFL advised that all the updates to the following policies were only about making corrections to pronouns, or job titles. This was to make sure all the policies were compliant. There were no actual changes to the terms of the policies. Once these updates were completed KFL planned to review the terms of the policies and discussions would take place with unions as to which policies to work on first.</p> <p>7.1.1 Organisational Change</p> <p>As noted per item 7.1.</p> <p>7.1.2 Redundancy</p> <p>As noted per item 7.1.</p> <p>Action: KFL to email a copy of the Redundancy policy to EIS.</p> <p>7.1.3 Professional Reviews</p> <p>KFL advised Professional Reviews would commence after half term. GTCS were asking the College to make minor changes to this process and the forms were, therefore, being streamlined.</p> <p>KFL said all staff will now be asked to complete the JISC Digital Capability Tool and the Head of Learning Experience was currently writing guidance for everyone on how to do undertake that process.</p> <p>Training sessions on the new Review process will commence during the October Reading Week and then updates will be circulated to all staff, thereafter.</p> <p>Action: Further to their request, KFL to circulate the policy and paperwork for the Professional Review process to EIS.</p> <p>7.2 <u>New Policies:</u></p> <p>7.2.1 Travel and Subsistence</p> <p>IW spoke to this policy. The main driver for this policy was moving to the 45p/mile travel allowance, as opposed to the current 40p/mile allowance. A simplification of the form had also been carried out as well and the form now makes the calculations for staff, after they input their basic figures.</p> <p>KFL said there was a provision for re-imburement for alcohol and there had been questions about whether this should be allowed to remain in the policy. KFL said she would like to get EIS's view on this.</p>	<p>KFL</p> <p>KFL</p>

Item		ACTION
	<p>IW said this was about entertaining potential clients/Colleges etc.</p> <p>EIS queried a couple of the processes for completing the forms and IW confirmed these processes for SOH.</p> <p>EIS said they had no strong feelings either way regarding re-imbursment for alcohol, but if there were strong feelings elsewhere they would accept that.</p> <p>EIS confirmed they were happy with this policy.</p>	
8	<p>COVID-19 – update</p> <p>LC confirmed there were no further updates from the Scottish Government (SG) on COVID. The guidance remained as it had been for sometime. The risk for the whole of the UK had been downgraded. The College continued with it's processes in this regard. The CRG was not now meeting separately, but would have a 'watching brief' and monitor the situation regularly.</p> <p>SOH queried the CO2 monitors and asked for an update.</p> <p>KFL said they had been set-up in different places around the College, especially in areas where it was known that the ventilation was not as good. IB regularly monitored these and they were visible to people. The recommendation was that if the CO2 becomes high, people in these areas should open their windows for a period of time. The monitors would require people in the rooms for them to be effective. There was a spreadsheet available with all of the results noted and this was sited in the H&S area on PerthHub. The monitoring would continue until it was no longer required.</p>	
9	<p>Voluntary Severance</p> <p>KFL advised she had submitted an application in July, to UHI, to extend the College's VS scheme. However, she had not received an outcome from that application yet and it was, therefore, still stuck at UHI. This was actively being chased.</p> <p>KFL indicated that she had not yet received any other requests from staff, at the moment, but there was no VS Scheme currently in operation either.</p>	
10	<p>Facilities Time</p> <p>KFL suggested this item become a standard agenda item. However, as MC was due to be talking to this item, and she was unable to attend, it would be deferred to the next JNC meeting.</p> <p>Action: Facilities Time to become a standard agenda item on future JNC agendas.</p>	CSW

Item		ACTION
11	<p>Staff Engagement Group (Staff EG)</p> <p>KFL asked EIS if they wanted copies of the minutes of this group going forward, as they were already published and available to staff on the PerthHub.</p> <p>EIS were happy for KFL to provide brief updates from the meeting and would pick up the minutes from PerthHub.</p> <p>KFL proceeded to provide an update to the group on the recent Staff EG meeting.</p>	
12	<p>Health and Wellbeing Group (H&WBG)</p> <p>KFL provided an update to the group on the H&WBG recent meeting.</p>	
13	<p>Management of Stress Group (MSG)</p> <p>KFL provided an update to the group on the recent meeting of the MSG.</p>	
14	<p>EIS Items</p> <p><u>Timetabling Protocols (TTP)</u> SOH requested a change in the wording in the TTP to the sentence regarding how staff were able to block their time off. She said there was also a need for managers to update timetabling on Celcat and emphasised that this was where timetables should be lodged once they were completed</p> <p>SOH said that, at a previous meeting, outwith JNC, it had been raised that timetables for fractional staff should take into consideration travel etc and where possible should be timetabled for blocks of time and the Vice Principal Academic had said this was something that should be included in the TTP.</p> <p>KFL said she would pass on this request to the Vice Principal Academic so it could be discussed with the team producing the TTPs.</p> <p><u>Chair of the Board</u> SOH asked for an update about the position of the Chair of the Board.</p> <p>LC said the Chair's tenure was finished and the Chair had requested an additional tenure of 2 years, which the Board of Management members were happy to endorse. However, this was not within the give of the Board of Management and that decision had to come from the UHI Court and the Court reached decision that it would be counter productive for the Chair to have another 2 years' tenure. They refused the extension and the Chair, therefore, would finish his</p>	

Item		ACTION
	<p>term on 30th September. The Board submitted an name to the Court for approval, for Interim Chair, and that nomination was accepted by Court. The Interim Chair of the Board would officially commence on 1st October.</p> <p>SOH asked how long the Interim Chair would be in place for and would this have an impact on the work of the College.</p> <p>LC said the current Chair was still in place, so no announcement would be made until after 30th September. LC did not know how long the Interim post would be in place for and how that might impact the College.</p> <p>KFL said she thought the tenure would likely be for months as opposed to years.</p>	
15	<p>Action Short of a Strike (ASOS)</p> <p>Action: This item to be removed from the agenda as it was historically on.</p>	CSW
16	<p>Other items from Management:</p> <p>Items below were for noting and to be discussed outside of the JNC at a mutually agreeable time.</p> <p>16.1 APD</p> <p>Noted.</p> <p>16.2 Job Descriptions</p> <p>KFL advised she had drafted up standard Job Descriptions for Lecturers, Subject Leaders and Sector Managers and would be circulating these to SDDs first, for their views, prior to sending them to EIS.</p> <p>16.3 Contract Templates</p> <p>Noted.</p> <p>16.4 TOIL Guidelines</p> <p>Action: This item to be added to the November JNC Agenda, for discussion.</p>	CSW
17	<p>AOCB</p> <p>None.</p>	
18	<p>Date and time of next meeting:</p>	

Item		ACTION
	<ul style="list-style-type: none"> • 17 November 2022 All meetings are on Thursdays, by MS Teams, or in Rm 019 (unless otherwise stated)	
	Meeting End: 16.00	

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JNC Meeting 2 for Lecturers

Note of Meeting held on Thursday 17 November, 3.00pm, MS Teams

Present: **Management Representatives**
 Dr Margaret Cook (MC), Principal
 Katy Lees (KFL), Head of HR & OD (Chair)
 Iain Wishart (IW), Vice Principal Operations
 Lorenz Cairns (LC), Depute Principal Academic

EIS FELA Representatives
 Sara O’Hagan (SOH)
 Scott Innes (SI)

Apologies:

Note Taker: Trudy Guthrie

Summary of Action Items

Ref	Action	Responsibility	Timeline
2.	Finance Update – KFL to arrange additional meeting to discuss results if necessary	KFL	January 2023
6.	HR Statistics & Updates - KFL to circulate these statistics next week	KFL	Asap
7.	7.2.1 Reviewed Policies - KFL to send consultation response to SOH	KFL	Asap
	7.3.1 Digital Etiquette Policy – SOH/SI to discuss with EIS and provide an update before Christmas	SOH/SI	December 2022
8.	COVID-19 Update – to be removed from agenda	CSW	Asap
10.	Facilities Time - MC and KFL will meet to review. SI has a tracking document and will forward to KFL.	MC/KFL SI	Asap Asap
14.	Toil Guidelines - KFL will have a final read through and send over to SI for further discussion.	KFL	Asap
15.	15.1 2023-24 Calendar - MC suggested more work needs to be done as there are different commitments across the Partnership. KFL/MC to look at this to provide a better response. To	KFL/MC	March 2023

Summary of Action Items

Ref	Action	Responsibility	Timeline
	have ready for March meeting. EIS to contact their members for input.	SOH/SI	Asap
	15.2 Calendar Slippage - KFL/MC will investigate and make sure it works for FE and HE students to consider for 2024/2025	KFL/MC	Asap

DRAFT

Minute

Item		ACTION
1.	<p>Welcome and Apologies</p> <p>KFL welcomed everyone to this meeting.</p> <p>There were no apologies.</p>	
2.	<p>Finance Update</p> <p>IW advised that the consultancy breakdown is not available at the moment as Finance are currently working with auditors so will send this out in December. IW shared this document on screen and took group through 2021/22 overview. All discussed in detail.</p> <p>SOH asked for an interim meeting before the next meeting in March to discuss results. KFL will check with SMT in January and add a meeting if necessary.</p>	KFL
3.	<p>Additions to the Agenda for AOCB</p> <ul style="list-style-type: none"> • SI – Various detailed in item 18. 	
4.	<p>Minute of Previous Meeting</p> <p>The minute of the meeting held on 22 September 2022, which had been previously circulated, was approved as an accurate reflection of the discussions that had taken place with the addition of the amendments below.</p> <p>SOH had amended the copy of the minute on Teams and asked for the original minute to be reread. SOH detailed the changes she had highlighted.</p> <p>MC added there was a typo page 7 Chair of the Board should say gift not give.</p> <p>MC provided an update on the Chair of Board item and stated the closing date for applications for new Board members is tomorrow and advised they have permission to keep the Interim Chair of Board in place until March 2023 if not enough applicants are received.</p>	
5.	<p>Review of Actions / Matters arising not included elsewhere on the agenda:</p> <p>5.1 Staff Governance Code – update – KFL advised a meeting was held regarding this and KFL will create and action plan.</p> <p>5.2 Leisure Tutors – KFL advised the tutors had been contacted to see if they want to return to work or wanted voluntary severance. Three have accepted and left their roles and two</p>	

Item		ACTION
	<p>others are interested in applying for VS at the next opportunity. All other tutors are in discussions with DL re their future.</p>	
6.	<p>HR Statistics & Updates</p> <p>KFL to circulate these statistics next week.</p>	KFL
7.	<p>Policies & Procedures Approval: <u>Update on Actions from Previous JNC (22/09/22):</u></p> <p>7.1 <u>Redundancy:</u> KFL to email a copy of the Redundancy policy to EIS – KFL advised changes in job titles still need to be made.</p> <p>7.2 <u>Reviewed Policies:</u></p> <p><u>7.2.1 Professional Review Policy for Academic Staff:</u> Discussions have taken place outside of meeting: amendments to Professional Review policy for Academic Staff to be noted – agreed outside of JNC – complete. SI advised he had liaised with SW and provided feedback on professional reviews, SOH also stated the need to be sure they meet standards of GTCS. All discussed.</p> <p>GTCS conversation took place with MC explaining that a consultation exercise had taken place with colleges discussing what changes could take place around GTCS interim registration. KFL to send the College’s consultation response to SOH.</p> <p><u>7.3 New Policies:</u></p> <p>7.3.1 <u>Digital Etiquette Policy</u> – KFL advised this had been in existence for some time but had not been formalised. As neither SOH nor SI were familiar with this policy SI asked to discuss this with other colleagues in EIS before accepting it. KFL asked for an update from EIS before Christmas.</p>	<p>KFL</p> <p>SI/SOH</p>
8.	<p>COVID-19 – update</p> <p>LC advised there have been no further changes from The Scottish Government in terms of guidance. EIS members agreed this can be removed from the agenda as an item.</p>	CSW
9.	<p>Voluntary Severance</p> <p>MC provided an update advising VS had stopped and SMT have applied for permission to reopen with exactly the same terms and conditions. KFL advised that because we now have permission we can progress the 2 leisure tutors. MC shared UNISONs concerns regarding the suggestion of further VS. MC advised VS will be raised at the Chairs Committee meeting next week. KFL asked EIS</p>	

Item		ACTION
	if they would support VS specifically for Academic staff if it were to become available, EIS agreed.	
10.	<p>Facilities Time</p> <p>MC advised SMT will continue to look into this and stated she had not seen the return from EIS in terms of hours worked. MC and KFL will meet to review. SI has a tracking document and will forward to KFL.</p>	MC/KFL SI
11.	<p>Staff Engagement Group – update</p> <p>No update necessary as SOH attended.</p>	
12.	<p>Health & Wellbeing Group – update</p> <p>No update necessary as SOH attended.</p>	
13.	<p>Management of Stress Group – update</p> <p>KFL advised she will be arranging a meeting of this group in December to go through the results of the stress focus groups.</p>	
14.	<p>Toil Guidelines</p> <p>KFL will have a final read through and send over to SI for further discussion.</p>	KFL
15.	<p>Academic Calendars</p> <p>15.1 2023-24 Calendar: Academic Staff Fixed Holidays – February 2024. KFL stated as these fall in-line with PKC dates we will not be changing these. All discussed the August/October options, MC suggested more work needs to be done as there are different commitments across the Partnership. KFL/MC to look at this to provide a better response. To have ready for March meeting. EIS to contact their members for input.</p> <p>15.2 Calendar slippage – start/end dates of the summer holidays. SOH asked why our start date to the summer break is happening earlier each year? MC advised she was not aware of this and KFL/MC will investigate and make sure it works for FE and HE students.</p>	<p>KFL/MC SOH/SI</p> <p>KFL/MC</p>
16.	<p>EIS Items</p> <p>16.1 UHI 2024 Strategic Change Management Programme SOH asked for the College and UHI perspective on this. MC provided an update, stating the fundamental issues are around the 12 different IT systems and detailed other current issues.</p>	

Item		ACTION
17.	<p data-bbox="300 174 767 210">Other items from Management</p> <p data-bbox="300 248 1222 284">To be discussed outside of the JNC at a mutually agreeable time</p> <p data-bbox="300 322 464 353">17.1 APD</p> <p data-bbox="300 360 639 392">17.2 Job Descriptions</p> <p data-bbox="300 398 679 430">17.3 Contract Templates</p>	
18.	<p data-bbox="300 472 395 508">AOCB</p> <ul data-bbox="316 546 1278 1205" style="list-style-type: none"> <li data-bbox="316 546 1241 689">• SI asked why timetables have appeared on the walls outside meeting rooms. MC advised this is about room utilisation and details who has the room booked and for how long. Useful to document room usage. <li data-bbox="316 728 1262 837">• SI asked if a decision had been made regarding the Coronation Bank Holiday next year. MC said no decision has been made yet as no guidance has been received. <li data-bbox="316 875 1278 1205">• SI wanted to highlight that there have been a lot more verification changes happening in semester at local level and UHI level. Also changes to early student experience/forums are having an impact on Line Managers. Asked if changes like this can be agreed pre summer so that training sessions can be arranged before session starts as would like to reduce stress for Academic staff. MC sympathised and stated she will discuss at January SMT to see if we can influence anything in UHI in this way. 	
19.	<p data-bbox="300 1252 767 1288">Date and time of next meeting:</p> <ul data-bbox="347 1326 1254 1429" style="list-style-type: none"> <li data-bbox="347 1326 1254 1429">• 2 March 2023 All meetings are on Thursdays, by MS Teams, or in Rm 019 (unless otherwise stated) <p data-bbox="300 1467 576 1503">Meeting End Time</p> <p data-bbox="300 1541 762 1576">The meeting concluded: 16.14</p>	

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Staff Engagement Group

Minutes

Date and time: Thursday 1 September 2022, 09.30am

Location: VC – Microsoft Teams

Members present: Kathleen Connor (KC), Mandy MacDonald (MM), Lynne Taylor (LT), Sara O'Hagan (SOH), Jacqui Allison (JA), Lesley Sutherland (LS), Sarah Wilson (SW), Kristine Walker (KW)

Apologies: Craig Lindsay (CL), Richard Fyfe (RF), Jane Edwards (JE)

Chair: Katy Lees (KFL), Head of HR & OD

Note Taker: Trudy Guthrie

Summary of Action Items

Ref	Action	Responsibility	Timeline
5.	Review of Actions and Matters arising from previous meeting, <u>that are not included elsewhere on the agenda:</u>		
5.2	Covid 19 Update – LC to contact KL to ensure wipes are left in classrooms for students to clean computers etc.	LC	ASAP
6.1	Staff Conference Feedback to be taken to the Staff Conference Group	KFL	ASAP
7.1	Strategic Plan - KFL asked the group to look at the strategic plan and decide where, as a group, we want to make a difference. Feedback to KFL/TG before next meeting.	ALL	03.11.2022
12.1	Membership – KFL to contact departments to as for additional membership of this group	KFL	ASAP
13	Trade Unions to provide KFL with details of a recruitment email they wished to send out	SOH	ASAP

Minutes

Action

1. Welcome and Apologies

KFL welcomed everyone to the meeting.

Apologies were noted.

2. Additions to the Agenda for AOCB

Late opening times - LT

3. Minutes of Previous Meeting

The minutes of the previous meeting, held on 13 June 2022, were approved as an accurate reflection of the discussions that had taken place.

4. Matters arising not included elsewhere on the agenda / review of actions from previous meeting:

5.6 Cash on Campus – LC advised that after discussions with Aramark there is no option to get cash from their tills.

7.1 Induction – Committee members to review the Induction space on Brightspace and feedback comments to JS. JS is currently compiling feedback, if anyone has additional feedback please contact HR.

5. Covid-19 Update

5.1 Hybrid Working – This will remain in place until the end of January. LT asked what Management's thoughts on how this is working and will it be continued? LC stated SMT believe working from home has benefits however they are committed to talking with Trades Union colleagues to see what its going to look like in future. It was suggested this could be discussed with all staff at the next staff conference. LT said there are ongoing problems with soft phones. All discussed the positives and negatives. KFL advised there is a national hybrid group working looking at this so something might come out nationally.

5.2 SOH asked if the hand sanitisers were to remain onsite. LC advised they will be cleaned and refilled and kept on site. Also queried if wipes still need to be available for students to wipe down computers etc. All agreed they should remain available. LC to pass this information to KL. KFL will raise at the Health & Safety Committee this afternoon.

LC

Action

- 5.3 LC advised the national covid status has been reduced to level 2. For the moment Covid would appear to be in abatement but H & S Committee will continue to monitor.

6. Staff Conference Days

- 6.1 KFL asked group for opinion on most recent conference. All said the staff wellbeing afternoon in the afternoon was a good idea but would have liked more notice. KW said it was an unfortunate clash with the College Expo but this was due to changes in date, noted for next time. All agreed that the morning shorter sessions worked. SOH said some members had mentioned accessibility, better seats etc, visual impaired can't see what is on the screen etc. MM would like the set up and dismantle of ASW looked into a she was not clear whether the carpets were necessary. KFL will take all comments on board and forward to the Staff Conference Team.

KFL**7. Strategic Plan**

- 7.1 LC provided a detailed overview. There is still a little to be added from the Board. Not likely to be printed again as we are trying to keep environmentally friendly. KFL asked the group to look at the strategic plan and decide where, as a group, we want to make a difference. Feedback to KFL/TG before next meeting.

ALL**8. Health & Wellbeing**

- 8.1 KFL advised this group met yesterday and detailed the initiatives being looked at over the next year. This ranged from activities in ASW looking at the physical side and others looking at mental wellbeing.

9. Stress

- 9.1 KFL stated there will be stress focus groups departmentally. These groups are being held by an external individual to promote open and honest discussions.

10. HR Update

- 10.1 Disability Confident status – KFL advised we are at Disability Confident Level 1 and are currently looking at how we implement the necessary requirements to meet these standards.

Action

- 10.2 Reasonable Adjustment Passport – KFL said we are looking at this initially, it will go out to consultation and go to EDIT and some staff members will be part of the pilot group.
- 10.3 Equality Impact Assessment toolkit – Sarah Wood is running a pilot of this which will go to EDIT for approval. This is for people who need do EIAs and is separate from UHI.
- 10.4 New HR & Payroll system – KFL stated we are committed this will be completed by the end of the Academic year and it will be a fully integrated system.

11. National Job Evaluation Project

- 11.1 KFL provided an overview and said this is an ongoing matter. In terms of the pay working group there is still a long way to go with no timeline in place.

12. Future Agenda Items

- 12.1 KFL asked if there were any requests for standing items for the agenda. She suggested the Strategic Plan. All agreed. LC asked for staff feedback to be added as a standing agenda item and asked all to encourage their teams to be forthcoming with comments, feedback or general questions.

In addition, KFL will contact all departments to ask for new members to join this group.

KFL**13. Group Member Updates**

(any other updates not included elsewhere on the Agenda)

MM – Staff have been helping the new intake of students as well as returning students, showing them around the facilities and how to join the gym etc. Focus at moment is engaging with students and getting them involved.

SOH – Asked about the Principal of UHI's resignation and implications about this. Also questioned if there will be another round of VS and voiced concerns about the worrying low number of students. LC addressed these concerns and explained there is an interim solution when TW leaves in January. Agreed that we have disappointing numbers of students and provided a detailed response explaining the challenges for the College sector in general. KFL said our current VS scheme has expired and have applied for this again but this has not been approved at this point in time. SOH to send details to KFL of details they would like to send to staff about Union membership options.

SOH

Action

JA – Simply commented that it was nice to have students back on campus.

LT – Busy time of year re funding but are up to date and managing to keep on top of it. Over the next few weeks there will be 2 members of the team in the office at any one time to provide face to face assistance to students.

KW – The team are busy with inductions and training for students to get them used to the college etc. Study Skills Support – we have delivered some 'prepare for study' workshops online. Dyslexia screenings also taken place working in conjunction with additional support. Will be going round classes to introduce the team and explain what is on offer to staff and students. Provided a detailed overview of what Study Skills Support can provide.

LS – Focussing on induction week and providing support to students with online enrolment queries. Confirmation of class lists have been sent out and stressed that it's essential we get this information back to be added to SITs – asked all to spread the word, LT reiterated the need for these to be returned asap. Annual credits audit coming up w/c 19th sept and this is a high pressure time for the team.

KC – Provided a brief update with a detailed paper available to view in the Teams area. Over the summer the new library management system has been implemented. Currently the team are busy with Library inductions.

14. AOCB

Late opening times – LT stated that reception staff have questioned the need to be in buildings until 9pm at the moment when there are no evening classes in place. LC advised this was recently discussed at CMT where Academics provided a list of classes that are forthcoming and confirmed there is a need for the buildings to be open until 9pm Monday – Thursday. This is for various reasons which includes the need for the wellbeing of staff and students to have somewhere to come with the imminent increase in the price of utility bills. Will review this after first semester and see what the uptake is.

15. Date of Next Staff EG Meeting

- 3 November 2022 9.30am – 11.30am

The meeting finished at: 10.53

Staff Engagement Group

Minutes

Date and time: Thursday 3 November 2022, 09.30am

Location: VC – Microsoft Teams

Members present: Kathleen Connor (KC), Mandy MacDonald (MM), Sara O'Hagan (SOH), Lesley Sutherland (LS), Sarah Wilson (SW), Craig Lindsay (CL), Winston Flynn (WF), Lorenz Cairns (LC), Kristine Walker (KW)

Apologies: Claire Vekic (CV), Lynne Taylor (LT), Jacqui Allison (JA),

Chair: Katy Lees (KFL), Head of HR & OD

Note Taker: Trudy Guthrie

Summary of Action Items

Ref	Action	Responsibility	Timeline
9.	Stress - KW to have a think at what other times of the year would be useful to move the stress survey to or do it twice a year	KW	Next Meeting
13.	Group Member Updates – Referred to an email from JA containing comments about the authentication app and the challenges this brings for students. KFL will pass this on to JM and DL.	KFL	Asap
14.	AOCB - Brahan Lift Usage – All discussed the possibility of issuing lift passes and the challenges surrounding this. KFL advised that an Equality Impact Assessment will be carried out before a decision is made.	KFL	Next Meeting
	Timetabling clashes – JA stated in her email that it is often difficult for staff to attend meetings/workshops and training due to timetable clashes. It has been pointed out that other institutions have 'class-free' days or half-days that are set aside with such commitments in mind. Would this be a feasible thing to timetable? LC asked that this be raised with the Conference Committee to clarify.	KFL	Next Meeting

Minutes

Action

1. Welcome and Apologies

KFL welcomed everyone to the meeting.

Apologies were noted.

2. Additions to the Agenda for AOCB

Brahan Lift Usage - JA

3. Minutes of Previous Meeting

The minutes of the previous meeting, held on 1 September 2022, were approved as an accurate reflection of the discussions that had taken place.

4. Matters arising not included elsewhere on the agenda / review of actions from previous meeting:

5.2 Covid 19 Update – LC to contact KL to ensure wipes are left in classrooms for students to clean computers etc. – KFL advised staff need to contact Estates if they require wipes for their offices, the hand gel is regularly 'stirred' by Estates - Complete

6.1 Staff Conference Feedback to be taken to the Staff Conference Group – Complete.

7.1 Strategic Plan - KFL asked the group to look at the strategic plan and decide where, as a group, we want to make a difference. Feedback to KFL/TG before next meeting. – No feedback received. LC discussed during item 7 of this meeting.

12.1 Membership – KFL still looking to increase diversity of this group.

13. KFL received email from Trade Union and will send email out imminently.

5. Covid-19 Update

5.1 CF queried whether it is compulsory for staff to get a Covid booster and a Flu jab. KFL advised that the College recommend staff to get these but it is not compulsory. In addition, KFL advised staff are not allowed to ask colleagues if they have had them. KFL asked that if any concerns are raised by staff to bring it to her attention.

Action**6. Staff Conference Days**

- 6.1 KFL advised the next Staff Conference is on the 10th November and itinerary for the day has been issued. JA (via email) shared concerns that her team had commented that a lot of the content on these days seem irrelevant. All discussed. SOH suggested, after the next conference, that a review is carried out asking staff for their opinions on the content. LC suggested staff may want to join the Conference Committee to help shape future events. LS asked if there was any paperwork being issued for the afternoon support staff session, LC confirmed this is ready and will be issued in advance of the conference.

7. Strategic Plan

- 7.1 LC advised the next part of the Strategic Plan is to look at the KPIs and in particular each team will be looking at their own KPIs, i.e. looking at what your team are doing and how we can improve these to benefit the College. LC spoke about this in detail and how it will be incorporated into the forthcoming Staff Conference. SOH asked how the results would be captured, LC spoke to this in detail. The end result will be to help UHI move forward as one organisation.

8. Health & Wellbeing

- 8.1 KFL advised this group have met again and a number of activities are being looked at for the coming months which will be disseminated to all.

9. Stress

- 9.1 KFL advised the Stress Management Group will be reconvened to look at the findings from the recently held Stress Focus Groups. LC asked if there is any forward planning which the Stress Management Group can look at given the forthcoming winter, high cost of bills etc? A lengthy conversation took place about how stress affects staff differently. Also if there has been any improvement in staff stress levels after the stress workshops? KFL said the Group will be looking at what can tangibly be done to improve things for staff. SOH asked that staff be kept up to date with what was happening on the back of the results of the survey. KW asked if there should be more than one survey a year. KFL to take all the comments back to the Stress Management Group to discuss. KFL asked KW to have a think at what other times of the year would be useful to move the stress survey to or do it twice a year.

KW

Action**10. HR Update**

10.1 KFL provided a brief overview stating HR are currently working on the planning for semester 2 for the Academic Staff and their Contracts. Trying to improve the process and further guidance will be forthcoming. KFL advised there will be early paydays in both December and January.

11. National Job Evaluation Project

11.1 KFL stated that an update was issued on 25th October. The outcome will be presented to individual Colleges in November 2022. KFL provided a detailed overview and explained this is an ongoing process and there has been no indication of a final decision date. WF advised there have been sub committees created to review the pay and grading structure and that £15m has been set aside by the Scottish Government. WF provided an overview and said there was an expectation that it would be finalised by September 2023. All discussed the complicated nature of this project.

KFL Note: the government has set aside £56M not £15M

12. Future Agenda Items

12.1 SOH asked that UHI 2024 be added. LC explained this in detail and KFL clarified the 7 workstreams. LC advised that this means UHI are trying to work together to rationalise services and be competitive in the marketplace. A lengthy discussion took place. KFL confirmed this should be added as a standing agenda item. Full details of UHI 2024 can be found by clicking on this [link](#).

13. Group Member Updates

(any other updates not included elsewhere on the Agenda)

KC – Advised that Caroline Curley has retired and they are looking to appoint a replacement soon. Another evening assistant has been appointed and KC detailed the work she is doing.

Commented that the recent Open Day was a success. Will be promoting the library as a warm space in the evenings. Recent data collection exercise has now closed. There is a laptop trolley now available for students to borrow laptops and asked all to spread the word. Bookable study spaces are also available. Further detailed other positive events taking place.

KW – Provided a brief update of Learner Supporters and the assistance they provide in classes. Detailed various workshops and classes the Study Skills Support team are carrying out.

Action

Advised that Dyslexia and Dyscalculia screenings are taking place. Looking into an online booking system for students.

LC – Provided an overview of recent SMT discussions.

WF – Advised that ICT are currently working on a couple of projects including a hardware audit. Also working on replacing monitors in classrooms to ensure the same high spec are available to all. Cyber security is problematic and detailed these issues.

CF – Very hectic schedule at this time of year in the Additional Support and Wellbeing service. Provided a detailed update including assisted technology. Also commented positively on the recent Open Day.

SOH – Offered congratulations from a staff and student engagement point of view to the organisers of the recent Graduation Ceremony. KFL said she will pass this on to the team.

SW – Provided an update from HR detailing the Professional Review briefings which are currently taking place. In addition focus groups are being set up for Reasonable Adjustment Passports. A new member of staff will be joining the team next week.

KFL – Referred to an email from JA containing comments about the authentication app and the challenges this brings for students. KFL will pass this on to JM and DL.

KFL**14. AOCB**

Brahan Lift Usage – KFL referred to the email from JA raising concerns about the lift having been out of action again lately and the significant impact this has on students and staff with disabilities. All discussed the possibility of issuing lift passes and the challenges surrounding this. KFL advised that an Equality Impact Assessment will be carried out before a decision is made.

KFL

Timetabling clashes – JA stated in her email that it is often difficult for staff to attend meetings/workshops and training due to timetable clashes. It has been pointed out that other institutions have 'class-free' days or half-days that are set aside with such commitments in mind. Would this be a feasible thing to timetable? LC asked that this be raised with the Conference Committee to clarify.

KFL

Watercoolers - JA asked about the possibility of getting water coolers back. LC advised the decision was taken to remove them due to impacts on the environment and costs. Suggested that if individual areas wanted one it would have to come out of departmental budgets.

Action

15. Date of Next Staff EG Meeting

- 16 February 2023 9.30am – 11.30am

The meeting finished at: 11.29

DRAFT

Membership

Chair (ex officio).

Vice Chair (ex officio).

Principal (ex officio).

No fewer than 2 other Independent Members of the Board of Management.

One place reserved by invitation for a Student Member of the Board, as nominated by HISA Perth.

One place reserved by invitation for a Staff Member of the Board, to be determined by Staff Members of the Board

In attendance

Depute Principal

Vice Principal (External)

Vice Principal (Operations)

Head of Human Resources and Organisational Development

Head of Estates

Quorum

The quorum shall be 4 members of which at least 2 to be independent Board of Management members.

Frequency of Meetings

The Committee shall meet no less than four times per year.

Terms of Reference

- 1 Consideration of the annual estimate of revenue income and expenditure.
- 2 Consideration of the annual estimate of capital income and expenditure.
- 3 Responsibility to ensure that appropriate control systems are in place:
 - a to administer and control all revenue and capital grants received from the Scottish Government and all other sources.
 - b to administer and control the payment of all monies due and the collection of all income due.
 - c to ensure the efficient management of the College Catering Service and Food Court and Halls of Residence.
 - d to administer and control matters relating to the repair, maintenance and upkeep of land, buildings etc.
- 4 Liaison with the Audit Committee in reporting to the Board on the state of the College's finances.
- 5 Consideration and approval of the College's Financial Regulations and Procedures, ensuring their implementation, monitoring and review in relation to all matters financial, including approving organisations in which funds may be invested and setting investment limits.

- 6 Generally the formulation of advice to the Board on financial matters and the supervision of the financial affairs of the Board.
- 7 Strategic oversight of procurement, contract management and ICT service level agreement on behalf of the Board.
- 8 Consideration of tenders received for any works the cost of which are in excess of £50,000.
- 9 The acquisition and/or disposal of heritable property whether by purchase/sale or lease.
- 10 Consideration of any proposals to obtain plant equipment furnishings or fittings the cost of which is expected to be more than £50,000.
- 11 Consideration and assessment of priorities for capital grant for new building work or the major modification of existing buildings. Recommendations to the Board on issues relating to College estates and resources
- 12 The oversight of the Board's statutory functions and responsibilities as an employer of the staff of the College.
- 13 Consideration of all matters relating to:
 - a the establishment and staffing structure of the College;
 - b the salaries, wages and conditions of service of all staff except the Principal, Executive and Managers as individual contracts with the Board.
- 14 Responsibilities for early retirement/early severance policy.
- 15 Oversight of the disciplinary and grievance policies and procedures of the College.
- 16 Consideration of matters relating to staff relations including union recognition and local bargaining agreements.

Perth College UHI

Paper No. 9

Committee	Joint Meeting F&R & Audit Committees
Subject	Draft Perth College Financial Statements for the year ended 31 July 2022
Date of Committee meeting	12/12/2021
Author	Henry Nicholson, Financial Accountant
Date paper prepared	07/12/2022
Executive summary of the paper	<p>Purpose:</p> <p>In line with the College's Financial Memorandum, the College is required to prepare its Annual Financial Statements for endorsement by the Finance and General Purposes 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 2022. These have been complete in compliance with the Account's Direction for Colleges and with the Code of Good College Governance.</p> <p>Course of Action:</p> <p>This paper is provided for consideration and endorsement. These statements will then be forwarded to the Board of Management for consideration and approval.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	Consultation has been undertaken with the Finance team, SMT and the college's external auditors EY.

Perth College UHI

<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>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>
<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>

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>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>
<p>Freedom of information</p> <p>Can this paper be included in "open" business?*</p>	<p>Yes</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



University of the
Highlands and Islands
Perth College

Report and Financial Statements for the Year Ended 31 July 2022

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

Ask Student Services for details.

www.perth.uhi.ac.uk

Perth College is a registered Scottish charity, number SC021209.

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Key Management Personnel and Professional Advisers

Key Management personnel

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

Name	Position
Dr Margaret Cook	Principal & Chief Executive and Accounting Officer
Lorenz Cairns	Depute Principal
Veronica Lynch	Vice Principal – External Engagement
Catherine Etri	Vice Principal – Academic
Iain Wishart	Vice Principal - Operations
External Auditor	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EB
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
Solicitors	Thorntons Solicitors 17-21 George Street Perth PH1 5JY

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Performance report

Performance Overview

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

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

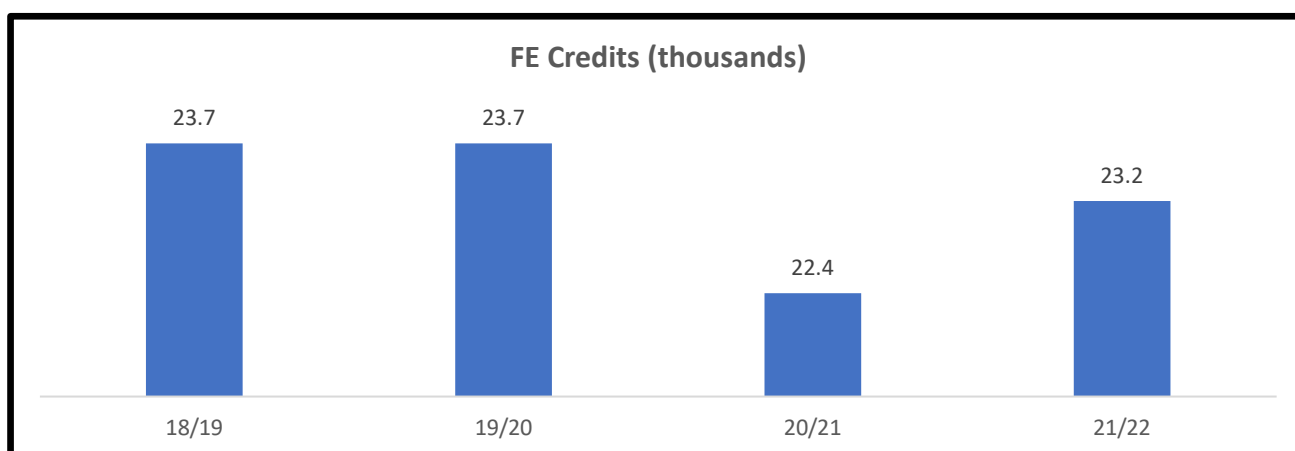
Principal's Performance Statement

Academic Year 2021/22

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

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

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



Performance report

Performance Overview

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

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

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

The Outlook

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

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

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

A New Strategy

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

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

Our strategy was developed over four pillars:

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

Performance report

Performance Overview

And supported by six values:

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

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

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

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

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

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

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

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

Performance report

Performance Overview

Regional Context of Our Strategy:

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

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

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

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

Summary

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

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

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

Dr Margaret Cook

Principal & Chief Executive

Performance report

Performance Overview

Purposes and Activities

Legal Status

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

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

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

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

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

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

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

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

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

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

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

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

Performance report

Performance Overview

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

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

Our Vision

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

Our Values

To realise our vision we focus on our four pillars:

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

and six core values

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

Key priorities

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

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

Performance report

Performance Overview

Key Risks & Uncertainties

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

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

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

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

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

Performance report

Performance Overview

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

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

Enterprise Risk Management

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

Performance report

Performance Analysis

Non-Financial Performance

Key Performance Indicators

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

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

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

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

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

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

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

Performance report

Performance Analysis

Student Numbers

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

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

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

Financial Performance

Financial Results

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

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

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

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

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

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Performance Analysis

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

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

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

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

Cash Budget for Priorities

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

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

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

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

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

Performance report

Performance Analysis

Adjusted operating Position

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

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

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

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

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

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

Financial Ratios

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

Performance report

Performance Analysis

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

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

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

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

Cash Flows and Liquidity

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

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

Payment Performance

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

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

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

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

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

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Performance Analysis

Treasury Policies and Objectives

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

Estates Strategy

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

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

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

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

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

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

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Performance Analysis

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

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

Climate Change (Scotland) Act 2009

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

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

ICT Strategy

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

The themes are:

- Culture
- Service
- Sustainability
- Communication and Collaboration

Culture

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

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

Service

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

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

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

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Sustainability

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

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

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

Communication and Collaboration

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

Equality & Diversity

Equality and Diversity Vision

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

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

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

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

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

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

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

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

Equality Reporting

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

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

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

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

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

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

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

Non-Financial Issues

Reputation

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

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

Stakeholder Relationships

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

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

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

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

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

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

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

Additional areas of focus are:

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

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

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

Human Rights

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

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

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

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

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

Anti-Corruption and Bribery Matters

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

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

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

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

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

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Performance Analysis

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

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

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

Disclosure of Information to Auditor

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

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

Dr Margaret Cook
Principal & Chief Executive

Accountability Report

Remuneration and Staff Report

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

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

Remuneration and Staff Report

Introduction

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

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

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

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

Remuneration arrangements

Senior Management Team

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

Accountability Report

Remuneration and Staff Report

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

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

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

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

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

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

Accountability Report

Remuneration and Staff Report

Higher Paid Employees

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

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

Compensation for loss of office

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

The table below summarises the exit packages by cost band.

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

Accountability Report

Remuneration and Staff Report

Pay Multiples

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

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

Accrued pension benefits

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

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

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

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

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

Cash Equivalent Transfer Value (CETV)

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

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

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

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

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

Real increase in CETV

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

Senior Management Team Pension

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

Name	Accrued pension at age at 31 July 2022	Accrued lump sum at pension age at 31 July 2022	Real increase in pension 1 August 2021 to 31 July 2022	Real increase in lump sum 1 August 2021 to 31 July 2022	CETV at 31 July 2021	CETV at 31 July 2022	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Margaret Cook	10-15	0-5	0-2.5	0-2.5	117	160	43
Lorenz Cairns	30-35	90-95	0-2.5	2.5-5	699	752	53
Catherine Etri ²	20-25	65-70	-	-	644	547	-
Veronica Lynch	30-35	30-35	2.5-3	0-2.5	458	510	52
Iain Wishart	0-5	0-5	0-2.5	0-2.5	21	44	23

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

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

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

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

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

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

Staff Numbers and Costs

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

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

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

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Sickness Absence Rates

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

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

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

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

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

Policies in relation to disabled persons

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

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

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

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

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

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Recruitment and Selection

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

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

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

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

Professional Development

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

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

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

Redeployment and Occupational Health

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

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

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

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

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Other employee matters

Equal Pay

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

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

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

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

Work Life Balance

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

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

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

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

Conduct

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

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Exit

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

Health and Safety

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

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

To meet these criteria, the College will:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Trade Unions

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

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

Trade union officials

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

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

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

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	100%
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Employment Issues

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

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

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

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

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

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

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

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

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Corporate Governance Report

Overview

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

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

Directors Report

The Board of Management

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

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

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

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

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Corporate Governance Report

Board Member – Committee Attendance

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

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

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

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

Perth College UHI
Crieff Road
Perth PH1 2NX

Register of Members Interest

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

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

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

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

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

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

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

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Corporate Governance Report

Information Management

There were no significant data breaches during the year.

Appointments to the Board of Management

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

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

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

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Statement of Responsibilities of the Members of the Board of Management

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

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

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

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

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

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

The Board of Management has taken reasonable steps to:

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

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

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Corporate Governance Report

- 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 XX December 2022 and signed on its behalf by:

Graham Watson
Interim Chair

Accountability Report

Corporate Governance Report

Governance Statement

Statement of Corporate Governance and Internal Control

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

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

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

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

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

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

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

Audit Committee

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

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

Accountability Report

Corporate Governance Report

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

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

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

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

Finance and Resources Committee (“the Finance Committee”)

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

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

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

Remuneration Committee

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

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

Corporate Strategy

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

Accountability Report

Corporate Governance Report

Scope of Responsibility

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

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

The Purpose of the System of Internal Control

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

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

Principal Risks and Uncertainties

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

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

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

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

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

Accountability Report

Corporate Governance Report

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

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

The Risk and Control Framework

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

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

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

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

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

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

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

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

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

Accountability Report

Corporate Governance Report

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

Review of Effectiveness

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

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

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

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

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

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

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

Significant Control Issues/Weaknesses

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

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

Accountability Report

Corporate Governance Report

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

Going Concern

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

Impact of Covid-19

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

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

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

Accountability Report

Parliamentary Accountability Report

Parliamentary Accountability Report

We have no matters to report.

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

Graham Watson
Interim Chair

Dr Margaret Cook
Principal and Chief Executive

Report on the audit of the financial statements

Opinion on financial statements

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

In our opinion the accompanying financial statements:

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

Basis for opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 31 May 2016. The period of total uninterrupted appointment is six years. We are independent of the college and its group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the College. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the ability

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

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

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

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

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

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

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

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

Use of our report

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

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

Ernst & Young LLP

Atria One

144 Morrison Street

Edinburgh

EH3 8EX

Date:

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

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

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

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

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

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

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £000	College £000	Group £000	College £000
Income & Expenditure Reserve				
Balance at 1 August	5,501	5,309	(869)	(869)
Surplus from the income and expenditure account	(2,329)	(2,438)	(1,645)	(1,838)
Other comprehensive (expenditure) /income	8,380	8,380	7,350	7,351
Transfers from revaluation reserve	665	665	665	665
Balance at 31 July	12,217	11,916	5,501	5,309
Revaluation Reserve				
Balance at 1 August	23,745	23,745	24,410	24,410
Impact of Revaluation	4,509	4,509	-	-
Transfer from Income & Expenditure reserve	(665)	(665)	(665)	(665)
Balance at 31 July	27,589	27,589	23,745	23,745

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

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

Perth College
Cashflow Statement for the year ended 31 July 2022

	Notes	Year ended 31 July 2022 £000	Year ended 31 July 2021 £000
Cash flow from operating activities			
Surplus / (Deficit) for the year		(2,330)	(1,646)
Adjustment for non-cash items			
Depreciation	13	1,454	1,427
Deferred capital grants released to income	2	(266)	(250)
(Increase) / Decrease in stocks		(3)	14
Decrease / (Increase) in debtors	15	718	(311)
(Decrease) / Increase in creditors	17-18	(20)	1,491
(Decrease)/ Increase in provisions		-	(84)
Pension costs less contribution payable		1,532	1,587
Taxation		37	54
Gain on sale of fixed assets included in SOCI		(1)	(2)
Adjustment for investing or financing activities			
Interest receivable	5	-	-
Interest payable	9	1	1
Taxation paid	11	(37)	(54)
Net cash flow from operating activities		1,085	2,227
Cash flows from investing activities			
Deferred capital grant	20	320	213
Payments made to acquire fixed assets	13	(147)	(288)
Sale of fixed assets		-	125
		173	50
Cash flows from financing activities			
Interest received	6	-	-
Interest paid	10	(1)	(1)
Amounts borrowed		-	-
Repayments of amounts borrowed	18	-	(3)
Net cash outflows from investing and financing activities		(1)	(4)
Increase in cash and cash equivalents in the year	16	(178)	2,274
Cash and cash equivalents at beginning of the year		3,803	1,529
Cash and cash equivalents at end of the year		3,625	3,803

1. Statement of Accounting Policies and estimation techniques

Basis of preparation

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

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

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

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

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

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

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

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

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

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

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

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

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

Basis of accounting

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

Basis of consolidation

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

Non-current assets - Tangible fixed assets

Land and buildings

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

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

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

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

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

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

Assets under construction

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

Assets held for sale

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

Equipment

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

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

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

Subsequent expenditure on existing fixed assets

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

Borrowing costs

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

Leased assets

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

Investments

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

Recognition of Income

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

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

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

Accounting for post-employment benefits

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

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

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

Perth College

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

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

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

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

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

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

Short term employment benefits

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

Stocks

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

Cash and Cash Equivalents

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

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

Financial Liabilities and Equity

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

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

Foreign Currency Translation

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

Taxation

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

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

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

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

Deferred Taxation

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

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

Provisions

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

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

Revaluation reserve

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

Agency arrangements

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

Judgements in applying accounting policies and key sources of estimation uncertainty

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

Other key sources of estimation uncertainty

Tangible fixed assets

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

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

Local Government Pension Scheme

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

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

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

Post Balance Sheet Events

There are no Post Balance Sheet Events.

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

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

4. Other grants and contracts

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

5. Other income

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

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

6. Staff costs

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

All severance costs were approved by the Senior Management Team

Total staff costs split as follows:

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

Analysed as:

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

6. Staff Numbers

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

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

7. Higher paid staff

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

8. Senior post holder emoluments	Year ended 31 July 2022	
	Group	College
	£000	£000
Senior post holders are defined as the principal (or chief executive) and holders of the other senior posts whom the board have selected for the purposes of the articles of government of the institution relating to the appointment and promotion of staff who are appointed by the board of governors.		
The number of senior post-holders including the principal was	5	5
Senior post-holder emoluments are made up as follows		
Salaries	419	414
Pension Contributions	87	86
	506	500
The above emoluments include amounts payable to the Principal (who is also the highest paid senior post holder of		
Salary	119	111
Pension Contributions	27	25
	146	136

9. Other operating expenses	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
Teaching Departments	871	910	452	613
Teaching support services	684	684	829	829
Administration and central services	1,233	1,233	1,145	1,145
Premises costs	1,927	1,705	1,715	1,490
Other income generating activities	251	179	240	138
Residences and catering	908	908	454	454
Other income	121	121	173	173
Other expenses – childcare grant	260	260	287	287
	6,255	6,000	5,295	5,129
Other operating expenses include:				
Auditors remuneration				
External audit	36	28	60	45
Internal Audit	24	24	14	14
Other services from external audit	2	-	5	-
Operating leases				
Hire of plant and machinery	42	42	94	94
Hire of other assets	114	-	117	-

10. Interest payable

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

11. Taxation

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

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

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

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

13. Tangible Fixed Assets (Group)			
	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2021	41,216	5,661	46,877
Additions	-	147	147
Disposals	-	-	-
Revaluation	1,897	-	1,897
At 31 July 2022	43,113	5,808	48,921
Depreciation			
At 1 August 2021	1,306	4,936	6,242
Charge for the year	1,306	148	1,454
Disposals	-	-	-
Revaluation	(2,612)	-	(2,612)
At 31 July 2022	-	5,084	5,084
Net Book Value			
At 31 July 2022	43,113	724	43,837
At 31 July 2021	38,604	724	39,328
<p>Land & Buildings were not revalued during the year but an indexation process has been undertaken in line with changes in the RICS rebuild rates to ensure that any material change in valuation of land & buildings is accounted for. This exercise resulted in an increase in net book value of £4.5m.</p> <p>Inherited Land and buildings with a net book value of £5.7M have been financed by exchequer funds. Should these assets be sold, the College may be liable, under the terms of the Financial Memorandum with the Scottish Funding Council to surrender the proceeds.</p>			

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

13. Tangible Fixed Assets (College)	Freehold Land & Buildings	Equipment	Total
	£000	£000	£000
Cost or Valuation			
At 1 August 2021	41,216	4,964	46,180
Additions	-	47	47
Disposals	-	-	-
Revaluation	1,897	-	1,897
At 31 July 2022	43,113	5,011	48,124
Depreciation			
At 1 August 2021	1,306	4,373	5,679
Charge for the year	1,306	118	1,424
Disposals	-	-	-
Revaluation	(2,612)	-	(2,612)
At 31 July 2022	-	4,491	4,491
Net Book Value			
At 31 July 2022	43,113	591	43,633
At 31 July 2021	38,604	520	39,124

14. Investments	Year ended 31 July 2022		Year ended 31 July 2021	
	Group £000	College £000	Group £000	College £000
Investment in subsidiary company	-	20	-	20
	-	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 2022, the Company made a profit after taxation of £110,001 which resulted in a net asset position of £320,749 at 31 July 2022. No gift aid donation was made to UHI Perth by AST.

15. Trade and other receivables

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

16. Cash and cash equivalents

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

17. Creditors – amounts falling due within one year

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

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

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

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

19. Pension provision

	Year ended 31 July 2022		Year ended 31 July 2021	
	Group	College	Group	College
	£000	£000	£000	£000
At 1 August	6,848	6,848	12,612	12,612
Actuarial (Gain)/Loss in Year	(11,932)	(11,932)	(7,351)	(7,351)
Less Actuarial gain not recognised under FRS102	4,823	4,823	-	-
Pension Service Cost in Year	1,532	1,532	1,587	1,587
At 31 July	731	731	6,848	6,848

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

20. Deferred capital grants included within creditors

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

21. Defined benefit obligations

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

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

Scottish Teachers Superannuation Scheme

(a) UHI Perth participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2016. This valuation informed an increase in the employer contribution rate from 17.2% to 23.0% of pensionable pay from September 2019 and an anticipated yield of 9.4% employees contributions

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

(c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme

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

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

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

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

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

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

Local Government Pension Scheme (Tayside Superannuation Fund)

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

21. Defined benefit obligations (continued)		
	As at 31 July 2022 £000	As at 31 July 2021 £000
Principal actuarial assumptions		
The following information is based upon a full actuarial valuation of the fund at 31 March 2021 updated to 31 July 2022 by a qualified independent actuary.		
Discount rate	3.40%	1.60%
Pension increases	2.80%	2.80%
Salary increases	3.80%	3.80%
Inflation assumption (CPI)	2.80%	2.80%
Commutation of pensions to lump sums	0.00%	50.00%
Assumed life expectations from age 65 are		
Retiring today		
Males	19.0	18.9
Females	22.3	22.2
Retiring in 20 years		
Males	20.4	20.3
Females	23.9	23.8
The Fair value of the College's estimated share of assets in the scheme at the balance sheet date		
	£'000	£'000
Equities	29,097	30,371
Gilts	1,045	2,179
Other bonds	5,466	5,092
Property	4,955	3,796
Cash	825	939
Alternatives	28	28
Total fair value of scheme assets	41,416	42,405
Actual return on Scheme assets	(1,242)	7,053
The return on the Fund for the year to 31 July 2022 is estimated to be -2.92%		

21. Defined benefit obligations (continued)	Year ended 31 July 2022	Year ended 31 July 2021
	£000	£000
The amount included in the balance sheet in respect of the defined benefit pension scheme is as follows:		
Fair value of scheme assets	41,416	42,405
Present value of scheme liabilities	(7,133)	(48,392)
Present value of unfunded liabilities	(731)	(861)
Less share of assets not recognised under FRS102	(4,283)	-
Net pensions liability	(731)	(6,848)
Amounts recognised in the Statement of Comprehensive Income in respect of the scheme are as follows:		
Amounts included in staff costs		
Current service cost	2,327	2,357
Finance charges	102	164
Admin expenses	14	13
Total	2,443	2,534
Amount recognised in Other Comprehensive Income		
Return on Fund assets in excess of interest	(1,923)	6,607
Other actuarial gains/(losses) on assets	-	2,236
Change in financial assumptions	16,485	(2,670)
Change in demographic assumptions	-	1,033
Experience gain/(loss) on defined benefit obligation	(2,630)	145
Changes in effect of asset ceiling	-	-
Less share of assets not recognised under FRS102	(4,283)	-
Amount recognised in Other Comprehensive Income	7,649	7,351
Movement in net defined benefit/(liability) during the year		
Net defined benefit /(liability) in scheme at 1 August	(6,848)	(12,612)
Movement in year:		
Current service cost	(2,322)	(2,356)
Past service cost	(5)	(1)
Employer contributions	911	947
Net interest on the defined liability	(102)	(164)
Administration expenses	(14)	(13)
Actuarial gain or loss	11,932	7,351
Less share of assets not recognised under FRS102	(4,283)	-
Net defined benefit/(liability)	(731)	(6,848)
<p>In line with FRS102 where the calculation results in a net asset, recognition of the asset is limited to the extent to which UHI Perth is able to recover the surplus either through reduced contributions in the future or through refunds from the scheme. UHI Perth has assessed the recoverability of the asset on this basis and determined that it was appropriate that the plan surplus at 31 July 2022 is not recognised in line with the requirements of FRS 102. Therefore the share of assets not recognised is £5.3m. The unfunded pension liability cannot be netted off against the unrecognised asset so there is a net defined benefit liability of £731k.</p>		

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

22. Summary pension note

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

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

23. Post balance sheet events

There are no post balance sheet events to report

24. Capital commitments

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

25. Lease obligations

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

26. Related party transactions

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

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

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

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

27. Bursaries and other student support funds

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

Represented by:

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

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

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

28. Childcare funds

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

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

29. Government non-cash allocation for depreciation

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

30. Revaluation reserve

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

31. Income and Expenditure reserve

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

ACCOUNTS DIRECTION FOR SCOTLAND'S COLLEGES 2021/22

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

Scottish Funding Council

18 July 2022

Committee	Joint F&R/Audit Committee Meeting
Subject	Perth College Draft Annual External Audit Report 2021/22
Date of Committee meeting	12/12/2022
Author	Ernst & Young – External Auditors
Date paper prepared	07/12/2022
Executive summary of the paper	<p>Purpose:</p> <p>In line with the College’s Financial Memorandum, the External Auditor is required to provide a report to the Audit Committee and to the Board of Management in relation to their audit of the College’s Financial Statements. This report is provisional pending final review ahead of its approval at the Board of Management.</p> <p>Impact:</p> <p>This report is presented to provide an assessment of the adequacy and effectiveness of the College’s system of internal control, it’s compliance with the Account’s Direction and with the Code of Good College Governance.</p> <p>Course of Action:</p> <p>The final version of this report will be completed and will then be forwarded to the Board of Management for final approval .</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	Consultation has been undertaken with the Finance team, SMT and the College’s external auditors (EY).

Perth College UHI

<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>An Annual External Audit report is a requirement of governance within the Financial Memorandum.</p> <p>This report will be published by Audit Scotland.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>Compliance</p> <p>Risk Management</p> <p>Financial Sustainability</p> <p>Strategic Reputation</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>No</p>

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>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>
<p>Freedom of information</p> <p>Can this paper be included in "open" business?*</p>	<p>Yes</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



Perth College

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

12 December 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 2021/22 audit

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

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

Financial Statements

[We have concluded our audit of the Group and College's financial statements for the year ended 31 July 2022.] [Five] audit adjustments were required to be made and there was one unadjusted differences that we were required to communicate. The draft financial statements and supporting working papers were provided in line with the agreed audit timetable, however some narrative sections were provided late. The financial statements and working papers were of a reasonable standard. Improvements have been made to the visual presentation of the statements, however further improvements could be made particularly in respect of the completeness of information included within the initial draft statements, including in respect of non-financial areas. We concluded that the other information subject to audit, including the applicable parts of the Remuneration Report and the Annual Governance Statement were appropriate. We were satisfied that the disclosures reflect the College's compliance with the Code of Good Governance for Scotland's Colleges.

Going Concern

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

Under a revised auditing standard, ISA 570, we are required to undertake greater challenge of management's assessment of going concern, including testing of the adequacy of the supporting evidence we obtained. The College has concluded that there are no material uncertainties around its going concern status, however it has continued to include enhanced disclosures around its future financial position in the financial statements to reflect the impact of Covid-19 and inflationary pressures. AST (Engineering) Limited are anticipated to disclose a material uncertainty opinion in respect of going concern in its own financial statements, and work in respect of the implications for the Group audit opinion is ongoing.

Wider Scope

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

Financial Sustainability



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

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

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

Financial Management



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

Governance & Transparency



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

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

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

Value for Money



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

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



Introduction

Purpose of this report

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

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

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

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

Our independence

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

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

Scope and Responsibilities

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

Our review and reassessment of materiality

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

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

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

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

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

Financial statement audit

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

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

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

Wider Scope audit

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

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

Our findings are summarised in Section 3 of this report.



Financial Statements audit

Introduction

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

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

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

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

Compliance with Regulations

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

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

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

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

[Audit status]

Our audit work is substantially complete with the following areas of work ongoing:

- ▶ *Finalisation of the Manager and Partner review of audit work completed to date;*
- ▶ *Review of management's going concern assessment including assessment of the implications of the material uncertainty opinion for AST (Engineering) Limited; and*
- ▶ *Subsequent events procedures.*

Audit Outcomes

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

Group financial statements

The College prepares group financial statements, consolidating the results of the College and its subsidiary undertaking, 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 December 2022. *[We have received responses to our group audit instructions.] With the exception of the going concern matter above, no significant issues have been reported which impact the group.*

Our audit opinion

Element of opinion	Basis of our opinion	Conclusions
<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 2022 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>[We issued an unqualified audit opinion on the 2021/22 financial statements for the Group and College.]</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>[In accordance with the work reported in this report, 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>[We have no matters to report.]</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 expenditure recognition

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

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

Specific procedures relating to significant risks

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

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

Our conclusions

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

Risk of management override

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

Risk of Fraud

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

Testing on Journal Entries

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

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

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

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

Our conclusions

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

Judgements and Estimates

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

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

Our procedures included:

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

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

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

Accounting Policies

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

Our conclusions

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

Other Inherent Risk Areas

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

Valuation of pension assets and liabilities

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

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

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

Our approach included:

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

Our conclusions

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

Valuation of Property, Plant and Equipment

The College's property, plant and equipment (PPE) portfolio totals over £42.4 million of assets (2021: £40.6 million). The valuation of these assets requires expertise and significant estimation. To meet the requirements of the accounting framework, the College values its property, plant and equipment on at least a 5 yearly cycle with regular desktop valuations in interim years.

For 2021/22, the College obtained a desktop valuation from their external valuer for land and buildings. The College's PPE totals £42.42 million, an increase of £1.8 million from 2020/21. This movement includes additions of £0.15 million, depreciation of £1.4 million, and a revaluation gain of £3.1 million.

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

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

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

Our conclusions

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

Going concern

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

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

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

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

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

Our conclusions

- ▶ *[We are satisfied that it remains appropriate for the College's financial statements to be prepared on a going concern basis, in particular recognising the SFC and UHI's confirmation they would provide support in cash flow management should it be required through the going concern period.]*
- ▶ *We note that the auditors for the College's wholly owned subsidiary, AST (Engineering) Limited intend to issue a material uncertainty opinion in respect of going concern. We are currently assessing the implications for the Group opinion.*



Wider Scope dimensions

Introduction

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

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

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

Financial Sustainability

**Our overall
assessment:
Red**



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

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

The context for financial sustainability in the College sector

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

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

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

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

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

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

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

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

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

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

Medium term financial forecasting

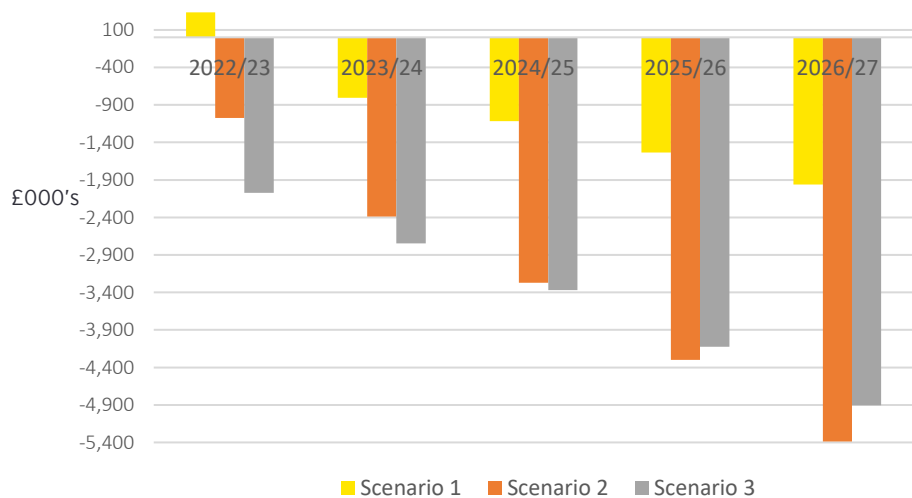
The College has prepared a five-year financial forecast for the period 2022 to 2027 and submitted this to the SFC in the form of the template Financial Forecast Return ('FFR'). The assumptions provided by the SFC were issued in August 2022 and therefore are not fully reflective of the current economic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

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

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

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

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



Source: Perth College Financial Forecast Return, October 2022

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

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

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

Going concern cash flow forecasting

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

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

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

We note that the auditor's for the College's wholly owned subsidiary, AST Engineering Ltd intend to include a material uncertainty opinion in respect of going concern. Due to the College's central government classification, the College can provide limited support to AST and only through their commercial income activity. Taking this into account, we do not believe that this presents a risk to the College's ability to continue as a going concern, however as explained earlier in our report, we are evaluating the implications for the Group opinion.

Financial Management

**Our overall
assessment:
Green**



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

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

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

Financial performance and monitoring

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

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

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

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

Systems of internal control

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

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

Double salary payment and finance capacity

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

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

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

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

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

National Fraud Initiative (NFI)

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

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

Governance and Transparency

**Our overall
assessment:
Amber**



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

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

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

Annual Governance Statement

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

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

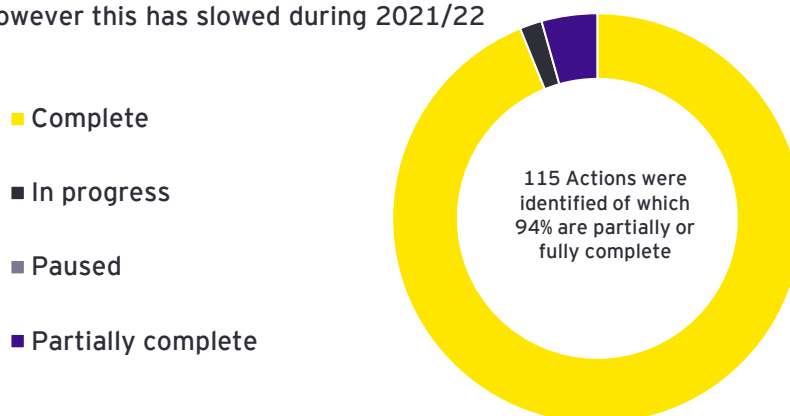
- ▶ Ensuring that the College has met all requirements of the SFC's 2021/22 Accounts Direction;
- ▶ Ensuring that the content of the statement is consistent with our understanding of the College's governance arrangements and any issues identified during the year; and
- ▶ Ensuring that the College has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

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

Improvement Action Plan

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

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



Source: Perth College Action Plan Monitoring Report, May 2022

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

Governance Arrangements

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

Internal audit

[Internal audit's opinion for the year was based on its agreed audit plan for the year, as approved by the Audit Committee and presented to the Audit Committee in December 2022. For 2021/22, the internal auditor's opinion notes that [TBD].

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

Principal Remuneration

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

Value for Money

Our overall assessment: Green



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

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

Strategic Plan

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

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

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

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

KPI reporting

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

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

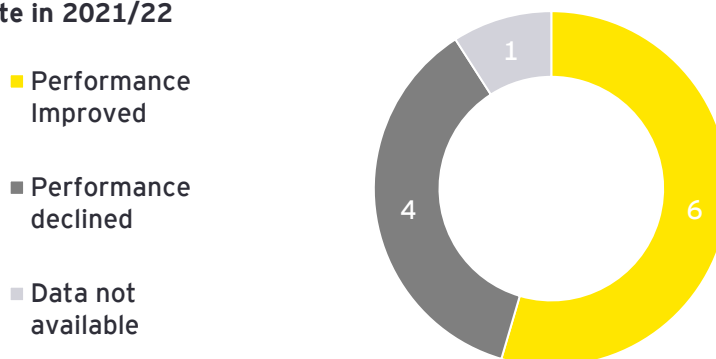
See Appendix E, prior year recommendation 2.

Performance Reporting

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

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

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



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

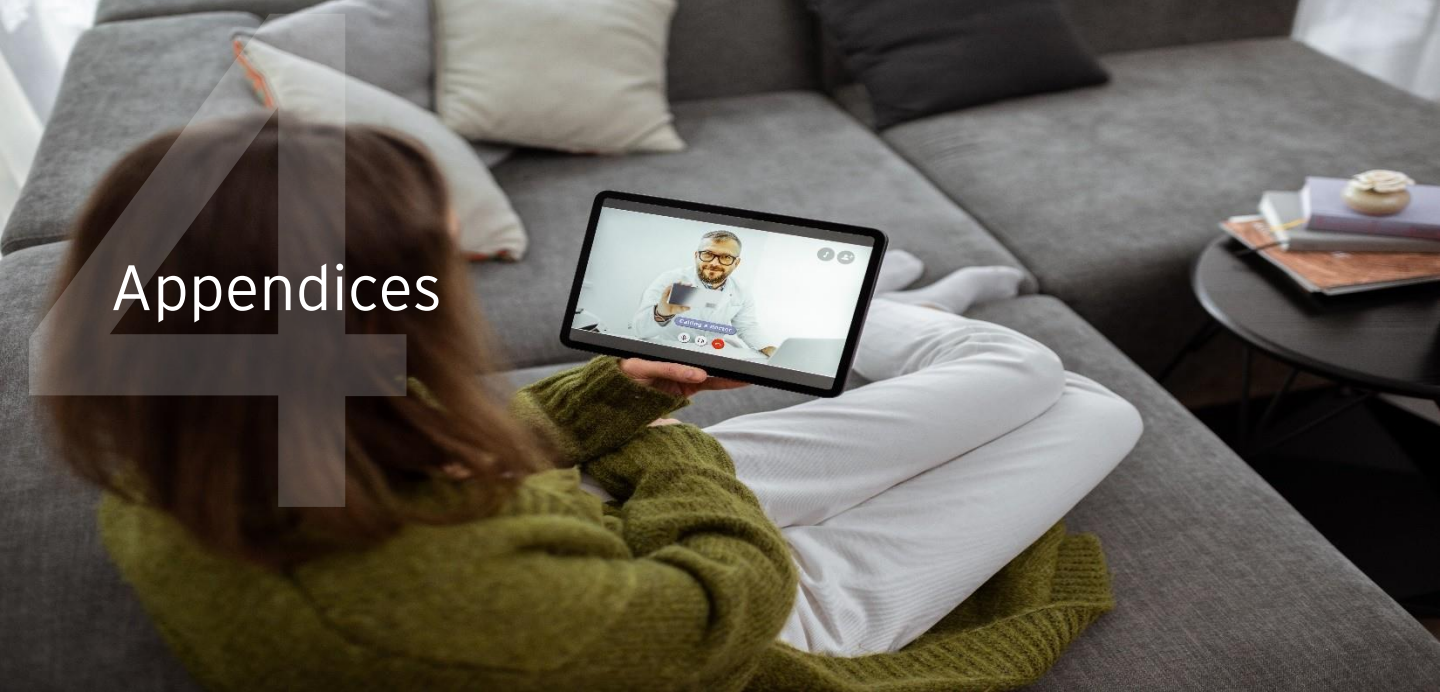
Risk Management framework

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

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

Voluntary Severance Scheme

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



4 Appendices

A - Code of Audit Practice: responsibilities

B - Independence and audit quality

C - Required communications with the Audit Committee

D - Adjusted errors identified during the audit

E - Current and prior year recommendations

F - Timing and deliverables of the audit

Appendix A: Code of Audit Practice Responsibilities

Audited Body's Responsibilities

Corporate Governance

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

Financial Statements and related reports

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

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

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

Standards of conduct / prevention and detection of fraud and error

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

Standards of conduct / prevention and detection of fraud and error

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

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

Best Value

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

Appendix B: Independence and audit quality

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

Matters that we are required to communicate

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 2021 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

	2021/22	2020/21
Component of fee:		
Total agreed auditor remuneration	£19,290	£18,890
Additional audit procedures (see below)	£6,800	£8,400
Audit Scotland fixed charges:		
Pooled costs	£1,070	£1,220
Audit support costs	£960	£800
Total fee	£28,120	£29,310

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

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

Matters that we are required to communicate

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

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

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

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

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

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

Audit Quality Framework / Annual Audit Quality Report

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

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

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

Appendix C: Required communications

Required communication	Our reporting to you
<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>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>This Annual Audit Report - Appendix B</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>This 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>This Annual Audit Report</p>
<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, risk and governance committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Committee may be aware of 	<p>Annual Audit Report or as occurring if material.</p>
<p>Group audits</p> <ul style="list-style-type: none"> ▶ An overview of the type of work to be performed on the financial information of the components ▶ An overview of the nature of the group audit team's planned involvement in the work to be performed by the component auditors on the financial information of significant components ▶ Instances where the group audit team's evaluation of the work of a component auditor gave rise to a concern about the quality of that auditor's work ▶ Any limitations on the group audit, for example, where the group engagement team's access to information may have been restricted ▶ Fraud or suspected fraud involving group management, component management, employees who have significant roles in group-wide controls or others where the fraud resulted in a material misstatement of the group financial statements 	<p>Annual Audit Plan</p> <p>This Annual Audit Report</p>

Appendix D: Adjusted errors identified during the audit

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

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

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

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

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

Classification of recommendations

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

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

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

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

Prior year recommendations follow up

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

No.	Findings and recommendation	Original Management response	Update on status
2	<p>The College should ensure that the annual performance report is published on the College website on a timely manner to ensure key stakeholders have access to performance information.</p> <p style="text-align: right;"><i>Grade 2</i></p>	<p>Response:</p> <p>We agree that the annual performance report must be published on the College website in a timely manner. The College will develop a checklist of all documents that must be published with relevant deadlines and ensure that the checklist is completed each month. This checklist will also be reviewed at each Audit Committee meeting. The checklist will be in place from the May/June 2022 Audit Committee meeting.</p> <p>Responsible officer:</p> <p>SMT</p> <p>Implementation date:</p> <p>June 2022</p>	<p>We note that the College website continues to only show the 2019/20 performance report for key performance indicators. The College should ensure both the 2020/21 and 2021/22 reports are published as soon as possible. Moving forward the reports should be published in a more timely manner.</p> <p>Our assessment: Incomplete</p>
3	<p>We consider that the Finance Team overall has had insufficient knowledge and experience, particularly in financial accounting, since December 2018.</p> <p>We also note that there were a number of historical issues with financial systems and approaches that College appointments within Finance were unable to address.</p> <p>The College must review the capacity and capability within the finance team to ensure that skills gaps are addressed.</p> <p>The Board needs to urgently ensure that there are appropriate arrangements established to provide strategic financial leadership.</p> <p style="text-align: right;"><i>Grade 1</i></p>	<p>The structure and resourcing of the Finance Team has been an ongoing focus of SMT with additional resources being invested during 2018/19 provided to increase the capacity and broaden the experience in the department. All positions are now filled permanently with the exception of the Interim Head of Finance who was appointed on a fixed term contract to May 2020, pending a revised structure.</p> <p>Actions</p> <p>Structure review of Finance: Complete</p> <p>SMT recommendation for the appointment of a Director of Finance considered by the Remuneration Committee: Complete and approved</p> <p>Implement a CPD plan across the Finance Team: December 2020</p> <p>Responsible officer: Principal/ HoF Implementation date: December 2020</p>	<p>The finance team continues to face resourcing challenges and has experienced recruitment challenges. At present, the team carries key person dependency risks and is unable to deliver the improvements to processes and controls in a timely manner due to the team's capacity.</p> <p>Our assessment: Ongoing</p>

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

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

Appendix F: Timing and deliverables of the audit

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

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

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Perth College UHI

Paper No. 11

Committee	Joint F&R/Audit
Subject	Internal Audit Annual Report 2021/22
Date of Committee meeting	12/12/2022
Author	Henderson Loggie
Date paper prepared	07/12/2022
Executive summary of the paper	This paper constitutes the Internal Audit Annual Report for 2021/22 and is issued to ensure compliance with the Public Sector Internal Audit Standards (PSIAS) Reporting Requirements, which states that “the College has responsibility for maintaining an effective internal audit activity”
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	Consultation has been undertaken with SMT and appropriate department heads, and the College’s internal auditors (Henderson Loggie).
Action requested	<input type="checkbox"/> For information <input checked="" type="checkbox"/> For discussion <input checked="" type="checkbox"/> For endorsement <input type="checkbox"/> Strongly recommended for approval <input type="checkbox"/> Recommended with guidance (please provide further information, below)
Resource implications Does this activity/proposal require the use of College resources to implement? If yes, please provide details.	Yes/No

Perth College UHI

<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>Yes</p> <p>An Annual External Audit report is a requirement of governance within the Financial Memorandum.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>Compliance</p> <p>Risk Management</p> <p>Financial Sustainability</p> <p>Strategic Reputation</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p> <p>Click or tap here to enter text.</p>
<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>

Perth College UHI

Status (e.g. confidential/non confidential)	Non Confidential
Freedom of information Can this paper be included in "open" business?*	Yes

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

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

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and

http://www.itspublicknowledge.info/web/FILES/Public_Interest_Test.pdf

Perth College UHI

Annual Report to the Board of Management and the Principal on the Provision of Internal Audit Services for 2021/22

Internal Audit report No: 2022/11

Draft issued: 2 December 2022

2nd draft issued: 5 December 2022

Final issued: 7 December 2022



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Annual Report and Opinion

Introduction

- 1.1 We were re-appointed in July 2021 as internal auditors of Perth College UHI ('the College') for the period 1 August 2021 to 31 July 2024 by one year to 31 July 2021 (with the option for the institution to extend for a further two 12 month periods, subject to mutual agreement. This report summarises the internal audit work performed during 2021/22.
- 1.2 The annual operating plan was based on a comprehensive Audit Needs Assessment (ANA) and three-year Strategic Plan, which involved dialogue with senior management, the Chair of the Board and the Chair of the Audit Committee.
- 1.3 The work undertaken in the year followed that set out in the approved Annual Internal Audit Plan for 2021/22 (contained within Internal Audit Report 2022/04 – Strategic Plan 2021 to 2024 and Annual Internal Audit Plan 2021/22 (issued in May 2022).
- 1.4 The reports submitted are listed in Section 2 of this report and a summary of results and conclusions from each assignment is given at Section 3.
- 1.5 An analysis of time spent against budget is set out at Section 4.

Public Sector Internal Audit Standards (PSIAS) Reporting Requirements

- 1.6 The College has responsibility for maintaining an effective internal audit activity. You have engaged us to provide an independent risk-based assurance and consultancy internal audit service. To help you assess that you are maintaining an effective internal audit activity we:
 - Confirm our independence;
 - Provide information about the year's activity and the work planned for next year in this report; and
 - Provide quality assurance through self-assessment and independent external review of our methodology and operating practices.
- 1.7 Self-assessment is undertaken through:
 - Our continuous improvement approach to our service. We will discuss any new developments with management throughout the year;
 - Ensuring compliance with best professional practice, in particular the PSIAS;
 - Annual confirmation from all staff that they comply with required ethical standards and remain independent of clients;
 - Internal review of each assignment to confirm application of our methodology which is summarised in our internal audit manual; and
 - Annual completion of a checklist to confirm PSIAS compliance.



Public Sector Internal Audit Standards (PSIAS) Reporting Requirements (continued)

- 1.8 External assessment is built into our firm-wide quality assurance procedures. Henderson Loggie LLP is a member of Prime Global, a global association of independent accountancy firms. Continued membership of Prime Global is dependent on maintaining a high level of quality and adhering to accounting and auditing standards in the provision of our services. Annual quality reviews are conducted to confirm our continuing achievement of this quality. The independent review conducted by MHA Macintyre Hudson in March 2019 included our internal audit service. Overall, the review confirmed that the firm's policies and procedures relating to internal audit were compliant with the PSIAS in all material respects.
- 1.9 In the intervening years between formal external assessment against PSIAS we conduct our own self-assessment annually. The result of our latest self-assessment, conducted in April 2022, confirms that our service is independent of the College and continues to comply with the PSIAS.

Significant Issues

- 1.10 All work conducted in 2021/22 assessed systems as either 'Good' or 'Satisfactory' and provided an unqualified audit opinion on College returns. There were no significant issues identifying major internal control weaknesses arising from our internal audit work. In general, procedures were operating well in the areas selected, but a few areas for further strengthening were identified and action plans have been agreed to address these issues.
- 1.11 We found that the College had made limited progress in implementing the internal audit recommendations followed-up as part of our 2021/22 Follow Up reviews. Only eight of the 29 recommendations followed-up were assessed as 'fully implemented'. Two recommendations were considered but not implemented, with 15 recommendations classified as 'partially implemented' and four categorised as 'little or no progress'.

Opinion

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



Reports submitted

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2022/01	Student Activity Data (Credits) 2020/21	Audit opinion unqualified	3	-	-	3
2022/02	Student Support Funds 2020/21	Audit opinion unqualified	4	-	1	3
2022/03	Payroll Double Payment	Satisfactory	2	-	1	1
2022/04	Strategic Plan 2021 to 2024 and Annual Plan 2021/22	N/A	N/A	-	-	-
2022/05	Partnership Working	Satisfactory	4	-	1	3
2022/06	Income / Debtors	Satisfactory	2	-	-	2
2022/07	Payroll	Satisfactory	4	-	1	3
2022/08	Building Maintenance	Satisfactory	3	-	1	2
2022/09	Quality	Good	1	-	-	1
2022/10	Follow Up	N/A	19 of 29 recommendations will require further action	-	12	7

Overall gradings are defined as follows:

Good	System meets control objectives.
Satisfactory	System meets control objectives with some weaknesses present.
Requires improvement	System has weaknesses that could prevent it achieving control objectives.
Unacceptable	System cannot meet control objectives.



Annual Internal Audit Report 2021/22

Recommendation grades are defined as follows:

Priority 1	Issue subjecting the organisation to material risk and which requires to be brought to the attention of management and the Audit Committee.
Priority 2	Issue subjecting the organisation to significant risk and which should be addressed by management.
Priority 3	Matters subjecting the organisation to minor risk or which, if addressed, will enhance efficiency and effectiveness.



Summary of Results and Conclusions

Report No 2022/01 Student Activity Data 2020/21

Final Issued – November 2021

In accordance with the Credits Audit Guidance we reviewed and recorded the systems and procedures used by the College in compiling the returns and assessed and tested their adequacy. We carried out further detailed testing, as necessary, to enable us to conclude that the systems and procedures were working satisfactorily as described to us.

Detailed analytical review was carried out, including a comparison with last year's data, obtaining explanations for significant variations by Price Group.

Our testing was designed to cover the major requirements for recording and reporting fundable activity identified at Annex C to Credits Audit Guidance, COVID-19 related guidance at Annex D and the key areas of risk identified in Annex E.

Our report was submitted to the SFC on 10 November 2021. We reported that, in our opinion:

- the student data returns have been compiled in accordance with all relevant guidance.
- adequate procedures are in place to ensure the accurate collection and recording of the data; and
- on the basis of our testing we can provide reasonable assurance that the FES return contains no material misstatement.

Three recommendations were identified from our audit testing for 2020/21 including: for courses that are other than full-time, ensure that the required date input into SITS is calculated as the day on which 25 per cent of the total calendar days between the course start and end have passed; ensure that Credits claimed for students are based upon the value of the units listed on the student course record, which reflect the activity delivered in the year, and not based upon a default tariff; Ensure that part-time fee waiver forms are completed at enrolment in order to evidence entitlement to part-time fee waiver.



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Report No 2022/02 – Student Support Funds 2020/21

Final Issued – November 2021

For the 2020/21 academic year two specific fund statements were required for audit:

- Further Education Discretionary Fund, Further and Higher Education Childcare Fund and Bursary Return; and
- Education Maintenance Allowance Return.

The audit objectives were to ensure that:

- The College complies with the terms, conditions and guidance notes issued by SFC, SAAS and the Scottish Government;
- Payments to students are genuine claims for hardship, bursary or EMA, and have been processed and awarded in accordance with College procedures; and
- The information disclosed in each of the returns for the year ending 31 July 2021, is in agreement with underlying records.

We were able to certify the FE Discretionary Fund, FE and HE Childcare Fund and Bursary Return for the year and submit this to the SFC without reservation.

The following observations were made in the covering letter which accompanied our Auditors' Report to the SFC on the College's EMA Return:

- EMA is a weekly allowance requiring 100% of agreed attendance at all timetabled sessions (subject to the impact of COVID-19 during 2020/21) and the EMA Guidance and Processes issued by the Scottish Government in August 2020 confirms that attendance data, absence and other information must be retained by administrators as part of the audit trail. We make one observation in relation to student attendance checking during the period following a cyber-attack on the University of the Highlands & Islands in early March 2021, which impacted key systems and services across the UHI partnership including at Perth. Following the cyber-attack the College's normal attendance and engagement reports were not fully operational for some time. For EMA payments made during the period from March through to May 2021 the College's Student Funding Team did however check students' enrolment status in the SITS student records system and payments were stopped if students were shown as withdrawn. Management stressed to academic staff the need to notify Student Records staff of any students that were not attending / engaging in lessons.
- There was one further minor point noted from our audit work. Total EMA payments of £98,640 were made by the College in the year-ended 31 July 2021 compared with £98,700 included in the monthly returns and year-end statement. The difference of £60 relates to an overclaim made during the year, which the College has advised will be adjusted in the monthly EMA return for November 2021.



Report No 2022/03 – Payroll Double Payment

Final Issued – February 2022

Overall grade: Satisfactory

The scope of this review focused on the issues raised in the letter dated 26 November 2021, which was issued by the Principal and Vice-Chancellor of UHI by email on 29 November 2021 to the Principal of Perth College UHI.

The table opposite notes each separate objective for this review and records our results.

Strengths

- The Director of Finance provided a ‘Double Salary Payment Update’ to the 29 November 2021 meeting of the College Audit Committee;
- The overpayment was entered onto a spreadsheet which has been maintained by the Financial Accountant and the two Finance Assistants, with input provided by the Head of HR and Organisational Development;
- Any repayments made by staff have been netted off against the running total on the spreadsheet and in the ‘Employee advances’ ledger code as staff have repaid the duplicate amounts paid;
- The spreadsheet is updated daily to reflect payments made through the College bank or to reflect cheques sent to the College by members of staff;
- The repayment process put in place involved input from the Head of HR and Organisational Development who had regular communication with trade unions regarding the wording of communications to staff;
- Almost all staff have responded positively to the communications from the College requesting repayment. In total 480 staff were affected by the salary overpayment and a total of 456 staff have now repaid their overpayment of salary. This leaves a total of 24 members of staff with outstanding balances due totalling £28,485.26;
- It is the intention that debt recovery action will continue to recover all of the outstanding amounts due by the end of the current financial year on 31 July 2022, with the exception of the staff on long term sick who will have longer term repayment arrangements;
- The College has now taken steps to remove the capability for any member of staff to load and authorise a payment through APT BACS. We conducted testing to confirm that the ability to load and authorise has been removed and obtained a screenshot of the error message which is now generated should a registered user attempt to load and authorise any payments; and

The objectives of the audit were to gain reasonable assurance that:	
1. A robust process for recovering the overpayment has been developed and invoked.	Good
2. The reasons for the double payment have been examined by the College and appropriate and timely steps have been taken to rectify any control weaknesses identified	Good
3. Regular written updates have been provided to the Principal and Vice-Chancellor of UHI on progress in recovering overpayments	Satisfactory
4. Reporting of the incident fulfils the requirements set out in the financial memorandum between Perth College UHI and UHI	Requires improvement
Overall Level of Assurance	Satisfactory



Annual Internal Audit Report 2021/22

Report No 2022/03 – Payroll Double Payment (continued)

- All APT BACS payments are now authorised by either the Financial Accountant or the management accountant in order to maintain a segregation of duties. This will be built into procedural notes as part of the ongoing COSO activity to document financial control processes within the College.

Weaknesses

- It was noted that although monthly summary updates have been produced, only the December 2021 has been shared with the Principal and Vice-Chancellor and the Director of Corporate Services within UHI; and
- Although the Director of Finance did take steps to contact the Director of Corporate Services in the Executive Office of UHI (along with a number of other stakeholders), to advise of the double payment incident, the Principal of the College did not inform the Principal and Vice-Chancellor directly as described in the Financial Memorandum.



Annual Internal Audit Report 2021/22

Report No 2022/04 – Strategic Plan 2021 to 2024 and Internal Audit Annual Plan 2021/22

Final Issued – May 2022

The purpose of this document was to present for consideration by management and the Audit Committee the annual operating plan for the year ended 31 July 2022. The plan was based on the proposed allocation of audit days for 2021/22 as set out in the Internal Audit Strategic Plan 2021 to 2024. The preparation of the Strategic Plan involved dialogue with senior management, the Chair of the Board and the Chair of the Audit Committee.

The outline scope, objectives and audit approach for each audit assignment to be undertaken, arrived at following discussion with the Director of Finance and consideration by other members of the College Senior Management Team, were set out in the report. The outline scopes were finalised after discussion with responsible managers in each audit area.



Report No 2022/05 – Partnership Working

Final Issued – October 2022

Overall grade: Satisfactory

This audit reviewed the adequacy and effectiveness of the processes and procedures for stakeholder mapping and planning and delivering partnership engagement. This included the specific review of the way in which the College engages with UHI (as Regional Strategic Body) in identifying opportunities, planning and delivering partnership activity.

The table opposite notes each separate objective for this review and records our results.

Strengths

- The College has articulated its vision for partnership working both with the UHI and regional partners within its revised College Strategy. There is synergy with the revised Strategy with the UHI Corporate Strategy and regional outcome agreements.
- There are sub-strategies for Business Engagement and International Working. Academic leads are also in process of developing business engagement plans for their sectors.
- Management interviewed were involved and committed to partnership working. They value their partnership within UHI and the benefits from collaborations with the UHI and their fellow academic partners.
- External stakeholder interviews noted that the College’s Senior Management, Business Engagement, and International teams are committed to partnership working and regularly attend external regional forums, committees, and networking events.
- The College is a significant member of the Local Employability Partnership (LEP), and the Vice Principal for External Engagement is Chair.
- Feedback from UHI colleagues noted that the College’s Senior management are active within the UHI and help shape the tertiary education pathways and meet its Regional Outcome Agreement (ROA).

The objectives of the audit were to gain reasonable assurance that:	
1. There is a process in place to identify key external stakeholders and to align them with regional strategic objectives.	Good
2. There is regular dialogue between the College and external stakeholders (including UHI) to facilitate the delivery of regional priorities through partnership activity	Good
3. Effective governance arrangements are in place for effective stakeholder/partnership working – specifically scrutiny and accountability arrangements	Good
4. The College has agreed a set of measures and targets to track progress and demonstrate the impact of partnership activity	Good
5. There is a common understanding between the College and UHI of the collective resources required to deliver regional priorities through partnership activity and the College works effectively with stakeholders to direct funding, assets and staffing in a sustainable partnership framework.	Requires improvement
Overall Level of Assurance	Satisfactory



Report No 2022/05 – Partnership Working (continued)

Strengths

- There are programmes from the Tay Cities Deals that rely on effective partnership working between internal and external stakeholders. For example, the College is in the process of developing a hospitality academy in partnership with a number of hospitality and tourism employers across the Tay Cities Region including the prominent Gleneagles Hotel. In recognition of the industry needs to attract a more diverse workforce to the sector, the Hospitality Skills Programme will focus on attracting new talent to the industry through broader engagement with young people and with those keen to return to the workforce. Alongside this, the College has engaged with a number of hospitality employers to leverage its international partnerships to attract students from India, Nepal and China into the pathway. Discussions with external stakeholders from Skills Development Scotland and Perth and Kinross Council noted good awareness of the status of the programme.
- Where possible, the College documents the agreed vision, purpose, and objectives of the partnership. For example, the Tay Cities Hospitality Initiative has a Memorandum of Understanding established with the hotel. A Project Manager role is currently advertised to support the College to progress arrangements.
- The Highland and Islands Regional Outcome Agreement (ROA) 2021/22 contains details of key deliverables and actions, setting out how the ROA will be delivered with targets and milestones set to measure achievement. Achievement of outcomes is regularly reported and discussed at regional meetings.
- The Perth and Kinross Single Outcome Agreement 2013-2023 and Community Planning Partnership (CPP) sets local objectives for the area. The College has an active School Partnership programme with 11 school partnerships and outcomes are monitored by the Perth and Kinross Council's Community Planning Partnership Board.
- The College has been actively engaged with the development of the CPP Local Outcome Improvement Plan with key deliverables led by the College, particularly in relation to employability and skills outcomes.



Report No 2022/05 – Partnership Working (continued)

Strengths

- There are clear roles, lines of accountability and communication within the College governance framework that are operating effectively. There is a key management group – Curriculum Business Planning Group – that takes a strategic and operational role to monitor progress and identify risks. It is Chaired by the VP External Engagement and is attended by the VP-Operations and staff from Business Development, International and Senior Academic staff. Outcomes are reported to the CMT and externally to the UHI via the External Partnerships Steering Committee (EPSC).
- The College has worked with other UHI partners in recent years to ensure that College risks are also considered within the wider context of the UHI partnership. There is now greater visibility of partnership risks with a standard risk register format in use across the UHI and improved sharing of risk registers by partners. A revised risk register format linking back to the College Strategic KPI's is under development to embed further improvements and alignment back to the College Strategic Plan.

Weaknesses

- College management are not actively using the UHI Microsoft Dynamics CRM system to record relationships and to track commercial leads due to UHI Licensing, lack of transparency on the ownership of the data, as well as intraregional risk to the College in sharing potentially competitive information across the UHI. An agreement for use of Microsoft Dynamics CRM should be reached with UHI that is mutually beneficial to both parties. The use of the Raisers Edge system for alumni and philanthropic leads is utilised by Perth College with UHI as lead so a similar model could apply to the MS Dynamics system for mutual benefit.
- Resource to deliver on the College's strategic objectives particularly in relation to partnership working should be identified and succession planning for key roles. The associated risks for delivering on key strategic partnerships should also be identified and mitigating controls and actions identified for monitoring purposes, such as by the Curriculum Business Planning Group.



Report No 2022/05 – Partnership Working (continued)

Weaknesses

- The process for the UHI approving international commercial opportunities as slow and bureaucratic. The process can often take several weeks to months mainly due to a lack of resource within UHI and complex governance structures. As part of the review of shared services at UHI, the UHI partnership should agree the optimal reporting framework to streamline the UHI review and approval of commercial and international proposals raised by its academic partners, including Perth College UHI.
- The UHI and Perth College UHI management require to mutually agree the financial arrangements between parties. This agreement should be documented for transparency, such as an appendix to the terms and conditions set out in their Memorandum of Understanding. The agreement should also document the terms and conditions of the partnership, including decision making, intellectual property, copyright, data sharing and ownership of commercial and marketing data.



Report No 2022/06 – Debtors & Income

This audit focused on the systems of internal control in place within the College in relation to commercial income generating activities, education contracts, and other income. In addition, debt management and recovery procedures were also reviewed.

The table opposite notes the specific objectives for this review and records the results.

Strengths

- The College has up-to-date and comprehensive Financial regulations;
- The Finance Department team is responsible for managing the income and debtor processes and use the BluQube accounting system, which provides centralisation of the financial recording processes and allowing an audit trail to be retained against each student account that is linked to SITS, the student record database;
- Sales invoices are promptly and correctly raised to relevant customers;
- Credit notes are appropriately allocated and approved by the budget holders; and
- Our testing confirmed that the existing practices for debt recovery; the use of debt collection agencies; and write-off processes for bad debts were conducted in line with the Financial Regulations.

Weaknesses

- It was observed that there are no documented and formally approved procedure notes in place to guide staff, covering the processes for raising sales invoices, providing appropriate audit trail to credit notes and recover debts. We were advised that the procedural guidance for raising sales invoices is currently being drafted and that it is intended to be introduced later in financial year 2022/23. Therefore, management are aware of the issue and the weakness is being addressed. However, we have provided two recommendations, in relation to the contents of the new procedural guidance, which are intended to help shape the new procedures to ensure that they reflect current practice and to further strengthen existing controls.

Final Issued – October 2022 Overall grade: Satisfactory

The objective of this audit was to obtain reasonable assurance that:	
1. Invoices / claims are raised promptly in respect of income due to the college	Satisfactory
2. Credit notes are appropriately authorised before issue	Satisfactory
3. Adequate debt management and recovery procedures are in place and are consistently followed in practice	Satisfactory
Overall Level of Assurance	Satisfactory



Annual Internal Audit Report 2021/22

Report No 2022/07 – Payroll

This audit considered the key internal controls in place over the College’s spend on staff costs. Our audit reviewed the processes in place within both the Human Resources and Payroll teams. This covered the payment of staff expenses and additional hours.

The table opposite notes each separate objective for this review and records our results.

Strengths

- Management has a strong awareness of the inefficiencies ingrained in the current payroll process and are in the process of procuring a new HR and Payroll system, which will reduce the level of manual intervention presently required by HR and Payroll teams;
- Despite the inefficiencies noted above, we confirmed that the payroll is processed in compliance with requirements and gross pay for the sample reviewed was paid accurately and on time;
- Starters and leavers are processed in line with College procedural requirements;
- Employee information retained on Ciphre aligns to the information recorded in employee records;
- There are audit trails for the calculations and reconciliations completed, providing assurance that all relevant checks and balances are being consistently undertaken by Payroll;
- Changes to employee standing data is being dealt with appropriately; and
- There is sufficient record keeping and audit trails in place to demonstrate segregation of duties between those providing information (HR), processing information (Payroll) and implementing the pay (Finance) and audit trails are retained to demonstrate that proper authorisation, processing and recording of payments was adopted.

Final Issued – December 2022 Overall grade: Satisfactory

The objectives of the audit were to gain reasonable assurance that:	
1. Correct calculation of gross pay and deductions	Good
2. Correct calculation of employer national insurance and superannuation contributions	Good
3. Part-time lecturers, overtime and staff expenses payments are properly authorised	Satisfactory
4. Approval and checking of changes to employee standing data	Good
5. Starters and leavers are properly treated and enter and leave the system at the correct dates	Requires improvement
6. Proper authorisation, processing and recording of payments	Good
Overall Level of Assurance	Satisfactory



Report No 2022/07 – Payroll (continued)

Weaknesses

- Recently revised SPPA percentages had not been updated on the Payrite system, resulting in employee contributions being incorrectly calculated for one of the 15 individuals sample tested. We confirmed that this had been an oversight by management. Adjustments were made in the October 2022 pay run. Compensating controls have subsequently been introduced to prevent recurrence and the recommendation was completed during the course of our audit fieldwork;
- The process for completing and processing timesheets is a manual one, leading to several inbuilt inefficiencies. As part of the procurement process for the new HR and Payroll System, management should explore the potential inclusion of a timesheet module which will automate the submission and approval of timesheets for effective and efficient review and processing by the HR and Payroll teams;
- Timesheets should be submitted at the end of each month worked. However, this is not always the case and staff we observed instances where staff are submitting timesheets several months late. Timesheet Guidelines should be documented and communicated to all SDDs, line managers and staff paid through timesheets to ensure awareness of cut off thresholds;
- The current process deployed by line managers, to communicate the start dates of new employees on the Contract Spreadsheet, is inefficient. This has resulted in several instances of employees working for several weeks without contracts due to the fact that due diligence checks were not in place. The process for communicating starter dates should be improved to ensure that any red flags are identified promptly by HR; and
- Record keeping arrangements for leavers should be strengthened to ensure that all relevant information, such as leaver forms or contract extensions, are routinely retained on file. Consideration should be given to the recording of file contents on a checklist, in the absence of automated controls typically found in a document management system.



Report No 2022/08 – Building Maintenance

This review has examined the extent to which the College’s forward planning would support lifecycle maintenance for the College’s estate, given the limitations on available funding.

The table opposite notes each separate objective for this review and records the results.

Strengths

- The governance oversight of the Estates operational activities is assigned to the College’s Finance and Resource Committee (FRC). The Head of Estates provides updates at each FRC meeting, covering a range of topics, including the Strategy and master plan development. Updates on estates matters are also provided to the Board;
- A condition survey was undertaken across the entire College estate in February 2021, which was conducted by external consultants Faithful+Gould / Atkins Building Surveyors. This survey involved visual inspections, providing information in respect of physical condition of each building and all maintainable and replaceable assets. The results of the surveys informed the forward maintenance works, the maintenance backlog details, and provided updates to asset registers (which record details on the age, condition and remaining life of assets). For each survey conducted, we noted that a list of prioritised estimated costs for renewal of assets had been compiled; and
- Our testing confirmed that an effective cyclical maintenance inspection programme, including Water Hygiene (Legionella management), Intruder alarms, Electrical safety and Portable Appliances Testing, is in place to ensure ongoing statutory compliance under the legal and regulatory framework.

Final Issued – December 2022 Overall grade: Satisfactory

The objective of this audit was to obtain reasonable assurance that:	
1. The College has an Estates Maintenance Strategy in place which is aligned with the College’s strategic planning objectives and other relevant strategies	Satisfactory
2. Oversight of the Estates Maintenance Strategy, including review of implementation and funding risks, have been aligned to an appropriate committee reporting to the Board	Satisfactory
3. Progress made on lifecycle maintenance projects, and expenditure against budget is monitored by management and an appropriate committee(s). The process includes arrangements to ensure value for money is achieved	Requires improvement
4. Regular condition surveys are undertaken, and other good quality information is available, to inform asset management decisions	Satisfactory
5. Plans are in place to maintain the College’s assets in good condition, as economically as possible, and in line with manufacturer’s warranty conditions, in order to meet changing and rising standards as far as they can be foreseen	Satisfactory
6. There is a comprehensive cyclical testing and maintenance programme that covers all items requiring regular testing or maintenance under the relevant legal and regulatory framework	Good
Overall level of Assurance	Satisfactory



2022/08 – Building Maintenance (continued)

Weaknesses

- We were advised that the Estates Strategy / Feasibility Study and master plan are currently being developed in order to provide a strategic overview of the College's Estate and bring together a broad range of information (at a specific point in the project lifecycle). The work in progress around the overarching Estates Strategy is reflected within the College's Strategy 2022-27, thus ensuring alignment between the Estates Strategy (and supporting plans) and the College's agreed strategic priorities. We have not raised a specific recommendation in relation to this finding as we recognised that management are aware of the position and the issue is being appropriately addressed;
- It was observed that the Estates updates provided to the FRC and to the Board do not include details on for completed statutory and reactive maintenance, projected costs for ongoing maintenance requirements and information on maintenance backlog. From discussion with the Head of Estates it was also found that the College does not have in place a facilities management software; and
- Whilst we confirmed that asset management decisions are informed by various inspections and condition surveys, it was observed that there is no longer-term proactive rolling programme of condition surveys and inspections at the College.



We carried out a follow-up review of the recommendations made in the following Internal Audit reports finalised during 2020/21, which included recommendations from earlier reports where previous follow-up identified that the recommendations were outstanding:

- Internal Audit Report 2021/04 – Asset Management
- Internal Audit Report 2021/05 – Corporate Planning
- Internal Audit Report 2021/06 – Student Recruitment and Retention
- Internal Audit Report 2021/07 – Follow Up 2020/21
- Internal Audit Report 2021/08 – Staff Skill, Staff Productivity & Performance Management

The College has made limited progress in implementing the recommendations followed-up as part of this review with eight of 29 (27%) recommendations being categorised as 'fully implemented', 15 (52%) of recommendations classified as 'partially implemented', and four (18%) categorised as 'little or no progress'. These 19 recommendations will be subject to follow-up at a later date.

Two of the recommendations have been categorised as 'Considered but not Implemented'

The first of these relates to action **R3** from report 2020/06 - Procurement and Creditors, which was followed up in 2020/21 as part of the previous report 2021/07 – Follow Up 2020/21. The recommendation relates to the undertaking of PECOS training for the Procurement Team. While this training was initiated, it has subsequently been put on hold due to the College decision to shift processing of purchases away from PECOS and to the finance system, bluQube. Training has been delivered on the new system, meaning the original recommendation is no longer applicable.

The second recommendation categorised as 'considered but not implemented' is **R1** from report 2021/08 – Staff Skills Profile, Staff Productivity and Performance Management. The original recommendation stated that "It is our view the current arrangements would be enhanced by the inclusion of the Head of HR and Occupational Development in the monthly meetings on the review of staffing establishment with Finance, Sector Development Directors and the Associate Principal which commenced in April 2021. However, it has subsequently been clarified that the inclusion of the Head of HR and Occupational Development in these particular monthly meetings would not be appropriate.

Our findings from each of the follow-up reviews has been summarised below:



Annual Internal Audit Report 2021/22

From Original Reports			From Follow-Up Work Performed				
Area	Rec. Priority	Number Agreed	Fully Implemented	Partially Implemented	Little or No Progress Made	Not Past Agreed Completion Date	Considered But Not Implemented
2021/04 – Asset Management	3	-	-	-	-	-	-
	2	3	-	3	-	-	-
	1	1	-	1	-	-	-
Total		4	-	4	-	-	-
2021/05 – Corporate Planning	3	-	-	-	-	-	-
	2	-	-	-	-	-	-
	1	1	1	-	-	-	-
Total		1	1	-	-	-	-
2021/06 – Student Recruitment and Retention	3	-	-	-	-	-	-
	2	-	-	-	-	-	-
	1	3	2	1	-	-	-
Total		3	2	1	-	-	-
2021/07 – Follow Up 2020/21	3/A	-	-	-	-	-	-
	2/B	6	1	4	-	-	1
	1/C	3	1	2	-	-	-
Total		9	2	6	-	-	1
2021/08 – Staff Skill, Staff Productivity & Performance Management	3	-	-	-	-	-	-
	2	5	-	3	2	-	-
	1	7	3	1	2	-	1
Total		12	3	4	4	-	1
Grand Totals		29	8	15	4	-	2



Time Spent - Actual v Budget 2021/22

	Report number	Planned days	Actual days feed	Days to fee at Nov 2022	Days to spend / WIP	Variance
Student Experience						
<i>Quality</i>	2022/09	5	5	-	-	-
Staffing Issues						
<i>Payroll</i>	2022/07	5	5	-	-	-
Estates & Facilities						
<i>Building Maintenance</i>	2022/08	4	4	-	-	-
Financial Issues						
<i>Income / Debtors</i>	2022/06	4	4	-	-	-
Organisational Issues						
<i>Partnership Working</i>	2022/05	5	5	-	-	-
Other Audit Activities						
Credits Audit	2022/01	5	5	-	-	-
Bursary, Childcare and Hardship Funds	2022/02	4	4	-	-	-
EMA	2022/02	1	1	-	-	-
Management and Planning	2022/04	3	3	-	-	-
Follow-up reviews	2022/10	2	2	-	-	-
Payroll Double Payments	2022/03	5	5	-	-	-
Audit Needs Assessment	2022/04	2	2	-	-	-
Total		45	45	-	-	-
		=====	=====	=====	=====	=====



Proposed Operational Plan for 2022/23

- 5.1 Following our re-appointment as internal auditors for the period 1 August 2021 to 31 July 2024, a Strategic Plan was formulated, covering the three-year internal audit cycle from 2021 to 2024. The preparation of the Strategic Plan involved dialogue with senior management, the Chair of the Board and the Chair of the Audit Committee, and a review of various College documents, previous internal audit reports and the College's Strategic Risk Register.
- 5.2 The proposed annual operating plan, below, for 2022/23 reflects the allocation set out in Year 2 of the approved Strategic Plan 2021 to 2024.



Proposed Allocation of Audit Days

			Planned
	Category	Priority	22/23
			Days
Reputation			
<i>Publicity and Communications</i>	Gov	M	
<i>Health and Safety / Wellbeing</i>	Gov	H	
Student Experience			
<i>Curriculum</i>	Perf	M	
<i>Quality</i>	Perf	M	
<i>Student support</i>	Perf	M	
<i>Student recruitment and retention</i>	Fin/Perf	M/H	
<i>Student welfare – Duty of Care</i>	Perf	M	
<i>Students Association</i>	Gov	L/M	
Staffing Issues			
<i>Staff recruitment and retention</i>	Perf	M	
<i>Staff development</i>	Perf	M	
<i>Payroll</i>	Fin	M/H	
<i>Teaching staff utilisation</i>	Perf / Fin	M	
Estates and Facilities			
<i>Building maintenance</i>	Fin/Perf	M/H	
<i>Estates strategy / capital projects</i>	Fin/Perf	M	
<i>Space management / room utilisation BPR</i>	Perf	H	5
<i>Asset / fleet management</i>	Perf	M	
Financial Issues			
<i>Budgetary control</i>	Fin	M	
<i>Student invoicing and debt management</i>	Fin	M	
<i>General ledger</i>	Fin	L	
<i>Procurement and creditors / purchasing – Sustainable procurement</i>	Fin	M/H	5
<i>Debtors / Income</i>	Fin	M/H	
<i>Cash & Bank / Treasury management</i>	Fin	M	
<i>Fraud Prevention, Detection and Response</i>	Fin	M	
<i>Financial sustainability</i>	Fin	H	



Proposed Allocation of Audit Days (continued)

	Category	Priority	Planned 22/23 Days
Commercial Issues			
<i>Business Development</i>	Fin/Perf	M	
<i>External Activities</i>	Gov/Fin/Perf	M	
Organisational Issues			
<i>Risk Management</i>	Perf	M/H	
<i>Business Continuity</i>	Perf	M	5
<i>Corporate Governance</i>	Gov	M	
<i>Corporate Planning</i>	Perf	M	
<i>Performance reporting / KPIs</i>	Perf	M/H	4
<i>Partnership Working (incl. Regional Engagement)</i>	Gov/Perf	H	
<i>Equalities</i>	Gov	L/M	
<i>Environmental Sustainability</i>	Gov/Perf	M	
Information and IT			
<i>Cyber security</i>	Perf	M/H	
<i>Data protection / records management</i>	Gov	H	5
<i>FOI</i>	Gov	M	
<i>ICT and Digital Transformation Strategy implementation (with specific focus on digital capability)</i>	Perf	M/H	
<i>Licencing</i>	Perf	L	
Other Audit Activities			
Credits Audit	Required		5
Bursary, Childcare and Hardship Funds Audit	Required		4
EMA Audit	Required		1
Management and Planning)			3
External audit / SFC)			
Attendance at Audit Committee)			
Follow-up reviews			2
Payroll Double Payment			
Audit Needs Assessment			
Total			39
			=====



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Committee	Audit Committee
Subject	Audit Committee Annual Report to the Board of Management 2019/20
Date of Committee meeting	12/12/2022
Author	Ian McCartney, Clerk to the Board of Management
Date paper prepared	07/12/2022
Executive summary of the paper	<p>Purpose:</p> <p>In line with the College's Financial Memorandum, the Audit Committee is required to produce an annual report to the Board of Management.</p> <p>Impact:</p> <p>This report is presented to the Board of Management primarily to provide an assessment of the adequacy and effectiveness of the College's system of internal control.</p> <p>Course of Action:</p> <p>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.</p>
Consultation Please note which related parties, stakeholders and/or Committees have been consulted	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 <input checked="" type="checkbox"/> Strongly recommended for approval <input type="checkbox"/>

Perth College UHI

<p>Resource implications</p> <p>Does this activity/proposal require the use of College resources to implement?</p> <p>If yes, please provide details.</p>	<p>Yes/ No</p>
<p>Risk implications</p> <p>Does this activity/proposal come with any associated risk to the College, or mitigate against existing risk?</p> <p>(If yes, please provide details)</p>	<p>Yes/ No</p> <p>This is a requirement of governance within the Financial Memorandum.</p>
<p>Link with strategy</p> <p>Please highlight how the paper links to the Strategic Plan, or assist with:</p> <ul style="list-style-type: none"> • Compliance • National Student Survey • partnership services • risk management • other activity [e.g. new opportunity] – please provide further information 	<p>Compliance</p> <p>Risk Management</p>
<p><u>Equality and diversity</u></p> <p>Does this activity/proposal require an Equality Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p>
<p><u>Data Protection</u></p> <p>Does this activity/proposal require a Data Protection Impact Assessment?</p> <p>If yes, please give details:</p>	<p>Yes/ No</p> <p>Click or tap here to enter text.</p>

Perth College UHI

<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

Audit Committee Annual Report to the Board of Management Academic Session 2021-22

1 Introduction

The Scottish Funding Council's mandatory requirements require the Audit Committee to produce a report to the Board of Management primarily to provide an assessment of the adequacy and effectiveness of the College's system of internal control.

The Smith Guidance to Audit Committees also suggests that this annual report should focus on internal financial control and be provided to the Board prior to the signing of the financial statements and the Board's statement of responsibilities in particular.

This report covers the accounting period of 12 months to 31 July 2022.

The terms of reference of the Audit Committee are attached for information at **Appendix 1**. During the period under review the Committee met on 4 occasions: 04 October 2021, 29 November 2021, 16 March 2022 and 31 May 2022. Details of the membership of the Committee during this period are shown at **Appendix 2**.

2 Internal Audit

Henderson Loggie were re-appointed as the College's Internal Auditors in July 2016 for the period 1 August 2016 to 31 July 2020. An extension of this contract was implemented in March 2020 to enable completion of internal audits for the period to July 2021. This extension was implemented as a COVID related tender exemption.

A subsequent tender process was implemented for the 3-year period to July 2025, whereupon Henderson Loggie were reappointed as the College's Internal Auditors.

A comprehensive Audit Needs Assessment (ANA) and three-year Strategic Audit Plan was presented to, discussed with and approved by, Audit Committee at the meeting held on 16 March 2022 based on consideration of areas of higher risk and need from a review of the College's Strategic Risk Register, and a review of previous internal audit coverage.

The agreed plan focused on the key strategic risks of reputation, student experience, staffing, Estates & Facilities, Finance, Commercial, Organisation and Information & IT, alongside required annual audits and follow-up reviews. It was agreed that the number of Internal Audit days be increased to better reflect current risk, and would total 122 days over the 3-year period of the Plan, with 45 days assigned to 2021/22.

The Annual Report of the Internal Auditors for 2021/22 was considered by the Audit Committee at its meeting on **12 December 2022**. In the 2021/22 Annual Report, Henderson Loggie state that:

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

In Section 2 of the Annual Report prepared by Henderson Loggie a summary of the results and conclusions relating to the audit work carried out by them in the following areas is given. Recommendations were made by Henderson Loggie in each of the internal audit reports, as follows:

Number	Title	Overall Grade	Recommendations	Priority 1	Priority 2	Priority 3
2022/01	Student Activity Data (Credits) 2020/21	Audit opinion unqualified	3	-	-	3
2022/02	Student Support Funds 2020/21	Audit opinion unqualified	4	-	1	3
2022/03	Payroll Double Payment	Satisfactory	2	-	1	1
2022/04	Strategic Plan 2021 to 2024 and Annual Plan 2021/22	N/A	N/A	-	-	-
2022/05	Partnership Working	Satisfactory	4	-	1	3
2022/06	Income / Debtors	Satisfactory	2	-	-	2
2022/07	Payroll	Satisfactory	4	-	1	3
2022/08	Building Maintenance	Satisfactory	3	-	1	2
2022/09	Quality	Good	1	-	-	1
2022/10	Follow Up	N/A	19 of 29 recommendations will require further action	-	12	7

Recommendation grades are defined as follows:

Priority 1 – Issues subjecting the College to material risk and which requires to be brought to the attention of management and the Audit Committee.

Priority 2 – Issues subjecting the College to significant risk and which should be addressed by management.

Priority 3 – Matters subjecting the College to minor risk or which, if addressed, will enhance efficiency and effectiveness.

The Internal Audit Reports referred to above were reviewed in detail by the Audit Committee and accepted.

3 External Audit

Ernst & Young was appointed by Audit Scotland as the College's external auditors from Academic Year 2017.

A draft external Audit Annual Report 2020/21 was reviewed at the Finance and Resources Committee on 12 December 2022 and will be reviewed by the Board of Management at a meeting on 22 December 2022, and by the Auditor General.

The draft Financial Statements including accounting policies, disclosures and the external auditor's opinion for the year ended 31 July 2022 were submitted to the Committee on 12 December 2022 and after full discussion were recommended for approval by the Board at a meeting on 22 December 2022.

The Corporate Governance statement included in the audited Financial Statements for the year ended 31 July 2022 was reviewed along with the Financial Statements.

4 Effectiveness of the Audit Committee

A 'Review of Meeting' item at the end of every agenda was continued by the Audit Committee throughout 2021/22. This was to enable members the opportunity to reflect on and discuss the effectiveness of the meeting. No concerns about the conduct of the meetings have been raised.

5 Value for Money

The College continues to work closely with Government forums and Advanced Procurement for Universities and Colleges (APUC) and follows the guidelines that have been developed to support the sector in line with best practice.

In response to a recognition of the need to improve procurements procedures, in November 2018 the College made the decision to buy-in direct support from APUC has contracted APUC to provide direct support in the development of more robust systems and processes. Initially, this was obtained via a remote support arrangement with the Head of Procurement – UHI Shared Service (APUC), however since July 2019 a member of APUC staff has been contracted to work directly for the College to take the project forward.

6 Review of the Effectiveness of Internal Control and Risk Management

The Committee undertook a formal review of the effectiveness of internal control and risk management in November 2016. This report is based on guidance produced by the Turnbull Committee and invites the Board to confirm that:

- It is satisfied with the scope, frequency and quality of the reports received during the year.
- It is satisfied with the College's ability to respond to changes in the operating environment.
- It is satisfied with the scope and quality of senior level involvement in monitoring risks.
- It is satisfied with the extent and frequency of reports to the Board.
- It agrees that there had been no significant control failings or weaknesses identified during the year.
- It is satisfied with its public reporting processes.

It is recommended that an informal review of effectiveness is undertaken on an annual basis. During the financial year 2021/22, Audit Committee reviewed the internal Audit plan and took the decision to prioritise Audit days towards Payroll, Buildings Maintenance and Quality, as these were felt to be higher risk issues for the College.

7 Other Matters

The College Governance Manual, including the Terms of Reference for Board Sub-Committees, was fully reviewed during 2020 and the revised edition approved by the Board on 10 June 2020. Subsequent to this review, the title and/or nature of the 4 Standing Committees of the College were reviewed during 2021, and new Terms of Reference for each Committee were agreed.

In addition, Audit Committee reviewed the College's Code of Good Governance Compliance Checklist at its meeting on 04 October 2022, to provide comfort to Audit Committee that the College maintains its required levels of compliance.

8 Opinion and Conclusion

It is the opinion of the internal auditors, Henderson Loggie CA, accepted and endorsed by the Audit Committee, that the College operates adequate and effective internal control systems as defined in the audit needs assessment and that proper arrangements are in place to promote and secure value for money.

It is the opinion of the external auditors, Ernst & Young, and endorsed by the Audit Committee that the financial statements give a true and fair view and are properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and the Accounts Direction made thereunder.

It is the opinion of the Committee that the Board of Management's responsibilities as described in the Responsibilities of the Board of Management Statement included in the financial statements for the year to 31 July 2022 have been satisfactorily discharged.

It is also the opinion of the Committee that compliance with the SFC audit requirements as incorporated in Financial Memorandum have been ensured, whilst noting the Disclosures detailed within Appendix 3.

Perth College UHI Audit Committee, 12 December 2022

AUDIT COMMITTEE

Membership

No fewer than 3 members of the Board of Management.

One place reserved by invitation for a Student Member of the Board, as nominated by HISA Perth.

One place reserved by invitation for a Staff Member of the Board, to be determined by Staff Members of the Board

- Board members not eligible for appointment are the Chair of the Board, the Principal, the Chair of the Finance & Resources Committee, the Staff Board Member nominated to Finance & Resources Committee, and the Student Board Member nominated by HISA Perth to Finance & Resources Committee.
- No member of the Finance and Resources Committee shall also be a member of the Audit Committee.
- The Chair of the Board, the Principal and the Chair of the Finance and Resources Committee shall be invited to attend meetings.
- The Committee may sit privately without any non-members present for all or part of a meeting if they so decide.
- The College Executive will attend meetings at the invitation of the Committee Chair and provide information for Agenda items

In attendance

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 2021 – 31 July 2022

Jim Crooks (Chair)

Ann Irvine (Vice Chair)

Graham Watson

Fiona Martin

Madeleine Brown (resigned 30 June 2022)

PERTH COLLEGE

Audit Committee

Annual Assessment of Effectiveness of Internal Control

1 Introduction

The Board of Management is required to make a statement on corporate governance in the annual accounts, in accordance with the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012. To support its statement on corporate governance, the Board should undertake an annual assessment of the effectiveness of internal control systems and risk management.

2 Review of Reports Received During the Year

During 2021/22, the Audit Committee received the following internal audit reports from Henderson Loggie:

Audit Action Plan 2021/22-2024/25
2020/21 Student Activity Data
Student Support Funds 2020/21
Student Recruitment & Retention
Staff Skills
Payroll Overpayment
Follow-Up Reviews

All recommendations therein and the College response to them are noted. The College's actions in response to previous Internal Audit report recommendations are monitored by the Audit Committee.

During 2021/22, the Finance and Resources Committee and the Board received quarterly reports on income and expenditure against budget. Reports were also provided on assets and liabilities. Variance reporting was used to highlight areas of risk and compensating action was taken.

The Board is invited to confirm that it is satisfied with the scope, frequency and quality of the reports received during the year, as set out above.

3 Changes During the Year

Changes and developments in the external operating environment which were substantive agenda items at the Committee meetings in 2021/22 are listed as follows:

1. SFC Funding: Continued limitations in funding for the College sector coalesced during 2021/22, and future funding restrictions will be applied in the sector for the foreseeable future. This is a significant risk to the financial sustainability of the college as it could be difficult to cover increases in staff costs and non-staff costs in the future.
2. Student Numbers: Post Brexit and COVID-19, the College have been impacted by falling Higher Education student numbers. It is believed that this is due to universities changing their entry requirements which has increased their student numbers. This is a significant risk to the funding entitlement of the College now and in the future.
3. National Pay Bargaining: While academic staff roles have been agreed nationally, the professional services job evaluation exercise remains ongoing and will continue into at least 2022/23. This is a significant risk for the college sector due to the loss of direct control over staffing costs, a major element of the College cost base.

The Board is invited to confirm that it is satisfied with the College's ability to respond to changes in the operating environment.

4 Scope and Quality of Risk Monitoring

The Risk Register was reviewed quarterly then forwarded to Audit Committee for monitoring and oversight. Continuing and emerging risks were recognised as:

The continued impact of COVID-19 and its wider economic impact in relation to financial sustainability, student retention and wellbeing, continued financial uncertainty and sustainability, and International students; national pay bargaining; and ongoing discussions with UHI and Academic Partners

The College's actions in response to Strategic Risk Register discussions and actions are monitored by the Audit Committee and Board. An updated approach to Risk Monitoring is being implemented by assigning the monitoring of key risks to committees. These Risks will be linked to the Key Performance Indicators identified during the Strategic Planning process which resulted in a new Strategic Plan 2022-2027 being approved by the Board of Management in June 2022.

The Board is invited to confirm that it is satisfied with the scope and quality of management's monitoring of risks.

5 Communication to the Board and its Committees

Board Responsibility:

'The Board should consider the extent and frequency of the communication of the results of monitoring to the Board and its Committees, which enables it to build up a cumulative assessment of the state of control in the College and the effectiveness with which risk is being managed'. (Turnbull Guidance)

Response

The system of reporting to the Board is covered in the draft Statement of Corporate Governance.

Henderson Loggie were re-appointed as the College's Internal Auditors in July 2016 for the period 1 August 2016 to 31 July 2020. An extension of this contract was implemented in March 2020 to enable completion of internal audits for the period to July 2021. This extension was implemented as a COVID related tender exemption. A subsequent tender process was implemented for the 3-year period to July 2025, whereupon Henderson Loggie were reappointed as the College's Internal Auditors.

Audit Committee receives regular progress reports against the Internal Audit Action Plan at each scheduled meeting,

The Board is invited to confirm that it is satisfied with the extent and frequency of reports to the Board.

6 Control Failings or Weaknesses

During the year ending 31 July 2022, the following control weakness was identified as requiring action:

Area	Issue	Action
Payroll	<p>The College and subsidiary AST (Engineering) Limited, made a double salary payment to staff in the October 2021 payroll run.</p> <p>The incident was promptly identified by the College and steps were taken to try and prevent the payment from being made however the bank were unable to stop the payment once initiated.</p> <p>An internal investigation was undertaken and a detailed report provided to the Joint Finance and Resources and Audit committee in November 2021.</p>	<p>Control improvements were identified and implemented, eg segregation of BACS authorisation.</p> <p>A plan for recovering the monies was implemented, with 99.8% of funds having been recovered</p>

7 Effectiveness of Public Reporting Procedures

- Perth College UHI is committed to the principles of openness and accountability in all its activities. In response to our obligations under the Freedom of Information Act (Scotland) 2002, the College has adopted and will maintain the Model Publication Scheme for Scotland's Colleges.
- The Board is updated annually on the requests for information received under the Freedom of Information Act (Scotland) 2002 and Data Protection requests.
- The College completes and lodges a number of statutory returns to demonstrate appropriate use of public funds.
- Information about the Board and its members is available on the website, including the Register of Interests.
- Board of Management minutes and papers are published on the website.
- The Perth College Annual Accounts are published on the website. The Annual Accounts for Air Service Training (Engineering) Limited are lodged with Companies House.
- The Annual Report is published on the website. A hard copy is available to anyone who makes a request.

The Board is invited to confirm that it is satisfied with its public reporting processes