



University of the
Highlands and Islands
Perth College

Report and Financial Statements for the Year Ended 31 July 2021

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

Ask Student Services for details.

www.perth.uhi.ac.uk

Perth College is a registered Scottish charity, number SC021209.

Perth College – for the year ended 31 July 2021

Key Management Personnel and Professional Advisers

Key Management personnel

Key management personnel are defined as members of the Senior Management Team and were represented by the following in the year ended 31 July 2021:

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

External Auditor:

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

Internal Auditor:

Henderson Loggie
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

Bankers:

Royal Bank of Scotland
12 Dunkeld Road
Perth
PH1 5RB

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

Solicitors:

Thorntons Solicitors
17-21 George Street
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PH1 5JY

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Performance Report

Overview

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

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

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

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

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

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

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

Positive Adjusted Operating Profit (AOP)

Despite pressure on income, cost management and support from the SFC resulted in Perth College recording a positive AOP of £997,000 for the academic year.

Air Service Training (AST)

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

International Business

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

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Digital Capacity

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

Education Scotland Visit

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

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

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

Student Welfare

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

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

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

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

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

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

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

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

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

Dr Margaret Cook
Principal & Chief Executive

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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”).

Vision, Mission and Activities

Our Vision for the Future

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

Our Vision is...

To be an inspirational partner in economic and social transformation

Our Mission is...

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

Our Values are...

Ambition, Integrity and Respect.

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Implementation of Strategic Plan

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

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

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

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

Performance Summary

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

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

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

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

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

Operating Context

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

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

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

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

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

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

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Key Risks & Uncertainties

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

a. Brexit

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

These risks are mitigated in a number of ways:

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

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b. Unfunded Pension Liabilities

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

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

The Board of Management consider that the likelihood of this liability arising in the short or medium term is remote. However, the Board of Management have requested a review of the unfunded pension liability in 2021/22.

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

c. Overseas Students

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

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

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

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

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

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

In 2020/21 a collaboration between the college International and Academic teams saw Transnational Education (TNE) student numbers in China double despite the pandemic. We continue to broaden our international partnerships to grow our international student numbers.

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

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

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

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

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

d. Income

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

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

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

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

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

e. Financial Sustainability

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

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

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

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

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

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

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

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

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Performance Analysis

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

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

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

During the year ended 31 July 2021, work continued to improve the information held in the College's HR system. Staff on fixed term contracts that ended at the end of the academic year were cleansed from the data. Inactive hourly paid staff were also removed from the HR system. As a result of this data cleanse in 2019/20 the staff turnover figure for that year was higher than normal as the HR system counts these individuals as leavers. The figure for the year ended 31 July 2021 is now consistent with normal performance.

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

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

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

Financial Results

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

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

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

| | Year ended 31 July 2021 | Year ended 31 July 2020 |
|-----------------------------|----------------------------|----------------------------|
| | £'000 | £'000 |
| Operating deficit | (1,646) | (2,028) |
| Variance from prior year | 382 | (1,785) |
| Adjusted operating position | 997 | (645) |
| Variance from prior year | 1,642 | (1,919) |

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

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

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

Following their reclassification as central government bodies from 1 April 2014, colleges are also required to comply with Central Government budgeting rules. In addressing the impact

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

Financial Performance

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

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

| | 2020/21 | 2019/20 |
|--|----------------|----------------|
| Operating Surplus/Deficit as % of Total Income | (6.17%) | (7.99%) |
| Non SFC Income as % of Total Income | 32.95% | 35.55% |
| Current Assets: Current Liabilities | 1.04 | 0.85 |
| Staff Costs as a % of Total Income | 80.78% | 80.64% |
| Ratio of days cash to total expenditure | 51.7 days | 21.2 days |
| Trade creditor days | 29 days | 19 days |

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

Days cash has increased from 21.2 days to 51.7 days. This is primarily due to the student support and childcare balances being held for repayment to SFC.

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

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

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

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

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

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

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

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

| Adjusted Operating Position | 2020/21 £000 | 2019/20 £000 |
|---|-------------------------|-------------------------|
| Surplus/(deficit) before other gains and losses | (1,646) | (2,028) |
| Add Back: | | |
| Depreciation - net of deferred capital grant release (Note 1) | 1,177 | 490 |
| Pension adjustment – Net Service Cost (Note 2) | 1,410 | 897 |
| Pension adjustment – Net Interest Cost (Note 3) | 164 | 110 |
| | | |
| Deduct: | | |
| CBP allocated to loan repayments and other capital items (Note 4) | (108) | (114) |
| | | |
| Adjusted Operating Surplus/(Deficit) | 997 | (645) |

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

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

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

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

Treasury Policies and Objectives

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

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Cash Flows and Liquidity

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

| | 2020/21 | 2019/20 |
|--|-----------|-----------|
| Liquidity (Current assets ÷ Current liabilities) | 1.04 | 0.86 |
| Days cash to total expenditure | 51.7 days | 21.2 days |

Payment Performance

The College has a policy of paying its suppliers within 30 days of invoice unless other separate terms are in place, and excluding invoices held in dispute. Creditor days (trade creditors divided by other operating expenditure) 29 days (2019/20; 19 days).

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

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

Estates Strategy

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

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

- A new estates strategy has been commissioned and the strategy will be based on the creation of a new carbon neutral campus. Faithful and Gould are the consultants who have been tasked with creating the new strategy which should be completed by October 2022.
- Continuing to find ways to improve our carbon footprint.
- The development of the Perth based element of the Aviation Academy for Scotland on the College's Crieff Road Campus;

Perth College – for the year ended 31 July 2021

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

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

Non-Financial Issues

Human Rights

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

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

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

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

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

Perth College – for the year ended 31 July 2021

Anti-Corruption and Bribery Matters

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

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

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

Perth College also participates in the National Fraud Initiative and has recently submitted datasets for the 2020/21 Exercise. Results of this exercise are now available and are being reviewed.

Our procurement and financial transaction processes ensure a clear separation of duties between requestors, budget approvers and payees to mitigate against potential risk or fraudulent activity. These processes are being continually reviewed to ensure they are fit for purpose and achieving their aims.

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

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

Climate Change (Scotland) Act 2009

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

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

Perth College – for the year ended 31 July 2021

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

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

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

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

Reputation

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

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

Stakeholder Relationships

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

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

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

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

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

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

In partnership with our staff, trade unions and HISA, a greater focus on the student experience continues to be extremely important to the College. The external student satisfaction survey results show a decline in satisfaction and we need to understand how much of this is driven by the pandemic and how and where we can improve the position in 2021/22.

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

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

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Equality & Diversity

Equality and Diversity Vision

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

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

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

Perth College's organisational equality outcomes 2017-2021 are:

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

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

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

1. More learners than before are disclosing they are Care Experienced. These learners tend to have additional barriers which negatively impact attainment scores compared to their peers. We will work with the learners and other agencies to deliver interventions and support to narrow the attainment gap.
2. There is an increase in learners disclosing mental ill health. These learners tend to have additional barriers impacting their attainment score compared to their peers. We will work with the learners and other agencies to deliver interventions and support to narrow the attainment gap.

Perth College – for the year ended 31 July 2021

3. We recognise that there are gender imbalances across some areas of our curriculum, we will take active steps to promote accessibility of these programmes and challenge gender stereotyping.
4. We are committed to being an anti-racist organisation and will seek to eliminate racism in all of its forms throughout all parts of the College.
5. The College has a declining proportion of staff disclosing a disability in comparison with the local population. We will look to ensure that our policies, processes and practices are supportive of recruiting and retaining disabled staff. We will focus on hidden disabilities and wellbeing at work.

Equality Reporting

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

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

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

Perth College has complied with its numerous statutory reporting requirements for the year ended 31 July 2021.

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

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

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

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

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

Perth College – for the year ended 31 July 2021

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

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

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

Disclosure of Information to Auditor

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

Approved by order of the members of the Board of Management on 9 March 2022 and signed on its behalf by:

Dr Margaret Cook
Principal & Chief Executive

Perth College – for the year ended 31 July 2021

Accountability Report

The Accountability Report has three sections:

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

Remuneration and Staff Report

Introduction

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

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

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

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

Remuneration arrangements

Senior Management Team

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

Perth College – for the year ended 31 July 2021

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

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

- Staff members above are enrolled in either the STSS or LGPS pension schemes. These are both defined benefit schemes.
- The pension benefits set out in the table above reflect the change in value of pension for each individual (less contributions paid by the individual). These pension benefits include additional pension accrued within the year, and any changes to the value of pension earned in all previous years as a result of salary increases. The pension amounts were higher in the year to 31 July 2021 due to salary increases for incremental progression and the cost of living increase. There had been no incremental progression in the year ended 31 July 2020 which is why the pension benefit was lower in that year.
- The pension amounts in the table above do not represent the pension contributions paid for the staff listed. The actual amount of pension contribution paid for senior post holders is shown in Note 8 of these financial statements.

Higher Paid Employees

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

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

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Compensation for loss of office

10 employees left under a voluntary severance scheme during the year. In total they received a compensation payment of £177,140. No employees left under compulsory redundancy terms.

The table below summarises the exit packages by cost band.

| Exit package cost band | Number of voluntary redundancies | Number of other departures agreed (including any compulsory redundancies) | Total number of exit packages by cost band |
|-------------------------------|----------------------------------|---|--|
| <£10,000 | 2 | 0 | 2 |
| £10,000 to £25,000 | 7 | 1 | 8 |
| £25,000 to £50,000 | 1 | 0 | 1 |
| Total number of exit packages | 10 | 1 | 11 |
| Total cost (£'000) | 177 | 17 | 194 |

Pay Multiples

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

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

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

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

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

Accrued pension benefits

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

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

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

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

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

Cash Equivalent Transfer Value (CETV)

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

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

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

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

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

Real increase in CETV

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

Senior Management Team Pension

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

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

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

The table below sets out the gender split of the Board of Management of Perth College based on all members who sat on the board during the year ended 31 July 2021.

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

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

| Board of Management | | | | Senior Management Team | |
|-----------------------------|--------|---------------------|--------|------------------------|--------|
| Non-Executive Board Members | | Staff Board Members | | | |
| Male | Female | Male | Female | Male | Female |
| 45% | 55% | 67% | 33% | 40% | 60% |

Staff Numbers and Costs

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

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

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

Perth College – for the year ended 31 July 2021

Sickness Absence Rates

The following table provides the total sick days lost, average sick days per head and percentage of working time lost for the years ended 31 July 2021 and 2020:

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

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

The decrease in average sick days can be partially attributed to the COVID-19 pandemic. A similar decrease in sickness absence levels was seen across the Education sector with staff either not being ill due to lack of contact with other people due to lockdowns or the ability to work from home meaning they are continuing to work despite not being well. The level of sickness absence took it to a level below that seen in 2018/19.

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

Policies in relation to disabled persons

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

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

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

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

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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 Perth College.

Redeployment and Occupational Health

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

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

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

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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. At least one member of staff has accessed CBT through this route.

Other employee matters

Equal Pay

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

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

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

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

Work Life Balance

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

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

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

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

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A number of employees were unable to work during the period of lockdown due to caring responsibilities or had to be furloughed due to not being able to undertake their role from home. Perth College continued to pay these employees their full salary during the relevant period.

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

Conduct

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

Exit

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

Health and Safety

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

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

To meet these criteria, the College will:

- Regard legal compliance as the lowest acceptable standard of management with regard to health and safety;
- Identify hazards, assess risks and manage those risks;
- Provide appropriate information, instruction, training and supervision;

Perth College – for the year ended 31 July 2021

- 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.

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

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

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

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

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

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

Perth College – for the year ended 31 July 2021

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

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

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

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

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

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

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

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

Trade Unions

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

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

Perth College – for the year ended 31 July 2021

Trade union officials

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

Percentage of time spent on facility time

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

Percentage of pay bill spent on facility time

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

Paid trade union activities

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

Employment Issues

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

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

Perth College – for the year ended 31 July 2021

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

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

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

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

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

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

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

Perth College – for the year ended 31 July 2021

Corporate Governance Report

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

The Corporate Governance report includes:

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

Directors Report

The Board of Management

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

| Name | Date of Appointment | Date of Resignation | Status of Appointment | Committees Served to 31 July 2021 |
|-------------------|---|---------------------|-------------------------------|---|
| Brian Crichton | 15 June 2016 Appointed as Chair 20 August 2018 | | Independent Member | Chairs' (chair); Finance & General Purposes; Remuneration; |
| Dr Margaret Cook | 1 August 2017 | | Principal and Chief Executive | Academic Affairs (chair); Air Service Training (Engineering) Limited; Chairs'; Engagement; Finance & General Purposes |
| Michael Buchanan | 3 January 2022 | | Independent Member | n/a |
| Andrew Comrie | 24 September 2018 | | Independent Member | Academic Affairs; Engagement |
| Heather Cormack | 7 August 2020 | | Independent Member | Finance & General Purposes |
| Jim Crooks | 15 June 2016 | | Independent Member | Audit (chair); Chairs' |
| Sheena Devlin | 14 January 2019 | | Independent Member | Academic Affairs; Engagement |
| Jenny Hamilton | 3 January 2022 | | Independent Member | n/a |
| Katrina Hodgson | 20 August 2019 | | Independent Member | Engagement (from 17 August 2020); Finance and General Purposes |
| Deborah Hutchison | 1 November 2017 | 31 October 2021 | Independent Member | Engagement (Chair); Finance and General Purposes Chairs' |

Perth College – for the year ended 31 July 2021

| Name | Date of Appointment | Date of Resignation | Status of Appointment | Committees Served to 31 July 2021 |
|---------------------------|---------------------|---------------------|-----------------------|--|
| Ann Irvine | 15 June 2017 | | Independent Member | Audit; (Deputised as Chair of Audit for 2 meetings); Academic Affairs |
| Fiona Martin | 7 August 2020 | | Independent Member | Audit |
| Debbie McIlwraith Cameron | 3 January 2022 | | Independent Member | n/a |
| Craig Ritchie | 24 September 2018 | | Independent Member | Air Service Training (Engineering) Limited Finance & General Purposes (Chair); Chairs' |
| Linton Scarborough | 7 August 2020 | 21 October 2021 | Independent Member | Air Service Training (Engineering) Limited; Finance & General Purposes |
| Charlie Shentall | 15 June 2017 | 31 October 2021 | Independent Member | Air Service Training (Engineering) Limited (chair); Chairs' |
| Graham Watson | 7 August 2020 | | Independent Member | Audit |
| John Dare | 14 June 2018 | | Staff Member | Engagement Finance & General Purposes |
| Patrick O'Donnell | 10 November 2020 | | Staff Member | Academic Affairs |
| Michaela Asisten | 1 July 2020 | 30 June 2021 | Student Member | Audit |
| Madeleine Brown | 1 July 2021 | | Student Member | Engagement; Academic Affairs; Finance & General Purposes |
| Todor Pavlov-Kennedy | 1 July 2021 | | Student Member | Academic Affairs; Finance & General Purposes |
| Alex Wilson | 1 July 2020 | 30 June 2021 | Student Member | Engagement; Academic Affairs; Finance & General Purposes |

There is no committee listed above for members who were appointed after 31 July 2021. This is because the committees served relates only the period up to 31 July 2021.

Perth College – for the year ended 31 July 2021

Board Member – Committee Attendance

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

Perth College – for the year ended 31 July 2021

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

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

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

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

Perth College UHI
Crieff Road
Perth PH1 2NX

Register of Members Interest

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

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

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

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

Perth College – for the year ended 31 July 2021

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

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

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

Information Management

There were no significant data breaches during the year.

Appointments to the Board of Management

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

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

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

Perth College – for the year ended 31 July 2021

Statement of Responsibilities of the Members of the Board of Management

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

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

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

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

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

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

The Board of Management has taken reasonable steps to:

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

Perth College – for the year ended 31 July 2021

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

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

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

Approved by order of the member of the Board of Management on 9 March 2022 and signed on its behalf by:

Dr Brian Crichton
Chair

Perth College – for the year ended 31 July 2021

Governance Statement

Statement of Corporate Governance and Internal Control

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

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

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

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

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

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

Audit Committee

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

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

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

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

Perth College – for the year ended 31 July 2021

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

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

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

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

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

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

Remuneration Committee

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

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

Corporate Strategy

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

Perth College – for the year ended 31 July 2021

Scope of Responsibility

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

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

The Purpose of the System of Internal Control

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

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of College policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Perth College for the year ended 31 July 2021 and up to the date of approval of the annual report and financial statements.

Impact of Covid-19 on Internal Control

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

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

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

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

Principal Risks and Uncertainties

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

Perth College – for the year ended 31 July 2021

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

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

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

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

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

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

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

The Risk and Control Framework

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

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

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

Perth College – for the year ended 31 July 2021

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

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

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

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

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

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

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

Review of Effectiveness

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

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

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

Perth College – for the year ended 31 July 2021

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

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

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

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

Significant Control Issues/Weaknesses

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

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

Perth College – for the year ended 31 July 2021

| Area | Issue | Action |
|--|--|---|
| AST Financial Controls | College financial regulations insufficient to enable AST financial controls. – recommendations still to be fully implemented | Progress will be monitored within action plan. |
| Asset Management | There is no complete asset register in place | There are separate fixed asset and IT registers. Work is ongoing to update the registers and will be completed by July 2022 |
| Asset management | No comprehensive guidance in place to support the asset management process | Financial regulations have been reviewed and agreed by the board. Work is ongoing to produce detailed accompanying guidance |
| Asset management | No regular asset verification in place | Work is ongoing to implement these procedures |
| Staff Skills Profile, Staff Productivity and Performance | The HR system, CIPHR is no longer fit for purpose which has resulted in an increase in manual processes. | The tender process for a replacement of CIPHR has been commenced. |

Going Concern

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

Impact of Covid-19

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

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

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

Perth College – for the year ended 31 July 2021

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

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

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

Parliamentary Accountability Report

We have no matters to report.

Approved by order of the members of the Board of Management on 9 March 2022 and signed on its behalf by:

Dr Brian Crichton
Chair

Dr Margaret Cook
Principal and Chief Executive

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

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Perth College and its group for the year ended 31 July 2021 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Consolidated and College Statements of Comprehensive Income and Expenditure, Consolidated and College Statement of Changes in Reserves, Consolidated and College Balance Sheets, and Consolidated Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the affairs of the college and its group as at 31 July 2021 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

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

Conclusions relating to going concern basis of accounting

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

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

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Reporting on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

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

Reporting on other requirements

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

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

Statutory other information

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

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

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

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

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

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

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

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

| | Notes | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|--|-------|-------------------------|-----------------|-------------------------|-----------------|
| | | Group £000 | College £000 | Group £000 | College £000 |
| Income | | | | | |
| Funding council grants | 2 | 17,900 | 17,900 | 16,350 | 16,350 |
| Tuition fees and education contracts | 3 | 5,687 | 4,139 | 5,134 | 3,817 |
| Other grants and contracts | 4 | 226 | 226 | 271 | 271 |
| Other income | 5 | 2,884 | 2,935 | 3,602 | 3,545 |
| Investment income | 6 | - | - | 12 | 10 |
| Total Income | | 26,697 | 25,200 | 25,369 | 23,993 |
| Expenditure | | | | | |
| Staff costs | 7 | 21,566 | 20,504 | 20,457 | 19,370 |
| Other operating expenses | 9 | 5,295 | 5,129 | 5,815 | 5,576 |
| Depreciation | 13 | 1,427 | 1,404 | 1,120 | 1,071 |
| Interest and other finance costs | 10 | 1 | - | 2 | - |
| Total Expenditure | | 28,289 | 27,037 | 27,394 | 26,017 |
| Surplus/(Deficit) before tax | | (1,592) | (1,837) | (2,025) | (2,024) |
| Taxation | 11 | 54 | - | 3 | - |
| Surplus/(Deficit) for the year | 12 | (1,646) | (1,837) | (2,028) | (2,024) |
| Unrealised surplus on revaluation of land and buildings and Assets held for resale | 32 | - | - | 7,163 | 7,163 |
| Actuarial gain/(loss) in respect of pension schemes | 24 | 7,351 | 7,351 | (5,914) | (5,911) |
| Total Comprehensive Income / (Expenditure) for the year | | 5,705 | 5,514 | (779) | (772) |

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

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

Perth College

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

| Group | Income and expenditure reserve £000 | Revaluation reserve £000 | Total £000 |
|---|---|---------------------------------------|----------------------|
| Balance at 1st August 2019 | 6,711 | 17,645 | 24,356 |
| Surplus from the income and expenditure account | (2,028) | - | (2,028) |
| Impact of Revaluation | - | 7,163 | 7,163 |
| Other comprehensive (expenditure) / income | (5,911) | (39) | (5,950) |
| Transfers between revaluation and income and expenditure reserves | 359 | (359) | - |
| | <u>(7,580)</u> | <u>6,765</u> | <u>(815)</u> |
| Balance at 31st July 2020 | <u>(869)</u> | <u>24,410</u> | <u>23,541</u> |
| Surplus from the income and expenditure account | (1,645) | - | (1,645) |
| Impact of Revaluation | - | - | - |
| Other comprehensive (expenditure) / income | 7,350 | - | 7,350 |
| Transfers between revaluation and income and expenditure reserves | 665 | (665) | - |
| | <u>6,370</u> | <u>(665)</u> | <u>5,705</u> |
| Balance at 31 July 2021 | <u>5,501</u> | <u>23,745</u> | <u>29,246</u> |
| College | £000 | £000 | £000 |
| Balance at 1st August 2019 | 6,710 | 17,647 | 24,357 |
| Deficit from the income and expenditure account | (2,024) | - | (2,024) |
| Impact of Revaluation | - | 7,161 | 7,161 |
| Other comprehensive (expenditure) / income | (5,914) | (39) | (5,953) |
| Transfers between revaluation and income and expenditure reserves | 359 | (359) | - |
| | <u>(7,579)</u> | <u>6,763</u> | <u>(816)</u> |
| Balance at 31st July 2020 | <u>(869)</u> | <u>24,410</u> | <u>23,541</u> |
| Deficit from the income and expenditure account | (1,838) | - | (1,838) |
| Impact of Revaluation | - | - | - |
| Other comprehensive (expenditure) / income | 7,351 | - | 7,351 |
| Transfers between revaluation and income and expenditure reserves | 665 | (665) | - |
| | <u>6,178</u> | <u>(665)</u> | <u>5,513</u> |
| Balance at 31 July 2021 | <u>5,309</u> | <u>23,745</u> | <u>29,054</u> |

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

| | Notes | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|---|-------|-------------------------|-----------------|-------------------------|-----------------|
| | | Group £000 | College £000 | Group £000 | College £000 |
| Non current assets | | | | | |
| Tangible fixed assets | 13 | 40,635 | 40,501 | 41,774 | 41,692 |
| Investments | 14 | - | 20 | - | 20 |
| | | 40,635 | 40,521 | 41,774 | 41,712 |
| Current assets | | | | | |
| Stock | | 3 | - | 17 | 16 |
| Trade and other receivables | 15 | 2,397 | 1,883 | 2,086 | 1,744 |
| Assets held for sale | 16 | - | - | 125 | 125 |
| Cash and cash equivalents | 17 | 3,803 | 3,651 | 1,529 | 1,316 |
| | | 6,203 | 5,534 | 3,757 | 3,201 |
| Less: Creditors - amounts falling due within one year | 18 | (5,973) | (5,382) | (4,449) | (3,830) |
| Net current (liabilities) | | 230 | 152 | (692) | (629) |
| Total assets less current liabilities | | 40,865 | 40,673 | 41,082 | 41,083 |
| Creditors - amounts falling due after more than one year | 19 | (4,771) | (4,771) | (4,845) | (4,845) |
| Provisions | | | | | |
| Pension provision | 20 | (6,848) | (6,848) | (12,612) | (12,612) |
| Other Provisions | 21 | 0 | 0 | (84) | (84) |
| Total net assets | | 29,246 | 29,054 | 23,541 | 23,542 |
| Unrestricted Reserves | | | | | |
| Revaluation reserve | 32 | 23,745 | 23,745 | 24,410 | 24,410 |
| Pension Reserve | 20 | (6,848) | (6,848) | (12,612) | (12,612) |
| Income and expenditure reserve | 33 | 12,349 | 12,157 | 11,743 | 11,744 |
| Total unrestricted reserves | | 29,246 | 29,054 | 23,541 | 23,542 |

The financial statements on pages 60 to 91 were approved by the Board of Management on 9 March 2022 and were signed on its behalf by:

B Crichton - Chair

Dr M Cook - Principal and Chief Executive

Perth College

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

| | Notes | Year ended 31 July 2021 £000 | Year ended 31 July 2020 £000 |
|---|--------|------------------------------------|------------------------------------|
| Cash flow from operating activities | | | |
| Surplus / (Deficit) for the year | | (1,646) | (2,028) |
| Adjustment for non-cash items | | | |
| Depreciation | 13 | 1,427 | 1,120 |
| Deferred capital grants released to income | 2 | (250) | (630) |
| (Increase) / Decrease in stocks | | 14 | (1) |
| Decrease / (Increase) in debtors | 15 | (311) | 41 |
| (Decrease) / Increase in creditors | 18, 19 | 1,491 | (665) |
| (Decrease)/ Increase in provisions | | (84) | (166) |
| Pension costs less contribution payable | | 1,587 | 1,019 |
| Taxation | | 54 | 3 |
| Gain on sale of fixed assets included in SOCI | | (2) | (36) |
| Adjustment for investing or financing activities | | | |
| Interest receivable | 6 | 0 | (12) |
| Interest payable | 10 | 1 | 2 |
| Taxation paid | | (54) | (3) |
| Net cash flow from operating activities | | <u>2,227</u> | <u>(1,356)</u> |
| Cash flows from investing activities | | | |
| Deferred capital grant | 22 | 213 | (119) |
| Payments made to acquire fixed assets | 13 | (288) | 119 |
| Sale of fixed assets | | 125 | 110 |
| | | <u>50</u> | <u>110</u> |
| Cash flows from financing activities | | | |
| Interest received | 6 | 0 | 12 |
| Interest paid | 10 | (1) | (2) |
| Amounts borrowed | | 0 | 12 |
| Repayments of amounts borrowed | 19 | (3) | 0 |
| | | <u>(4)</u> | <u>22</u> |
| Increase in cash and cash equivalents in the year | 17 | <u>2,274</u> | <u>(1,227)</u> |
| Cash and cash equivalents at beginning of the year | | 1,529 | 2,756 |
| Cash and cash equivalents at end of the year | | 3,803 | 1,529 |

Notes to the Accounts for the year ended 31 July 2021

1. Statement of Accounting Policies and estimation techniques

Basis of preparation

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 the Covid-19 pandemic, has been considered as part of the College's adoption of the going concern basis in these financial statements and in developing a financially sustainable financial plan. These financial statements have been prepared on a going concern basis which the Board of 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 £1.6 million before other gains and losses during the financial year and total comprehensive income of £5.7 million. The College reported an adjusted operating surplus of £1 million after accounting for technical pension adjustments of £1.5 million, net depreciation adjustments of £1.2 million and cash budget for priorities of £0.1 million. Cash increased by £2.3 million during the year.

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

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

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

Notes to the Accounts for the year ended 31 July 2021

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

The Board of Management and the Finance Committee have had full sight of the financial forecasts as well as the underlying assumptions and scenarios. These forecast positions will remain fluid and will be regularly reviewed by the College. Mitigating actions underway in support of financial sustainability and effects of Covid-19 include:

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

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

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

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

Basis of accounting

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

Notes to the Accounts for the year ended 31 July 2021

Basis of consolidation

The consolidated accounts include the financial statements of Perth College and its subsidiary undertaking made up to 31 July 2021. Intra group sales and profits are eliminated fully on consolidation.

Non-current assets - Tangible fixed assets

Land and buildings

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

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

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

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

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

Assets under construction

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs incurred. 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

Notes to the Accounts for the year ended 31 July 2021

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.

Notes to the Accounts for the year ended 31 July 2021

Recognition of Income

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

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

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

Accounting for post-employment benefits

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

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

Professional Services staff may join the Local Government Pension Scheme (LGPS) which is administered by Dundee City Council. The fund is a defined benefit scheme, providing benefits based on a career average revalued earnings (CARE) basis, which is contracted out of the State Earnings-Related Pension Fund.

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

The amounts charged to operating surplus are the current service costs and the costs of scheme introductions, benefit changes, settlements and curtailments. They are included as part of staff costs as incurred. Net interest on the net defined benefit liability/asset is also recognised in the Statement of Comprehensive Income and

Notes to the Accounts for the year ended 31 July 2021

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.

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.

Notes to the Accounts for the year ended 31 July 2021

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

Notes to the Accounts for the year ended 31 July 2021

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:

Notes to the Accounts for the year ended 31 July 2021

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 2021. 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.

- Post Balance Sheet Events

There are no Post Balance Sheet Events.

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

2 Funding Council grants

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

3 Tuition fees and education contracts

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|--|-------------------------|-----------------|-------------------------|-----------------|
| | Group £000 | College £000 | Group £000 | College £000 |
| UK Higher Education students | 3,484 | 3,484 | 3,140 | 3,140 |
| UK Further Education students | 221 | 221 | 290 | 290 |
| | 3,705 | 3,705 | 3,430 | 3,430 |
| Management of Skills Development Scotland contract | 434 | 434 | 387 | 387 |
| Tuition fees of subsidiary | 1,548 | - | 1,317 | - |
| | 5,687 | 4,139 | 5,134 | 3,817 |

4 Other grants and contracts

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

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

5 Other income

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

6 Investment income

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

7 Staff costs

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

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

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

7 Staff costs (continued)

Staff costs for these persons:

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

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

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

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

8 Senior post-holders' emoluments

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

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

Iain Wishart is included in both years but by 31 July 2020 he had only been in post for 1 month. Therefore, the majority of the increase in salary relates to a full year salary compared to 1 month in the previous year. The above emoluments include amounts payable to the Principal (who is also the highest paid senior post-holder) of:

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

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

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

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

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

9 Other operating expenses

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|-------------------------------------|-------------------------|-----------------|-------------------------|-----------------|
| | Group £000 | College £000 | Group £000 | College £000 |
| Teaching departments | 452 | 613 | 537 | 612 |
| Teaching support services | 829 | 829 | 506 | 506 |
| Administration and central services | 1,145 | 1,145 | 1,474 | 1,474 |
| Premises costs | 1,715 | 1,490 | 1,502 | 1,307 |
| Other income generating activities | 240 | 138 | 337 | 218 |
| Catering and residence operations | 454 | 454 | 885 | 885 |
| Other income | 173 | 173 | 179 | 179 |
| Other expenses - Childcare Grant | 287 | 287 | 395 | 395 |
| | 5,295 | 5,129 | 5,815 | 5,577 |

Other operating expenses include:

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

10 Interest payable

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

11 Taxation

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|-------------------------------|-------------------------|-----------------|-------------------------|-----------------|
| | Group £000 | College £000 | Group £000 | College £000 |
| Taxation of subsidiary | 54 | - | 3 | - |

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

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

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

| | Year ended 31 July 2021 £000 | Year ended 31 July 2020 £000 |
|---|------------------------------------|------------------------------------|
| College's (Deficit)/Surplus for the year | (1,837) | (1,970) |
| (Deficit)/Surplus generated by subsidiary undertaking | 191 | (4) |
| | (1,646) | (1,974) |

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

13 Tangible Fixed Assets (Group only)

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

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

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

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

13 Tangible Fixed Assets (College only)

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

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

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

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

14 Investments

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

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

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

In the year to 31st July 2021, the Company made a profit after taxation of £191,409 which resulted in a net asset position of £210,748 at 31 July 2021. No gift aid donation was made to Perth College.

15 Debtors

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|--|-------------------------|-----------------|-------------------------|-----------------|
| | Group £000 | College £000 | Group £000 | College £000 |
| Amounts falling due within one year | | | | |
| Trade Debtors | 501 | 117 | 443 | 291 |
| Subsidiary undertaking | - | 89 | - | 48 |
| Prepayments and accrued income | 1,896 | 1,677 | 1,642 | 1,405 |
| Deferred Taxation | - | - | 1 | - |
| | <u>2,397</u> | <u>1,883</u> | <u>2,085</u> | <u>1,744</u> |

16 Current Assets - Held for Sale

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

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

17 Cash and cash equivalents

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

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

18 Creditors - amounts falling due within one year

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|------------------------------------|-------------------------|-----------------|-------------------------|-----------------|
| | Group £000 | College £000 | Group £000 | College £000 |
| Trade creditors | 417 | 358 | 215 | 177 |
| Other creditors | 329 | 321 | 309 | 300 |
| Obligations under finance leases | 4 | 4 | 4 | 4 |
| Other taxation and social security | 406 | 326 | 349 | 319 |
| Accruals and deferred income | 3,992 | 3,548 | 3,292 | 2,750 |
| Deferred income - capital grants | 262 | 262 | 229 | 229 |
| Unspent student support funds | 563 | 563 | 51 | 51 |
| | <u>5,973</u> | <u>5,382</u> | <u>4,449</u> | <u>3,830</u> |

19 Creditors - amounts falling due after more than one year

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

20 Pension Provision

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

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

21 Other Provisions

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

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

22 Deferred capital grants included within creditors

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

23 Defined benefit obligations

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

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

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

Scottish Teachers' Superannuation Scheme

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

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

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

Local Government Pension Scheme (Tayside Superannuation Fund)

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

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

Principal actuarial assumptions

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

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

The assumed life expectations from age 65 are:

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

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

Fair value as at

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

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

| | | |
|---------------------------------------|--------------|------------|
| Actual return on scheme assets | 7,053 | 682 |
|---------------------------------------|--------------|------------|

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

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

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

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

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

Amount recognised in Other Comprehensive Income

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

Movement in net defined benefit (liability) during the year

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

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

Asset and liability reconciliation

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

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

24 Summary Pension Note

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

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

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

25 Post balance sheet events

There are no post balance sheet events to report.

26 Capital commitments

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

27 Lease obligations

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

| Future minimum lease payments due | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|--|-------------------------|-----------------|-------------------------|-----------------|
| | Group £000 | College £000 | Group £000 | College £000 |
| Land and Buildings | | | | |
| Expiring within one year | 110 | - | 110 | - |
| Expiring within two and five years inclusive | 220 | - | 330 | - |
| Other | | | | |
| Expiring within one year | 23 | 23 | 91 | 91 |
| Expiring within two and five years inclusive | 10 | 10 | 33 | 33 |
| Total | 363 | 33 | 564 | 124 |

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

28 Related party transactions

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

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

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

Dr Margaret Cook and Brian Crichton are Trustees of The Development Trust. On this basis, The Development Trust accounts should be consolidated with the accounts of Perth College. For the year ended 31 July 2021, The Development Trust had net expenditure of £32 and Net Assets of £46,091. Perth College have therefore decided not to consolidate the accounts on the basis of materiality.

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

29 Bursaries and other student support funds

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

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

30 Childcare funds

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

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

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

31 Government Non-cash allocation for depreciation

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|--|--------------------------------|----------------|--------------------------------|----------------|
| | Group | College | Group | College |
| | £000 | £000 | £000 | £000 |
| Surplus/(deficit) before other gains and losses (FE/HE SORP basis) | (1,646) | (1,837) | (2,025) | (2,024) |
| Add back: Non-cash allocation for depreciation | 1,427 | 1,404 | 1,120 | 1,071 |
| Deferred capital grant | (250) | (250) | (630) | (630) |
| Operating surplus/(deficit) on Central Government accounting basis | <u>(469)</u> | <u>(683)</u> | <u>(1 535)</u> | <u>(1 583)</u> |

32 Revaluation Reserve

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

33 Income & Expenditure Reserve

| | Year ended 31 July 2021 | | Year ended 31 July 2020 | |
|-----------------------------------|--------------------------------|----------------------|--------------------------------|----------------------|
| | Group | College | Group | College |
| | £000 | £000 | £000 | £000 |
| At 1 August | 11,743 | 11,744 | 12,393 | 12,390 |
| Surplus/Deficit for the year | (1,647) | (1,838) | (2,028) | (2,024) |
| Transfer from revaluation reserve | 665 | 665 | 359 | 359 |
| Transfer from pension reserve | 1,587 | 1,587 | 1,019 | 1,019 |
| At 31 July | <u>12,348</u> | <u>12,158</u> | <u>11,743</u> | <u>11,744</u> |

Perth College

Appendix 1

Accounts direction for Scotland's colleges 2020-21

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

Scottish Funding Council
3 June 2021