

Annual Accounts 2019-20



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The Accountable Officer authorised these financial statements for issue on:

Performance Report

Performance Overview

The performance report provides an overview of Fife College's performance within the academic year to 31 July 2020 covering performance analysis, financial review for the year, key risks affecting the College and social matters.

Fife College is a Higher and Further Education College with a talented and experienced team who are dedicated to transforming the lives of our students through education and training. We offer a wide range of inspirational learning experiences from essential skills to graduate degree programmes. With our main campuses located in Dunfermline, Rosyth, Glenrothes, Levenmouth and Kirkcaldy, we operate within the heart of Fife's communities.

We are committed to offering a dynamic and relevant portfolio of courses which supports close collaboration and seamless pathways between schools, colleges, universities and employers. Our aim is to develop stronger, deeper and added value relationships with our wide range of partners and stakeholders.

Principal and Chief Executive's Statement on Performance

As one of the largest colleges of higher and further education in Scotland, Fife College is at the forefront of college provision across the sector with the ambition, talent and assets to help shape the future delivery of education and skills in Fife and beyond. At Fife College, we transform people's lives to equip them for the world of work, to provide them with the knowledge and skills that will enhance their lives and enable them to make a meaningful and valuable contribution to society. Fife College's expert and experienced team is dedicated to giving our 6,000 full-time and 14,000 part-time students the best possible College experience. We offer a wide range of inspirational learning experiences from essential skills to graduate degree programmes.

I am pleased that the College has returned an underlying surplus in 2019/20 despite continued downward pressure on our core funding from the Scottish Funding Council, the uncertainties of Brexit and the significant disruption caused by the Covid-19 lockdown as detailed below. In what are very challenging conditions across the College sector, I am also delighted that Fife College continues to see improvements in performance across a number of fronts including increases in student retention, student satisfaction and student attainment. Those improvements are due in no small measure to the hard work and dedication of my colleagues across the College. A comprehensive and independent survey of our staff also highlighted high levels of engagement and satisfaction across Fife College, with a strong emphasis on the value and importance of teamwork.

As ever there is still much that we have planned to deliver against our ambitious five year Strategy which is now firmly embedded in how we go about our business. Our Strategy sets a clear, challenging yet achievable direction for the College, with aims and objectives that are unapologetically student centred. We are on a mission to continuously develop and refresh our portfolio of courses to ensure that they are relevant, future-proofed and delivered to the highest quality. We are determined to continue the positive transformation of the College and strengthen its finances, in a way that is sustainable and student focussed, within the constraints of a challenging Scotland wide funding and policy environment.

Amongst other things, we have:

- Continued to reconfigure our staffing to match our portfolio of existing and future programmes while enabling us to pursue commercial and other revenue generating opportunities
- Continued to revamp our curriculum provision to focus more on higher education and less on further education, while upscaling those academic areas that will support the future economy of Fife and beyond and downsizing those areas which are less likely to lead to employment or further study for our students
- Strengthened our links with universities and schools as we seek to achieve a more student-centred and coherent learner journey.
- Invested significantly in our digital infrastructure strategy that will deliver a fit for purpose, future proofed technological infrastructure.

Performance Report (Continued)

- Mobilised quickly and effectively to address the challenges of the Covid-19 lockdown, including a massive shift to on-line learning and remote working.
- Progressed the development of the new Dunfermline Learning Campus which has attracted up to £90million of Scottish Government investment.
- Continued to invest in our physical infrastructure within the limited resources made available by the Scottish Funding Council.
- Implemented a business improvement function that will work with colleagues across the College to streamline our systems and processes

Fife College is committed to being student-centred in all that we do. Our aim is to transform the lives of our students through inspirational learning and teaching, enabling them to develop their full potential with life enhancing skills, knowledge, experience and resilience that will shape their future success. In all of this we are acutely aware of the need to exercise sound stewardship and achieve continuous improvement across all parts of the College.

Covid-19 Pandemic Impacts and College Responses

Here for our Students

The College has adapted well to the consequences of the Covid-19 outbreak. We moved quickly to remote learning and teaching and to on-line working. Our aim from the outset has been to achieve optimum completion of courses for current students through ongoing and effective engagement.

We have distributed over 500 laptops and also Wi-Fi dongles to students and staff who would otherwise not have access to kit. We put in place guidelines for remote working and remote learning and implemented extensive communications to help keep staff and students informed and engaged. This included the creation of a dedicated microsite.

The Student Experience and Engagement Team and the Fife College Student Association worked hard and continue to work hard on student engagement offering a wide range of support including financial.

Other activities being pursued include:

- Promotion of and distribution of hardship and discretionary funds to students.
- Liaison with SFC and other colleges to share information and good practice including health and wellbeing advice.
- Wellbeing podcasts and regular online messages from our Health & Wellbeing Adviser.
- Development of online wellbeing and support resources including employability support.
- A high volume of social media activity promoting local job vacancies with emphasis on key sectors; how to get in touch with the Employability team and online learning opportunities.
- Development of a student funding online application system for the 2020/21 session.

Assessment and Progression

One of the most pressing issues, given the timing of lockdown, is in relation to course assessment. An assessment approach was agreed with SQA for their qualifications and implemented throughout the College.

While remote learning works well for many of our courses, there are a number which do require access to specialist facilities, including many of our Modern Apprenticeship programmes. Some of these courses cannot be certificated until the practical elements are completed. We have a clear view of which courses are affected and we have put in place contingency arrangements to finalise the outstanding coursework as soon as practicable when lockdown is eased.

Digital

Our digital infrastructure has proved to be resilient and reliable during this time, vindication of the significant investment that we have made in digital over the last three years.

Performance Report (Continued)

All teams are prioritising strategies to ensure that the transition to and continuation of remote working and learning are well supported by staff, as social distancing will be with us well into the new academic year. There will also be additional targeted Career Long Professional Learning support for staff on digital training where it is needed.

Digital inclusion has now become a top priority for the Scottish Government and we can expect to see some developments in improving access to digital for all. As noted above we have distributed IT kit to students who require this during lockdown to continue with their learning and are now implementing an approach to ensure going into the new academic year students who do not have access to suitable kit outside College can be supported with the necessary resources.

Recruitment 2020/21

We have been pursuing a number of initiatives to maximise recruitment conversion rates for 2020/21 including:

- Review and acceleration of conversion of conditional offers.
- Communications have been sent out to new and existing applicants following adjustments to our recruitment process due to Covid-19 and SQA exam changes. Additional communications were supported via all college social media platforms.
- Adjusting our recruitment methods, i.e. student telephone interviews, to ensure offers are issued as quickly as possible.
- A telephone application service has been implemented.
- The online enrolment process has been fully implemented for full-time learners and is currently being enhanced for part-time students.
- An online clearing day event has been arranged. Induction/welcome activities have been designed and delivered for a full online induction where all aspects of support and academic welcome have been presented via our student portal and Microsoft teams.

Preparing to Support the Economic Recovery

With our emphasis on vocational and academic skills, on community and lifelong learning, and on supporting business engagement and growth, the College has an important role to play in supporting the economic and social recovery. Against this background, all faculties are reviewing their range of courses.

We are currently planning for an increase in short courses, part-time courses and on-line learning, including coordinated cross College creation of online courses, focused on the re-skilling agenda, including emphasis on digital skills and prioritisation of our commercial portfolio.

We are working closely with SDS and speaking with local employers to seek early intelligence on the likely future needs of the regional economy, with the expectation of higher unemployment and business failures. The College is well paced to support business and individuals particularly in reskilling and upskilling. We are planning now so that we can gear up to respond quickly and appropriately.

Finance

Prior to Covid-19 the College finances were in good order despite the already challenging environment due to our sound financial stewardship and strategies across workforce planning, business improvement and commercial income development. Following the outbreak we have reforecast the immediate financial year to incorporate the impacts of Covid-19 on the College, including the loss of commercial income and reprioritisation of expenditure in line with the income. We have received assurances from the Scottish Funding Council that we will continue to receive our core grant funding and also secured our ESF credit funding. As noted above the College has returned an underlying surplus in 2019/20 despite continued downward pressure on our core funding from the Scottish Funding Council, the uncertainties of Brexit and the significant disruption caused by the Covid-19 lockdown.

Performance Report (Continued)

Our attention is now turning to the financial impacts in 2020/21 and beyond. In preparing our budget for the coming year, we are considering a number of different scenarios, in what is a very uncertain financial environment. The main sources of pressure are likely to be income from:

- Commercial activities
- European Social Fund
- Flexible Workforce Development Fund
- Skills Development Scotland

The College has updated the financial forecast out to 2022/23 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. Therefore, based on our latest assumptions the College will breakeven across the 3 year forecast period.

Staffing

As with our students, considerable effort has gone in to ensuring that there is proactive and effective engagement with colleagues across the College, with additional resources being made available to support staff during these challenging times. We continue to update the Gateway and Working from Home site and have enhanced the information within these areas following the survey results. We will be launching a further survey later this year to identify any changes in feedback and will take any action necessary in response to this. We continue to meet regularly with trade union representatives and have an informal weekly catch up to address any issue identified by our local branch representatives quickly and positively.

Brexit

Fife College has a Brexit Plan in place which has been endorsed by the Scottish Funding Council (SFC). The plan highlights concerns and recommendations in relation to Brexit and outlines the potential impact that both the College and Sector may face. The plan aims to do the following:

- Identify and plan the potential impact on staff.
- Identify and plan the potential impact on students.
- Identify what the financial impact will be on the college both directly and indirectly.
- Identify what the impact will be in relation to partners, stakeholders, suppliers and contractors.

As we continue to go through a period of uncertainty, we continue to remain abreast of key developments regarding negotiations and impact. We continue to update our plan as and when details are released throughout the negotiation period.

New Campus

Work on delivering the new Dunfermline Learning Campus is progressing as planned. The joint masterplan was completed in August. An updated and executive summary of the masterplan has been submitted to the Deputy First Minister and a full masterplan to SFC and government sponsor division. The College and Fife Council have now agreed the delivery strategy (phasing a procurement routes).

Independently work has taken place to complete the schedule of accommodation which will be included in the Outline Business Case. The expectation is to submit the full business case by May 2021 and the project scheduled to be complete by the start of academic term 2024.

Adam Smith Foundation

The Adam Smith Foundation was established in 1997 to support the continued growth and development of Fife College. The Foundation is responsible for securing gifts of support from companies, charitable trusts and foundations, friends and former students of Fife College, and to use these funds to realise specific projects and help Fife College realise its corporate objectives, aims and aspirations.

Performance Report (Continued)

The main focus of activity within the Adam Smith Foundation during 2019/20 has been the Student Scholarship Programme.

In December 2019, the Directors of the Foundation agreed with Fife College that the funds and activity of the Foundation should transfer in its entirety to Fife College. By doing so, it is anticipated that the activity can be streamlined which should in turn generate efficiencies and additional support opportunities for students. The Scottish Charity Register (OSCR) agreed to the transfer and the funds were moved to the College on 5th February 2020.

A Memorandum of Understanding between the Foundation and Fife College has been signed by both parties on 31 January 2020. This agreement confirms that:

- All funds and activity will transfer from the Foundation to the College.
- The college will not make any changes to any of the scholarships or activity in the longer-term.
- In the event that changes were thereafter required, this will not be done without the explicit consent of the donor.
- The intention of the College is to grow the number of opportunities for students, and to embed the work of the Foundation into College activity.
- The College will ensure that the reputation of the Foundation is protected and that students and donors are not adversely affected by the transfer.

Despite the challenges of Covid-19, 208 students have benefitted from 32 scholarships and awarded a share of £176,000 to support their studies during difficult and unprecedented times.

One of the College's largest scholarships funded through the Russell Trust has 108 students receiving a scholarship in recognition of their hard work and commitment.

A highlight of the year was when Foundation donor and Scottish crime writer Ian Rankin, 'zoomed in' to award scholarships online during lockdown and gave words of support to those students receiving his scholarship.

The Adam Smith Foundation is keen to widen its support to help even more students during 2020/21 and is excited to launch some new scholarships and initiatives, many with a focus on supporting industries affected by the recent pandemic.

Donors Little Raith and Earlseat Wind Farms, the latter of which already very generously supports our Modern Apprenticeship programme, has awarded £20,000 from their COVID Recovery Fund to provide electronic equipment to students to support remote learning and provide work placements. The Fife College Foundation has also awarded us £24,000 to support a further seven scholarships during this year and next in a range of academic areas, with a focus on care related professions and those which need industry support as a result of the Covid-19 pandemic.

These awards alongside other individual donations, and our substantial existing scholarship programme, will help us to ensure we continue to support our students during 2020/21 to achieve their goals.

We also look forward to developing a new alumni programme and to strengthen our relationships with our many generous donors, from Shell and Diageo to ExxonMobil and Arnold Clark. This work will widen opportunities for our students and complement and enhance other initiatives being carried out by the College including the creation of our new Dunfermline Learning Campus.

Legal Status

The College is incorporated under the Further and Higher Education (Scotland) Act 1992 as amended by the Post-16 Education (Scotland) Act 2013, and is registered with the Office of the Scottish Charities. The College is a registered charity (Scottish Charity number SCO21203) for the purposes of the Charity and Trustee Investment (Scotland) Act 2005.

Performance Report (Continued)

Vision and Values

Our Vision

To transform the lives of our students through inspirational learning and teaching.

Our Mission

We will deliver excellent opportunities for our students and work with them to develop their full potential with life enhancing skills, knowledge, experience and resilience that will shape their future success.

Our Values

To realise our vision, we recognise the importance of colleagues, customers, partners and communities with whom we share these values:

- Student Centred
- Ambitious
- Inclusive
- Collaborative
- Integrity
- Innovative

Our Key Priority Aims

Learning and teaching is at the heart of everything we do. We recognise that delivering a relevant curriculum and an outstanding student experience is critical to our success as a College of Higher and Further Education.

The Fife College Strategic Plan which covers the period 2018-23 is based on five key priorities:

- 1 Foster ambition and develop successful students ready to progress through an inspirational and high quality learning experience
- 2 Provide a first class learning environment
- 3 Provide a dynamic digital environment that will engage, empower and enhance experience
- 4 Develop and empower our staff to work in a culture of trust and respect in a successful and reputable college
- 5 Maintain long term financial sustainability and become more commercially focused

The Strategy is underpinned by and aligned to key college strategies, including our learning and teaching strategy, digital strategy, estates strategy, workforce planning and our five year financial forecasts. Priorities outlined in the Scottish Funding Council (SFC) Regional Outcome Agreement (ROA) contribute to our key priorities and objectives.

Key Risks and Issues Affecting Fife College

The College maintains a strategic risk register which is reviewed regularly by the Executive Team and the Audit and Risk Committee. The risks are categorised by: Estates, Curriculum Design and Development, Health and Safety, Staff, Finance and Commercial Income which are in line with the 5 key priority aims noted above.

The table below notes the key risks considered in 2019/20, what strategic risk they tie up with and what the remedial and preventative controls are in place to reduce the likelihood/impact of the risk:

Performance Report (Continued)

Key Risks	Strategic Risk (as noted on Risk Register)	Controls/procedures in place to reduce the likelihood and impact of the risk to a more acceptable level.	
		Remedial	Preventative
Impact of the Covid-19 outbreak on all college operations, staff, students and wider stakeholders.	The coronavirus impacts all operations and strategic risks of Fife College as staff, students, customers and wider stakeholders adhere to Government guidance in dealing with the response to the virus, through lockdown, halt of face to face teaching, social distancing, closure of campuses, cancellation/postponement of all business interactions and training. The duration of this position is currently unknown.	<ul style="list-style-type: none"> Curriculum teams completing online delivery and student engagement. Examinations cancelled and therefore curriculum teams planning for alternative assessment models to support students gaining qualifications FCSA student engagement activity ongoing Engagement at a sector level with SFC on financial planning assumptions to support college financial sustainability. Continued engagement with employers and wider community to provide appropriate support. 	<ul style="list-style-type: none"> Closure of College Campus and halting of face to face interactions Preparations and move to online delivery Preparations and move to remote working Mobilisation of business continuity team in response to Covid-19 Dedicated Covid-19 website for information and support to staff and students– overall return to campus plan created as well as individual directorate plans incorporating specific needs Issuing of devices to staff and students to support remote working Working from home online support to staff and students Engagement at a sector level across all areas of the business to co-ordinate response and gain assurance and interaction with Scottish Government and executive agencies Recut of 2019/20 forecast to support sustainable position to the year-end including agreement to access CJRS to support deficit position. 2020/21 scenario planning incorporating assumptions on Covid-19 income impacts and possible mitigating actions to support financial sustainability. 3 year financial forecast completed incorporating actions to return a balance position across the forecast period.
Financial sustainability and uncertainty around future funding.	Failure to achieve annual financial targets in line with the five year financial forecast plan.	The impact of the Covid-19 crisis will significantly exacerbate an already very difficult financial and operating environment for the College. Within the short term to the end of 2019/20 we reviewed our financial position and spending plans to minimise the possibility of a deficit being returned by the College for this year end. Our	<ul style="list-style-type: none"> Prior to the outbreak the College's 5 year financial forecast already incorporated significant financial challenges and actions to ensure the College maintained financially sustainable including cost reduction across staff and non-staff as well as increased income generations across non-SFC income sources. Our Exec Team, Finance Committee and Board have now considered a range of

		<p>initial assessment of all non-SFC income sources to the College halting from April to July 2020 was not as severe as we originally projected and SFC made adjustments to the credit guidance which enabled the College to meet all its SFC and ESF credits. Following guidance from SFC the College has made a claim to the Furlough scheme which also supported the income short fall. Non-staff spend slowed up significantly more than forecasted as access to the College was closed.</p>	<p>budget scenarios for our 2020/21 financial year which ranged from an underlying deficit of £2,667k to a surplus of £25k. The main uncertainties are around our income sources from the Scottish Funding Council (SFC), our other commercial income sources and our ability to reshape our cost base in line with the reduction in our income sources.</p> <ul style="list-style-type: none"> • The College has updated its financial forecast out to 2022/23 in line with Scottish Funding Council (SFC) assumptions for preparation of this which included assuming Colleges taking relevant actions to balance their underlying positions each year. We have completed this return as advised by the SFC however, again there are various uncertainties and assumptions currently being made around income sources, cost savings and funding support from SFC which have not been confirmed. • These budget and forecast positions will remain fluid and will be regularly reviewed by the College. However, based on our latest assumption the College will breakeven across the 3 year forecast period. • We are working closely and constructively with SFC in analysing the outputs from the sector FFR exercise to support the wider financial sustainability of the sector. • The College is also part of the sector group working with SFC on 1) Financial Sustainability of the Sector 2) A Review of Coherent Provision and Sustainability in Further and Higher Education • The above will continue to be supported by the following regular controls within College planning processes: <ul style="list-style-type: none"> - Review of staffing structures and cost base across the 3 year forecast period to align with rising costs and real time funding cuts as indicated within SFC funding assumptions
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			<p>and SG sector draft budget.</p> <ul style="list-style-type: none"> - Rigorous budgeting forecasting and ongoing reporting against budget. - Ongoing drive for efficiencies and realisation of "invest to save". - Researching alternative delivery approaches. - Effective planning and recruitment processes. - Targeted marketing and sales plans. - Ongoing engagement with SFC/SG on the funding requirements for the New Build project activities.
	Risk of external political / funding / regulatory changes.	<ul style="list-style-type: none"> • Take account of any foreseen changes/cuts in budget planning and spending plans. • Ongoing participation within sector groups across the College. • Reverting to online delivery and home working to maintain college services and processes. • Adapt and make adjustments to College processes and procedures to maintain service operations. • Provide relevant support to students and staff on resources, guides, health and wellbeing to enable ongoing learning and teaching and support services. 	<ul style="list-style-type: none"> • Remain abreast of sectoral/governmental developments, liaising with auditors and response to SFC circulars. • Remain abreast with developments on the New Build campus funding model and financing arrangements agreed with SFC/SG. • Principal sector lead on College financial position following Covid-19 supported by CFO and 4 other sector FDs. • Actively engaging with other government agencies such as SQA, SDS and other awarding bodies to support student achievement.
	Risk that we fail to achieve and grow commercial income in line with the five year financial forecast plans.	<ul style="list-style-type: none"> • Remain abreast with client positions following restrictions of Covid-19 and impact thereof. • Engage with SFC to continue to secure funding allocated to clients training now postponed. • Revert training offering to remote or online delivery. 	<ul style="list-style-type: none"> • Review complete curriculum and commercial offering for 2020/21 to make adjustments to offering and delivery models. • Working closely with clients on requirements. • Engagement with SFC to direct funding underspends to support clients in maintaining their essential/mandatory training needs to resume operations following ease of Covid-19 restrictions.

		<ul style="list-style-type: none"> Engagement for SFC and SDS on proposals to support ongoing achievement of MA/VQ qualifications. Review product offering and adjust to support changing needs of clients. Providing ongoing support and services to SPS and working with them to review the offering as restrictions on Covid-19 change. 	<ul style="list-style-type: none"> Work with SDS to create pre-apprenticeship programmes to maintain the MA pipeline and activity as business recovers. Departmental restructure/more integrated planning/workforce. Creation of sales plans per faculty area directing focus on target markets. Ensure estates team are kept abreast with estates related enhancements/changes required to support delivery.
Uncertainty around the funding of the Estates Strategy and back log maintenance.	Failure to implement effective financial planning and control regarding estates and deliver outcomes for the college.	<ul style="list-style-type: none"> Update Estates Strategy throughout Fife and implement. Continue to rationalise and maintain existing estate per the Estates Strategy. Work with colleagues across college to understand who needs to be in the premises and continually evolve, to ensure estates adjustments are made as required. Changes to the estate to ensure that social distancing measures can be achieved and student experience maintained. 	<ul style="list-style-type: none"> Keep Estates Strategy under review. Budgeting and longer term financial planning to identify and accumulate resources for estate realisation. Appropriate use of professional expertise. Maintain dialogue with SFC to obtain additional longer term estates maintenance funding.
Ability to create a new campus in Dunfermline which meets the needs of all learners, staff and wider stakeholders.	Failure to deliver new appropriate accommodation in Dunfermline and deliver outcomes for the College.	<ul style="list-style-type: none"> Ensure existing estate continues to be fit for purpose. 	<ul style="list-style-type: none"> Working with regional and national partners to deliver the vision. Ensure Fife College adheres to deadlines under its control. Appropriate use of professional expertise. Maintain dialogue with SFC /Scottish Government to obtain additional longer term estates maintenance funding.
Uncertainty around Brexit implications, in particular, the impact on commercial	All Strategic Risks	<ul style="list-style-type: none"> Brexit Plan in place and updated regularly to take into account developments as and when known. Creation of action plan which identifies all the actions, aligned to relevant areas of the College, to ensure appropriate consideration and planning is carried out in preparation for Brexit. 	

business and the replacement scheme for European Social Fund funding.		<ul style="list-style-type: none"> Those responsible for actions within the Brexit Plan provide regular updates on progress made with actions.
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The College's overall risk management process and internal control review are noted in detail within the Corporate Governance Statement (page 26).

Performance Summary and Overview

Fife College has been allocated an activity target of 132,645 credits by the Scottish Funding Council (SFC) for the period August 2019 to July 2020.

The College has exceeded the credit target for 2019/20 by 0.5% (610 credits) as well as undertaking a further £8.25 million of commercial training.

The table below summarises the College key performance indicators in relation to student activity.

	2019-20	2018-19
Student Activity (Credits)	133,255	133,030
Performance Against Credits Activity Target	100.5%	100.3%
Credits per Staff FTE	163	160
Early Withdrawal	2.5%	2.1%
Further Withdrawal	12.7%	12.5%

We have developed a range of performance measures that are used to report progress to the Board and the Executive team on a regular basis throughout each year. We have identified 12 key performance indicators (KPIs) and targets that are fundamental to delivering the College's strategy.

The table below details the KPIs and states the actual position for 2019/20 compared to the 2018/19 actual and the targets:

KPI No.	KPI	Actual Position 2018/19	Actual Position 2019/20	Status	Five Year Target %
1	Students successfully achieving recognised qualifications	75%	72%	↓	80%
2	Students successfully achieving HNC/HND qualifications	69%	70%	↑	75%
3	Full-time college qualifiers in work/training and/or further study 3-6 months after qualifying (CLD)	91% (2017-18) 93% (2018-19)	Not Yet Available	↑	78%
4	Students from the MD (multiple deprivation) 10 areas participating in college courses	11%	12%	↑	12%+
5	Students from the MD (multiple deprivation) 10 areas successfully achieving a recognised qualification	68%	65%	↓	73%
6	Volume of credits used for Higher Education programmes	30%	30%	→	40%
7	Student satisfaction response rate	43%	69%	↑	40%
8	Students satisfied with their college experience	94%	94%	→	92%
9	Proportion of SFC credits used to provide STEM courses	31%	30%	↓	35%
10	Adjusted operating position as a % of total income	0.4%^	1.8%^	↑	3%
11	Total other income as % of total income	24%*	23%	↓	32%
12	Reduction of carbon emissions	3,561 tCO2e (34% reduction from 2013/14)	3,011 tCO2e (44% reduction from 2013/14)	↑	Reduce by 38%

+ Target readjusted to align with the Fife population

^ Figure does not include the pension adjustment

* Restated for 2018/19

Performance Report (Continued)

Overall, performance against the Strategic Plan KPIs continues to improve across key areas of the business and the College is on course to achieve the five-year targets set out in the Strategic Plan. The main points to note regarding the variances between 2018/19 and 2019/20 are:

- Some significant improvements include the student satisfaction response rate (KPI 7) increasing from 43% to 69% and the percentage of students satisfied with their College experience (KPI 8) remaining high at 94%.
- The current number of students successfully achieving recognised qualifications (KPI 1 and KPI 5) has decreased by 3% since last year, with the number of students successfully achieving HNC/HND qualifications (KPI 2) increasing by 1%. 2019/20 students who are impacted by Covid-19 are currently still completing work, and as SFC want to include the outcomes of these students in the 2019/20 PIs, final figures won't be realised until potentially Spring 2021.
- Student destination PIs (KPI 3) continue to improve showing that 93% of our students in 2018-19 went on to positive destinations, either work or further study. This was the highest positive destination rate in Scotland and above the sector average of 84.6%. The College's response rate was also the highest across all 26 Scottish Colleges included in the reporting at 99.6%.
- The College's participation rate from SIMD 10 students (those from the most deprived communities in the region) has increased to 12% (KPI 4 and KPI 5). As only 7% of Fife's population is classed as SIMD 10, the College is over delivering to this cohort of students. This KPI was originally set a target of 20%, however this has now been readjusted to 12% to align with the Fife population.
- Due to external factors, HE provision has remained the same at 30% (KPI 6). The College is monitoring this closely, with work ongoing to improve HE provision across the Faculties and to meet our five-year target.
- The proportion of SFC credits used to provide STEM courses (KPI 9) has fallen by 1% to 30% for 2019/20 due to the closure of schools as a result of the Covid-19 pandemic which meant that the College has been unable to deliver the planned number of credits.
- Operating surplus as a percentage of total income (KPI 10) has increased due to staff and material expenditure savings being made as the College continues take action to support the financial sustainability of the College in line with its financial forecasts.
- Total other income as a percentage of total income (KPI 11) has decreased due to the SFC main grant increasing as a result of the increase in STSS contributions being fully funded and also as a result of the other income reducing due to the college closure.
- The College achieved a 44% reduction in CO2e emissions compared with the 2013/14 baseline figure (KPI 12). Further information is available within the Environmental Matters section of this report.

Performance Analysis

Fife College in conjunction with local stakeholders draws up an annual outcome agreement, which is signed off by SFC. This makes up the basis of the College's activity in terms of the volume and subject area of credit activity agreed with SFC. The College also develops annually a financial plan including commercial delivery as well as SFC funded activity. Each department produces an operational plan outlining key objectives, in conjunction with the Strategic Plan, Regional Outcome Agreement and key college strategies and plans, linking in with external stakeholders.

Overall activity is managed by the Executive Team at fortnightly meetings where student activity targets are monitored along with performance against budget and achievement of operational plan targets.

Financial performance is also monitored quarterly at both the Finance Committee and the Board of Governors. The Board of Governors are informed of the progress made towards key targets and performance, through Business Reporting and the Principals report, which allows them to focus on how they will impact our Strategic and Operational Planning along with highlighting any key risk areas.

Fife College has recorded a deficit before other gains and losses of £3.080million (2018-19 £3.319million). It should be noted that this figure includes the impact of the pension liability movements of £3.274million (2018-19 £2.652million) and spend of net depreciation funding on other items.

Performance Report (Continued)

Removing the impact of these returns an underlying surplus of £1.016million (2018-19 £0.208million) as presented below and within note 28 of the financial statements.

Key points to note:

- Despite the College closing in March due to the Covid-19 pandemic, we delivered over the SFC credit target of 132,645 by 0.5%.
- During the year the College has fallen short of its non-SFC income target of £9.2m by 11% as a result of the College closure.
- The College has delivered over 500 Modern Apprenticeships under the Skills Development Scotland Modern Apprenticeship contract.
- The College has delivered around 130 Foundation Apprenticeships under the Skills Development Scotland Foundation Apprenticeship contract.
- Several grants have been awarded from the college's Arms-Length Foundation in order to purchase equipment to enhance the students learning such as:
 - £20k for the development of the Fife College Enterprise Strategy.
 - £4.7k for the 3D Printing Made Accessible project.
 - £8.5k to develop Technology Skills for the Future.
 - £90k to develop 21st Century Content Production for creative industries.
- Scottish Funding Council (SFC) has granted Fife College funding of £3m in the financial year April 20 to March 21 to continue the development of the Dunfermline Learning Community Campus. This is part of the £90m fund the Scottish Government announced in October 2019 for the College aspect of the campus which will consist of Fife College and two existing high schools in Dunfermline for completion around 2024.

Financial Review Summary

These financial statements have been prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 Edition; the Financial Reporting Standards FRS 102 and the 2019/20 Government Financial Reporting Model (FReM) issued by HM Treasury and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

The full financial picture is detailed later in this document. The following table gives a summary of key financial and other operating ratios. The current liabilities include the deferred capital grant for the land purchase of £4.5m. This will be held on the balance sheet until the conditions of the grant have been met and as this is a land grant, the full amount will be released to the Statement of Comprehensive Income. The remaining condition to be met is a firm plan on the project to proceed. Removing this would increase the current ratio to 0.8.

	2019-20	2018-19
Operating Surplus/Deficit as % of Total Income	-5.6%	-6.1%
Non SFC Income as % of Total Income	22.8%	24.3%
Current Assets : Current Liabilities	0.63	0.53
Staff Costs as a % of total turnover	72.1%	71.2%
Ratio of days cash to total expenditure	56.0	33.3
Staff Turnover	17.4%	14.7%

Ratio of days cash to total expenditure has increased due to the year-end cash balance being significantly higher which is discussed in the Treasury Management section on page 15.

One consequence of college reclassification as central government bodies is that, from 1 April 2014, while colleges continued to prepare financial statements under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated for budgeting purposes and how the colleges spend the cash funds (cash budget for priorities) previously earmarked for depreciation.

Performance Report (Continued)

Fife Colleges cash budget for priorities has been set at £2.152million by SFC, the actual net depreciation spend within the financial year is £1.811million. We continue to reconcile spend against the set value ensuring items allocated are in line with the set spend priorities. Spend allocated against the College's cash budget for priorities within the financial year is detailed below:

Table of cash budget for priorities spend		
Revenue Priorities	2019-20	2018-19
	£'000	£'000
2015-16 pay award	400	400
Voluntary severance	428	922
ICT Equipment	335	0
Total impact on operating position	1,163	1,322
Capital Priorities		
Loan repayments	768	614
Unfunded pension payments	221	216
Total Capital	989	830
Total cash budget for priorities spend	2,152	2,152

There has been no impact on the financial position in 2019/20 as a result of Brexit. The College will continue to monitor the situation for future years engaging with suppliers to discuss possible price increases relating to Brexit. There may be an impact in 2021/22 when EU students will be required to pay international fees so this may have an impact on the College's fee income.

The College closure due to the Covid-19 pandemic has had a detrimental effect on the College's income targets. Although all credit income has been achieved for academic year 2019/20, the non-Grant in Aid income which includes commercial income and academic fees as well as the Scottish Prison Service contract has fallen short of target by around £1.2m.

Actions taken to mitigate this income gap includes a delay in recruiting vacancies as well as reduced reliance on temporary staffing during the lockdown. There has also been savings made in material costs due to a delay receiving goods as a result of delays in the supply chain as well as some departmental savings being made. The College has also made use of the Coronavirus Job Retention Scheme for a small number of staff.

This has resulted in the college reporting an adjusted operating surplus of £1.016million as reported in the table below. This position will support the College going into the next financial year 2020/21.

ADJUSTED OPERATING POSITION	2018-19	2019-20	2020-21
	£'000	£'000	Forecast
			£'000
Surplus/(deficit) before other gains and losses	(3,319)	(3,080)	(793)
Add Back:			
- Depreciation (net of deferred capital grant release) (Note 1)	1,705	1,811	1,558
- Non-cash pension adjustments - Net service cost (Note 2)	2,084	2,396	0
- Non-cash pension adjustments - Net interest cost (Note 3)	270	444	0
- Non-cash pension adjustments - Early retirement provision (Note 4)	297	433	0
Deduct:			
- Cash budget for priorities allocated to loan repayments and other capital items (Note 5)	(830)	(989)	(704)
Adjusted Operating (Deficit)/Surplus	208	1,016	62

Performance Report (Continued)

The SOCI presents the financial performance during the accounting period in accordance with the FE/HE SORP. The adjusted operating position is intended to reflect the financial performance of the college after allowing for non-cash adjustments and other material one-off or distorting items required by the SORP. The adjusted operating position 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 college. This should give a better indication of the College's cash generative capacity.

The adjusted operating surplus has been agreed with the Scottish Funding Council.

Commentary on adjusting items:

Note 1: Depreciation is a non-cash item and is therefore excluded when calculating the adjusted cash operating position.

Note 2: The adjustments to the pensions charge represent the non-cash element of service cost (i.e. including 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. These are non-cash adjustments.

Note 4: The early retirement provision adjustment relates to the gain or loss arising from the actuarial valuation during the year and other non-cash movements.

Note 5: The loans payments and the unfunded pensions payments are not reflected in the SOCI therefore this amount is adjusted.

Treasury Management

Treasury management is the management of the College's cash flows, its banking and managing the existing borrowing facilities; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks. The College's treasury management arrangements are governed by the College's financial regulations.

Following reclassification on 1 April 2014 the College is unable to enter into new loan arrangements without prior approval from the Scottish Funding Council.

At 31 July 2020, there was a cash balance of £8.47 million. Normal practice is to pool funds in an overnight deposit account and to use a longer term deposit when circumstances permit. The cash balance at 31 July 2020 is higher than would normally be anticipated at the year-end as the College has made the following provisions:

- Clawback of unspent funds to SFC, including unspent student support funds, Child Poverty grant, prior year provisions for ESF funds due to be returned to SFC (£1.2 million).
- Delayed spend which will be made at the beginning of 2020/21 (£3.25 million):
 - Estates maintenance grant spend (£0.7 million), mainly in relation to the delayed spend on the Rosyth Campus exit.
 - Creditors paid at the beginning of 2020/21 for purchases made during 2019/20 (£2 million).
 - Dunfermline Learning Campus spend carried over from 2019/20 (£0.15 million).
 - Delayed spend relating orders made during 2019/20 were not delivered by 31st July 2020 so the expenditure and cash outflow will be reported in 2020/21 accounts (£0.4 million).
 - Other accounting provisions remaining at the year-end (£1.25 million).

This means that the underlying year end cash balance was £2.77 million. The on-going cash balance at month end should be around £2.5 million, being a half month's cash requirement.

Performance Report (Continued)

Supplier Payment

Fife College complies with the CBI Prompt Payment Code and has a policy of paying its suppliers within 30 days of invoice unless the invoice is contested. All disputes are handled as quickly as possible. Supplier payment runs are completed fortnightly future paying all invoices due and those falling due in the next 2 weeks to ensure all payments are made within 30 days unless the invoice is contested or alternative terms have been arranged.

In 2019/20, the level of creditors in terms of the proportion of year-end creditors to the aggregate invoiced amounts during the year was 51 days (2018/19: 48 days).

The College did not make any late interest payments during the year.

Social Matters

Human Rights

Fife 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 Fife College Standard Terms & 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 & 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 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 Living Wage Foundation accredited employer we also ensure that all on-site contractors are paid at least the Real Living Wage, as set annually by the Living Wage Foundation. This has applied to both our Catering Services and Cleaning, Hygiene & Waste contracts.

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

Anti-Corruption and Bribery Matters

All new 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 Fife College Standard Terms & 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 & Colleges (APUC), Scottish Procurement and Crown Commercial Service (CCS).

Fife College has a Fraud Prevention Policy and Response Plan which is regularly reviewed and clearly details the requirements for staff members to adhere to as well as advising on how to report suspected breaches.

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.

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

Performance Report (Continued)

Environmental Matters

Fife College had a target to reduce its carbon footprint, compared with a 2013/14 baseline, by 20% by the end of the 2018/19 academic year. The College has exceeded this target having reduced our annual emissions from 5,400 tCO₂e (2013/14) to 3,561 tCO₂e (2018/19) a 34% reduction, and we expect this trend to continue in the 2019/20 academic year. With the changes to the Scottish Government targets under new legislation introduced last year, we are now redrafting our Carbon Management Plan with a view to incorporating more demanding targets in line with the Scottish Government's latest declaration of a target of net zero emissions by 2045. We also purchase REGO certified electricity which means that the electricity we consume is certified to be from 100% renewable sources. Therefore, our actual emissions are approximately 1,316 tCO₂e less than the figure above which we currently report through the Public Bodies Climate Change Duties Report (PBCCDR). In the past twelve months we have changed 17 of our diesel and petrol vehicles replacing them with 14 full electric and three hybrid vehicles which will reduce our carbon footprint and provide high visibility advertising of the usefulness of electric vehicles in the Fife and wider area.


The College also recognises its role in the broader community of Fife, Scotland and the UK. To this effect, we provide one of two college representatives on the Environmental Association of Universities and Colleges (EAUC Scotland) Office Bearers' Group (OBG) where policy and performance are shaped and monitored. The College is also the only college to be represented on the Sustainable Scotland Network Steering Group, the body that works with all public bodies across Scotland on climate change action and public bodies reporting, with our representative now being the Vice Chair of this Steering Group. Fife College is an active partner in local environmental organisations such as Fife Environmental Partnership (where the College representative has now been elected as Chair), Fife Biodiversity Partnership and Fife Communities Climate Action Network, which are all involved in environmental initiatives across Fife. 'The Leven' continues to be a large community driven project, where Fife College staff and students have been key partners in the programme designed to combine environmental, economic and social regeneration centred around the River Leven.

Working with our students, we promote sustainability both through our teaching, and with Fife College Students Association initiatives such as Green Week, and a campus cycling officer. Where possible, we also work on joint projects with other organisations, for example, The Woodland Trust, to improve our social sustainability in addition to our environmental sustainability. One example of these partnerships is that staff have planted a further 100 trees supplied by the Woodland Trust in College grounds in the past twelve months. The College is acutely aware of our environmental leadership responsibilities and we endeavour, wherever possible, to demonstrate this commitment in our relationships with members of the community both within the college and in the wider environment.

Fife 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 submitted a full report in the 2015/16 trial period and has reported every year since the 2015 Schedule became active. Fife College has no data from the baseline year of 1990, and so the College has set the baseline at 2013/14. The College set a target of 20% reduction by the 2020/18/19 reporting year. By reporting year 2020/18/19 we had achieved a 34% reduction in GHG emissions, and expect this trend to continue. Fife College is also an active participant in the EAUC Sustainability for Smaller Institutions committee that provides peer reviews for the PBCCDR, thereby improving the accuracy of our report and those of other institutions. The College's Carbon Management Plan will state our intention to match the Scottish Government commitment to be net zero carbon by 2045.

Going Concern

As detailed within the Governance Report pages 18-30, the Board of Governors considers that the College has adequate resources to continue in operational existence for the foreseeable future.

Signed Accountable Officer.....  Date.....09/12/2020.....

Accountability Report

The Accountability Report comprises the Corporate Governance Report and the Remuneration and Staff Report, and is signed by the Chair and the Principal.

Corporate Governance Report

Director's Report

The director's report sets out the membership of the Board of Governors and the Executive Team of Fife College over the course of the financial year.

The following table gives details of Fife College Board of Governors membership and relevant Register of Interests:

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
R Black	30.06.14 01.08.17	31.07.21		Non Executive	N/A	Royal Dutch Shell Standard Life	Audit and Risk Committee
V Ilendo	03.10.13 03.03.15 01.08.18	31.07.20	31.07.20	Non Executive	VI Consultancy	Fife Polish Education Trust Fife Migrants Forum EKOS Limited	Health and Safety and Human Resources Committee Chair's Committee
B Poole	03.10.13 03.03.15 01.08.18	31.07.22	18.02.20	Non Executive Member	N/A	N/A	Audit and Risk Committee Chair's Committee
S Cochrane	01.08.14 01.08.18	31.07.22		Non Executive	Thinking to Success Ltd	N/A	Finance, Commercial and Estates Committee Academic Quality Committee Chair's Committee
J Trail OBE	03.03.15 01.08.18	31.07.22		Non Executive	GIA Business Properties	Scottish Children's Panel	Finance, Commercial and Estates Committee Chair's Committee New Campus Project Board
R Taylor	01.04.16 01.08.19	31.07.23	10.09.19	Non Executive	Taylor Law Ltd	Law Society of Scotland Glen Housing Association Fife Chamber of Commerce Chartered Institute of Arbitrators Notary Public	Audit and Risk Committee

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
J Walls	01.10.16	31.07.20	11.11.19	Non Executive	Inzievar Medical Practice Dr Boggon & Halford	N/A	Finance, Commercial and Estates Committee
T Martin	01.10.16 01.08.20	31.07.24		Non Executive	N/A	Opportunities Fife	Audit and Risk Committee Academic Quality Committee Health and Safety and Human Resources Committee Chair's Committee
Z Thomson	01.10.16 01.08.20	31.07.24		Non Executive	Fife Council	N/A	Academic Quality Committee
H Hall	01.03.17	Duration of contract of employment		Principal	Fife College	Scottish Children's Lottery Lauder Learning Ltd College Development Network	Health and Safety and Human Resources Committee Finance, Commercial and Estates Committee Academic Quality Committee New Campus Project Board
J Anderson	01.08.19	31.07.23		Staff	Fife College	N/A	Health and Safety and Human Resources Committee Academic Quality Committee
C Hunter	24.10.17 01.07.18 01.07.19	30.06.20	30.06.20	Student	Fife College Students' Association	NUS	Academic Quality Committee Finance, Commercial and Estates Committee
T Vandermotten	29.01.18	31.07.21	30.09.20	Non Executive	Scottish SPCA	N/A	Health and Safety and Human Resources Committee
S Mitchell	01.11.18	31.07.22		Non Executive	Glasgow Caledonian University	GCU Company Ltd GCU Academy Ltd GCU INTO Ltd GCU Nominee Company Ltd	Audit and Risk Committee Chair's Committee New Campus Project Board
J Harney	01.08.18	31.07.22		Teaching Staff	Fife College	EIS	Academic Quality Committee Finance, Commercial and Estates Committee
J Burnett	01.06.19 01.06.20	30.06.21		Student	Fife College Students' Association	NUS	Health and Safety and Human Resources Committee

Member's Name	Date Appointed	Term of Office Ends	Date Resigned	Status of Appointment	Interests (Employer)	Interests (Related Undertaking / Non-financial interests)	Committees Served
D C Watt	03.03.19	02.03.23		Non Executive (Regional Chair)	BGT Training Systemac Merlin Consultancy (Global) Ltd	Colleges Scotland Goodison Group in Scotland	Chair's Committee New Campus Project Board
G Mole	23.03.20	31.07.23		Non Executive	Fife Council	Business Gateway Fife	Finance, Commercial and Estates Committee
P Carnie	23.03.20	31.07.23		Non Executive	Babcock International Group	Royal Society for the Encouragement of Arts, Manufactures and Commerce Institute of Directors	Finance, Commercial and Estates Committee
A Kindness	23.03.20	31.07.23	31.10.20	Non Executive	University of St Andrews	Edinburgh Napier Student Association	Academic Quality Committee
E McPhail	23.03.20	31.07.23		Non Executive	NHS Healthcare Improvement Scotland	N/A	Audit and Risk Committee
B Fisher	01.08.20	31.07.24		Non Executive	Cromar Consulting Limited	N/A	Audit and Risk Committee New Campus Project Board
S Ferguson	01.07.20	30.06.22		Student	Fife College Students' Association	NUS	Health and Safety and Human Resources Committee Academic Quality Committee Finance, Commercial and Estates Committee

The Board of Governors formally meets 4 times a year. During 2019/20 there was also a Board Strategy Day and a Board Development Day. The Board also has a number of committees which are formally constituted with terms of reference.

The Board of Governors and the committees have continued to meet despite the College closing in March 2020 as a result of the Covid-19 pandemic with the meetings being conducted remotely.

The members of the Executive Team of Fife College for the period 1 August 2019 to 31 July 2020 were:

- Hugh Hall, Principal and Chief Executive
- Dorothee Leslie, Vice Principal: Academic Strategy
- Susan Dunsmuir, Chief Financial Officer
- Sue Reekie, Chief Operating Officer
- Iain Hawker, Assistant Principal: Quality and Academic Partnerships
- Kris Getchell, Chief Information Officer

Non Audit Fees

No payments were made to the External Auditor, Ernst & Young LLP, other than in respect of the Statutory Audit fee (see note 10).

Personal Data Security

The Principal is the Senior Information Risk Owner (SIRO). Day-to-day management of information risks is the responsibility of all Directors across the College supported by the Data Protection Officer. There have been no reportable breaches of personal data security during 2019/20 (2018/19 nil).

Statement of Board of Governor's Responsibilities

In accordance with the Further and Higher Education (Scotland) Act 1992, the Board of Governors 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 Governors is responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Statement of Recommended Practice: Accounting for Further and Higher Education 2019 Edition and the 2019/20 Government Financial Reporting Manual (FReM) issued by the Scottish Government and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council (SFC) and the College's Board of Governors, the Board of Governors, through its designated 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.

As Accountable Officer for the college sector, the Scottish Funding Council Chief Executive is required to provide a governance certificate of assurance covering all colleges to the Principal Accountable Officer of the Scottish Government. This is based upon certificates of assurance from each college, which confirm that the Principal has undertaken a review of the internal control arrangements of the College and that these controls have been, and are, working well.

In causing the financial statements to be prepared, the Board of Governors has ensured that:

- Suitable accounting policies are selected and applied consistently
- Judgements and estimates are made that are reasonable and prudent
- Applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- Financial statements are prepared on the going concern basis unless it is inappropriate to presume that the College will continue in operation. The Board of Governors is satisfied that it has adequate resources to continue in operation for the foreseeable future; for this reason, the going concern basis continues to be adopted in the preparation of the financial statements which is detail further on within this report.

The Board of Governors has taken reasonable steps to:

- Ensure that funds from the SFC are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the SFC and any other conditions which the SFC may from time to time prescribe

Statement of Board of Governor's Responsibilities (Continued)

- Ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- Safeguard the assets of the College and prevent and detect fraud
- Secure the economical, efficient and effective management of the College's resources and expenditure

The system of internal control is based on a framework of management information processes and procedures, including the segregation of duties, and relevant key college systems of delegation, automation and accountability. In particular, it includes:

- Comprehensive budgeting systems and processes and quarterly review of the budget, agreed by the Finance, Commercial and Estates Committee and the Board of Governors.
- Financial Regulations outlining financial delegation of authority, approved by the Board of Governors.
- A Strategic Plan supported by a 5 year financial forecast broken down into annual income, expenditure, capital and cash flow budgets.
- Procurement Policy and Procedures designed to ensure that all College procurement activity is focussed on the delivery of value for money and conducted to high professional standards and to the relevant legal requirements.
- Regular reviews of key performance indicators and business risks and quarterly reviews of financial results involving variance reporting and updates of forecast outturns.
- A comprehensive risk management process whereby the adequacy and effectiveness of the overall arrangements put in place to manage risk are reviewed on a quarterly basis.
- 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.
- The adoption of formal project management disciplines.
- Board of Governors business report produced on a quarterly basis and includes information on financial performance, key performance indicators such as student activity levels and retention and achievement rates, estates and IT developments and staffing indicators.

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

Auditor

The Auditor General for Scotland has appointed Ernst & Young to undertake the audit for the year ended 31 July 2020.

Disclosure of Information to Auditors

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

Governance Statement

Introduction

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

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in the College in the year to 31 July 2020 and reports the Board's assessment of the effectiveness of these arrangements.

Statement of Compliance

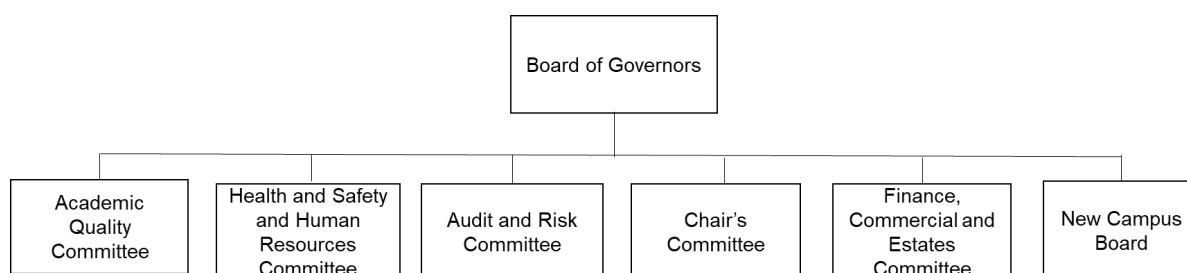
The College complies with all the principles of the 2016 Code of Good Governance for Scotland's Colleges, and it has complied throughout the financial year ended 31 July 2020.

Board of Governors

The College's Board of Governors comprised a total of 18 members. Twelve of these members were non-executive members who were drawn from the public and private sector and were selected due to their specific expertise, knowledge and skills that contributed to the effective governance of the College. The other members include the Chair, the Principal, two elected student members and two elected staff members. The Chair was appointed by Scottish Ministers. One of the non-executive members was elected by the Board as Deputy Chair and another as Senior Independent Member.

Since 1 August 2013, new Board Members have been appointed in accordance with the Ministerial Guidance on College Sector Board Appointments.

The structure of Fife College's Board of Governors is as follows:



The Board has established the undernoted Committees, all of which are formally constituted with Terms of Reference, as delegated by the Board of Governors. All the committees are chaired by a lay member of the Board. The committees are:

- Academic Quality Committee
- Audit and Risk Committee
- Chair's Committee
- Finance, Commercial and Estates Committee
- Health and Safety and Human Resources Committee

A New Campus Project Board has also been established to oversee the planned new campus for Dunfermline. The Project Board reports to the Board of Governors and meets monthly.

The Board of Governors was responsible for setting the mission and strategic direction of the College and for protecting its reputation. The Board approved major developments and partnership projects and actively monitored and promoted financial stability. The Board had strategic responsibility for employment of staff, welfare of students and staff, and standards of teaching and learning. The Board promoted high standards of ethical conduct and integrity.

Governance Statement (Continued)

The Board of Governors met four times during the year and received minutes and reports from its Committees.

The Board held its annual strategy day, with the Executive Team present. The Chief Executive of the Scottish Funding Council was invited to attend and provide an update on the strategic context for the sector. The Board were given an update on the strategic approach to employer engagement and marketing and PR.

At the start of the year, the Board reviewed the Strategic Risks for the College, and these were subsequently monitored by the Audit and Risk Committee through quarterly reports which demonstrated the progress that had been made to minimise and manage each risk. The Risk Management Policy for Fife College was approved by the Audit and Risk Committee in June 2014 and last revised by the Committee in June 2017.

The Board receives quarterly business reports which give updates on key performance indicators for the college in relation to students, staff, finance, digital and estates.

Evaluation of Board, Committee and Chair performance was carried out. Each committee undertook a review of its effectiveness and the Chair has conducted individual annual development meetings with each Board Member.

Executive Team

The Executive Team received regular reports setting out progress against key performance indicators and objectives and considered possible control issues brought to their attention through management information reports including student recruitment and retention, income and expenditure and staff performance. The Executive Team also received reports from internal audit and from quality agencies. All of these reports were also fully considered by operational managers.

The Executive Team regularly reviewed progress towards objectives. The Principal prepared a report for each meeting of the Board of Governors on progress towards achievement of planned objectives and targets and a general update on matters affecting the overall progress and development of the College.

Academic Quality Committee

The purpose of the Academic Quality Committee is to assure the Board of Governors that Fife College's learning and teaching strategy meets the needs of all stakeholders and to ensure consistency in the strategic development of learning, teaching, quality and related issues throughout the College.

Audit and Risk Committee

The purpose of the Audit and Risk Committee is to assure the Board of Governors that Fife College has in place a system of governance, internal control and risk management which is being maintained and developed to meet legislation and regulations applying to the sector. The Committee must support the Board and the Principal by reviewing the comprehensiveness, reliability and integrity of assurances: the College's governance, risk management and internal control framework.

Internal and External Auditors attended relevant meetings of this Committee. Whilst senior members of College staff including the Principal attended meetings of the Audit and Risk Committee, they were not members of the Committee. Once a year, the Audit and Risk Committee met both the External Auditors and Internal Auditors for independent discussions.

The Audit and Risk Committee has a range of skills and experience with representation from financial and risk management backgrounds. The Committee includes a qualified accountant who is also a member of the Board of Governors.

Governance Statement (Continued)

Chair's Committee

The purpose of the Chair's Committee is to ensure that the governance structure of Fife College is fit for purpose and meets legislative obligations; act as a Nomination Committee for recruitment and selection to the Board of Governors; and review and approve the salaries of the Principal, Vice Principals, Chief Financial Officer and Chief Operating Officer.

Finance, Commercial and Estates Committee

The purpose of the Finance, Commercial and Estates Committee is to assure the Board of Governors that Fife College has appropriate strategies, plans, budgets and controls in place which manage identified risks creating a sustainable and stable college. The committee recommends to the Board of Governors the College's annual budgets and monitors performance in relation to the approved budgets. It considers the Estates Strategy and ensures that the College's buildings are fit for purpose and maintained to an appropriate standard. It receives quarterly reporting in relation to the Colleges Digital strategy and performance thereof.

Health and Safety and Human Resources Committee

The purpose of the Health and Safety and Human Resources Committee is to assure the Board of Governors that Fife College has in place appropriate policies and procedures to promote and safeguard the health, safety and wellbeing of staff, students and all stakeholders and satisfies current legislation. With regard to organisational development and human resources, it is to assure the Board of Governors that Fife College meets its ethical and legal obligations to staff and has appropriate strategies, policies and procedures in place to promote a positive and inclusive culture.

Board and Committee Attendance Levels

Attendance at the relevant meetings throughout the year was as follows:

Board of Governors	77%	(2018/19: 79%)
Academic Quality	81%	(2018/19: 82%)
Audit and Risk	88%	(2018/19: 89%)
Finance, Commercial and Estates	90%	(2018-19: 78%)
Health and Safety and Human Resources	78%	(2018/19: 82%)
Chair's Committee	78%	(2018/19: 87%)
New Campus Board	100%	N/A

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 Director: Governance and Compliance and the Digital Services Team to provide training and resolve any technical issues.

Governance Statement (Continued)

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 will take place between September and December 2020/21 and again will be facilitated via Microsoft Teams and this may inform changes in how the Board meets moving forward.

Risk Management

Fife College is accountable to a variety of stakeholders and the environment in which it operates is subject to wide range of risks, requiring effective risk management. Therefore, the approach of Fife College is that risk management is embedded within the operation of the College and part of its culture by actions such as:

- Including risk at departmental level, both in setting a development plan for the year ahead and monitoring throughout the year
- Including risk in strategic and operational planning
- Regular review of risk management arrangements
- Operating a formalised reporting process
- Promoting Risk Management Policy at a high level

The Board of Governors has overall responsibility for ensuring the effective identification, mitigation and monitoring of strategic risks within the College. The Audit and Risk Committee has delegated authority from the Board of Governors to implement the policy and strategy set by the Accounting Officer and endorsed by the Board, and to review strategic risks and action plans, including those identified through the operational risk management process on a periodic basis and report this to the Board of Governors.

The College operates a Strategic Risk Register which identifies the most significant risks to the College. The Principal is responsible for the maintenance of the College Strategic Risk Register and for ensuring that appropriate risk mitigation actions are implemented to address significant risks to College operations and strategic objectives. The Executive Team members are responsible for ensuring that management plans are in place and reviewed to mitigate the key risks identified during the business planning risk assessment process. This information is included on the Strategic Risk Register in summary form.

The Audit and Risk Committee receives quarterly reports from the College's Executive Team. The Executive Team reviews operational risk and proposes updates to the Strategic Risk Register. Any proposed changes to the Strategic Risk Register are highlighted and discussed by the Audit and Risk Committee. It is also provided annually to the Board of Governors.

Throughout the year, the Audit and Risk Committee received updates on the Strategic Risk Register and monitored and considered the updates and actions provided. The following table sets out the thirteen strategic risks for which the underlying risk has been scored as "severe" or "high". It records the residual risk, with six risks shown as "High" and six as "Moderate", following the mitigating actions which have been taken.

No.	Risk	Before Mitigation	After Mitigation
1	Failure to implement effective financial planning and control regarding estates and deliver outcomes for the College.	High	High
2	Failure to achieve annual financial targets in line with the five year financial forecast plan.	High	High
3	Failure to make use of current and emerging technology and to be in a position to continuously enhance digital capability to offer the	High	Moderate

	flexible and innovative learning and teaching delivery modes expected by learners and all stakeholders.		
4	Failure to focus on wider wellbeing of staff and students.	High	Moderate
5	Failure to achieve student recruitment targets across GIA and Non-GIA income activity and to deliver relevant, inclusive and sustainable regional curriculum, including ensuring successful outcomes for all students.	High	High
6	Failure to develop capacity and skills mix that fits the strategy.	High	Low
7	Risk of external political/ funding/regulatory changes.	Severe	High
8	Risk that we fail to achieve and grow commercial income in line with the five year financial forecast plans.	Severe	High
9	Failure to achieve cohesive culture.	High	Moderate
10	Failure to achieve positive and sustained transitions for students and to create attractive and motivating learning environment for progressive learner journey.	High	High
11	Failure to take steps to maintain reliable IT infrastructure and to protect systems from attacks and misuse, possibly remotely over the internet. Steps may be technical or procedural in nature. Technical steps more easily addressed than procedural steps which require buy in from staff and learners across the College.	Severe	Moderate
12	Failure to fully comply with statutory or regulatory requirements leading to a breach of legislation, resulting in legal action, a fine or another penalty against the College.	Severe	Moderate
13	Failure to deliver new appropriate accommodation in Dunfermline and deliver outcomes for the College.	High	Moderate

As well as considering the top thirteen strategic risks, the Covid-19 outbreak in March 2020 impacted all areas of the College's business which resulted in the closure of the college campus and a halt of face to face teaching. As a result of this, the Executive Team immediately added a specific Covid-19 risk to the strategic risk register as follows:

The coronavirus impacts all operations and strategic risks of Fife College as staff, students, customers and wider stakeholders adhere to Government guidance in dealing with the response to the virus, through lockdown, halt of face to face teaching, social distancing, closure of campuses, cancellation/postponement of business interactions and training. The length of this position is currently unknown.

This was considered by the Audit and Risk Committee, who carried out a detailed analysis of the remedial and preventative control measures put in place to reduce the impact on college business which included:

- Moving to online delivery and remote working.
- Mobilisation of the business continuity team in response to the outbreak.
- Creating a dedicated Covid-19 website for information and support to staff and students.
- Issuing of devices to staff and students to support remote working.
- Planning for alternative assessment models to support students gaining qualifications due to cancellation of exams.
- Reforecast of 2019/20 position incorporating financial impacts of the outbreak.
- Scenario planning incorporating assumptions on Covid-19 income impacts and possible mitigating actions to support financial sustainability of the 2020/21 financial position.
- Update of the College Financial Forecasts to 2022/23 incorporating SFC funding assumptions and mitigating actions to return a balanced position.
- Continued engagement with employers and wider community to provide appropriate support.

Governance Statement (Continued)

As Covid-19 impacted on all strategic risks, it was deemed necessary by the Executive Team to view it as a college wide risk initially with mitigating actions being held centrally, however the top thirteen risks noted above were subsequently updated to reflect the impacts from Covid-19 and actions each function were taking in order to reduce the impact of the outbreak.

Throughout the year, other Board sub-committees received information relating to the key risks relevant to their remit i.e. the Finance, Commercial and Estates Committee received information on the key financial risks, progress towards financial targets, balancing the budget and maintaining financial sustainability and the Academic Quality Committee received regular updates on credit position, performance indicators, student recruitment and the learning and teaching strategy.

Internal Audit

Internal audit is a key independent source of assurance.

The strategic and annual planning of the internal audit programme is risk based, meaning their work is targeted to the areas identified as greatest risk and strategic importance.

The Audit and Risk Committee agree an internal audit schedule annually based on an audit needs assessment. They receive:

- The internal audit reports as per the agreed work programme and ensure that recommendations are adequately responded to by the college.
- An annual report from the internal auditor which should include an opinion on the degree of assurance that can be placed on the systems of internal control and any follow-up actions still outstanding which should be closed off by the College.

In 2019-20 the Audit and Risk Committee commissioned the internal auditors to review the following key risks/areas which have been numbered in accordance with the above table. The College closure as a result of the Covid-19 pandemic has not resulted in any delays in the completion of internal audit work with the Virtual Learning Environment and ICT Strategy and Security audits being carried out remotely.

Key Risk	Internal Audit Area
Risk 2 - Failure to achieve annual financial targets in line with the five year financial forecast plan.	Cash Handling
Risk 3 - Failure to make use of current and emerging technology and to be in a position to continuously enhance digital capability to offer the flexible and innovative learning and teaching delivery modes expected by learners and all stakeholders.	Curriculum Planning Virtual Learning Environment (VLE)
Risk 5 - Failure to achieve student recruitment targets across GIA and Non-GIA income activity and to deliver relevant, inclusive and sustainable regional curriculum, including ensuring successful outcomes for all students.	Curriculum Planning
Risk 6 - Failure to develop capacity and skills mix that fits the strategy.	Workforce Planning Staff Performance Management
Risk 9 - Failure to achieve cohesive culture.	Workforce Planning Staff Performance Management
Risk 10 - Failure to achieve positive and sustained transitions for students and to create attractive and motivating learning environment for progressive learner journey.	Curriculum Planning Virtual Learning Environment (VLE)

Key Risk	Internal Audit Area
Risk 11 - Failure to take steps to maintain reliable IT infrastructure and to protect systems from attacks and misuse, possibly remotely over the internet. Steps may be technical or procedural in nature. Technical steps more easily addressed than procedural steps which require buy in from staff and learners across the College.	Virtual Learning Environment (VLE) ICT Strategy / Security
Risk 12 - Failure to fully comply with statutory or regulatory requirements leading to a breach of legislation, resulting in legal action, a fine or another penalty against the College.	ICT Strategy / Security

Of the above reviews carried out in 2019/20, none identified any major control weakness.

There were 23 open actions carried forward from 2018/19 and 15 new actions added in 2019/20 (38 open actions in total). Over the course of 2019/20, 22 actions were reported as complete. As at 31 July 2020, there were 16 open actions of which only one was due for completion. The College deems this action to be partially complete and has committed to addressing this during the 2020/21 academic year. The 15 remaining open actions are not yet due for completion as at 31 July 2020. Implementation of internal audit recommendations is closely monitored by the Executive Team and progress is reported to each meeting of the Audit and Risk Committee. Through the reporting on progress made with audit recommendations, the Audit and Risk Committee receives assurance from the College that it is committed to implementing the recommendations received and maintaining systems of control.

The internal auditor has expressed the opinion that the Board of Governors of Fife College has a framework of internal controls in place that provides reasonable assurance regarding the organisation's governance framework, internal controls, effective and efficient achievement of objectives and the management of key risks.

Significant Control Issues/Weaknesses

In completing this governance statement there have been no exceptions or issues raised for inclusion by internal or external auditors in respect of significant control issues/weaknesses.

Going Concern

The activities of Fife College are over 70% funded by the Scottish Government through the Scottish Funding Council (SFC) to provide Higher and Further Education. The Board of Governors and the Executive Team are responsible for ensuring that these funds are used to meet this purpose and the operations within the College to achieve this support ensuring financial sustainability for the College.

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

Furthermore, the College has in place a 5-year strategic plan outlining its key strategic aims. One of the key strategic aims is to maintain long term financial sustainability and become more commercially focused. This aim is in turn supported by a Finance Strategy and 5-year financial forecast.

Following the coronavirus outbreak the College has updated the financial forecast out to 2022/23 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. Therefore, based on our latest assumptions the College will breakeven across the forecast period to 2022/23 and sustain the liquidity position. The Board of Governors and the Finance, Commercial and Estates 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:

Governance Statement (Continued)

- 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 staffing structures and the non-staff cost base across the forecast period to align with rising costs and real time funding cuts as indicated within SFC funding assumptions.
- Rigorous budgeting, forecasting and ongoing reporting against budget.
- Ongoing drive for efficiencies and realisation of "invest to save".
- Researching alternative delivery approaches.
- Effective planning and recruitment processes.
- Business Development Team remain in regular contact with the client base offering support when/where appropriate within these uncertain times for our customers.
- Targeted marketing and sales plans.
- Ongoing engagement with SFC/Scottish Government on the funding requirements for the New Build project activities.
- Ensuring that Fife College continues to deliver remotely to our students regardless of any future college closures as a result of the pandemic and ensuring each student has the necessary resources, i.e. Chromebooks, to continue their studies remotely.

The College is reporting a net asset position in these financial statements of £9.58million. This includes a pension liability of £36.8million for the College's share of the Fife Council Local Government Pension Scheme (LGPS). The College has returned an adjusted operating surplus within the financial year.

Following review of the updated Financial Forecast and mitigating actions, the Board of Governors considers that the College has adequate resources to continue in operational existence for the foreseeable future.

Conclusion

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

The Audit and Risk Committee agenda included a regular item for consideration of risk and control and received reports thereon from the Executive Team and the Internal Auditors. The emphasis was on obtaining the relevant degree of assurance and not merely reporting by exception.

The Board of Governors was of the view that there was an on-going process for identifying, evaluating and managing the College's significant risks, that it had been in place for the year ended 31 July 2020 and up to the date of approval of the annual report and accounts, that it was regularly reviewed by the Board of Governors and that it accords with the 2016 Code of Good Governance for Scotland's Colleges.

Remuneration and Staff Report

Remuneration Report

Introduction

The College is required to prepare and publish within its financial statements an annual Remuneration Report under the 2019/20 Government Financial Reporting Model (FreM) issued by the Scottish Government, which came into force for the period ending 31 July 2020.

The report sets out the remuneration and accrued pension benefits of the Executive Team and remunerated board members.

The following report has been prepared in accordance with the aforementioned regulations.

Audit of Remuneration Report

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

Remuneration Policy

The remuneration of the Principal, Vice Principal, Chief Financial Officer and Chief Operating Officer is considered by Chair's Committee which is made up of the Chair and Depute Chair of the Board of Governors and the Chairs of the College committees. The remit of the Chair's Committee in terms of remuneration is as follows:

- Determine the remuneration for the Principal, Vice Principal, Chief Financial Officer and Chief Operating Officer.
- Approve the terms of any staff severance scheme, taking into account Scottish Funding Council guidance and thresholds; together with limits on funding and payback periods and monitor progress against this
- Consider severance scheme applications from the Principal, Vice Principal, Chief Financial Officer and Chief Operating Officer where relevant following recommendations by the Principal

Remuneration Including Salary and Pension Entitlements

Salary Entitlements

The following table provides detail of the remuneration and pension interests of the Principal, Vice Principal, Chief Financial Officer, Chief Operating Officer and board members that are remunerated. The remuneration of the Chair of Board of Governors is set by the Scottish Government and is a non-pensionable post.

No information has been disclosed for board members that are not remunerated.

Name	Job Title	Year ended 31 July 2020			Year ended 31 July 2019		
		Salary £'000	Pension Benefit £'000	Total £'000	Salary £'000	Pension Benefit £'000	Total £'000
David C Watt	Chair of Board of Governors	15-20	0	15-20	0-5	0	0-5
Hugh Hall ¹	Principal and Chief Executive	130-135	30-35	160-165	130-135	20-25	155-160
Dorothee Leslie	Vice Principal Academic Strategy	90-95	15-20	105-110	95-100	20-25	115-120
Susan Dunsmuir	Chief Financial Officer	90-95	35-40	130-135	75-80	55-60	130-135
Sue Reekie	Chief Operating Officer	90-95	30-35	120-125	50-55	15-20	65-70

¹ The Principal has ceased to pay pension contributions into the Superannuation Scheme. Therefore, the pension benefit noted reflects salary paid in lieu of pension on an equivalent basis.

Remuneration and Staff Report (Continued)

The Regulations require information to be published on the total number of College employees (including Executive Team members) whose total actual remuneration was £60,000 or more. This information is to be disclosed in salary bandings of £10,000 above £60,000 and is shown in note 7 to the financial statements.

Median Remuneration

Based on the 12 month equivalent figures, the banded remuneration of the highest paid official in the organisation in the financial year 2019/20 was £130-135,000. This was 4.0 times (2018/19 3.8 times) the median remuneration of the workforce which was £33,055 (2018/19 £34,591).

Accrued Pension Benefits

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

Contribution rates are set annually for all employees and can be found in note 25.

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. The accrual rate guarantees a pension based on final pensionable salary and years of pensionable service.

Executive Team

Pension benefits are provided to the Vice Principal, Chief Financial Officer and Chief Operating Officer on the same basis as all other staff. The accrued pension benefits for only those with a pension are set out in the table below, together with the pension contributions made by the College:

Name	Job Title	Accrued pension at pension age at 31 July 2020 £'000	Accrued lump sum at pension age at 31 July 2020 £'000	Real increase in pension 1 August 2019 to 31 July 2020 £'000	Real increase in lump sum 1 August 2019 to 31 July 2020 £'000	CETV at 31 July 2020 £'000	CETV at 31 July 2019 £'000	Real increase in CETV £'000
Dorothee Leslie	Vice Principal Academic Strategy	30-35	65-70	0-2.5	0	566	526	31
Susan Dunsmuir	Chief Financial Officer	15-20	0	0-2.5	0	146	121	16
Sue Reekie	Chief Operating Officer	0-5	0	0-2.5	0	38	13	16

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 as a consequence of their total Local Government service and not just their current appointment.

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

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

Remuneration and Staff Report (Continued)

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.

Compensation for Loss of Office

4 employees left under Voluntary Severance during the year.

1 employee left under voluntary exit terms during the year.

5 employees left at the end of their fixed term contract and were entitled to receive a redundancy payment due to length of service.

The total cost of the above was £56,429. This cost is not reflected in the 2019/20 accounts as an accrual was made at the end of 2018/20 in respect of the College's restructuring plan, part of which was released to offset these costs.

The table below summarises the exit packages by cost band.

Exit Package Cost Band	Total Number of Exit Packages by Cost Band
<£10,000	5
£10,000 - £25,000	5
£25,000 - £50,000	0
£50,000 - £100,000	0
Total number of exit packages	10
Total cost (£000)	£56,429

Staff Report

Introduction

The staff report contains information in relation to staff costs and numbers.

Staff Numbers & Costs

Total Staff Numbers & Costs

The following table provides an analysis of the staff numbers and costs split between permanent and temporary staff:

	2020 Directly employed staff	2020 Seconded and agency staff	2020 Total	2019 Total	Inc/(Dec)
Wages and salaries	27,451	608	28,059	28,863	(804)
Social security costs	2,656	51	2,707	2,664	43
Other pension costs	5,253	108	5,361	4,887	474
Total	35,360	767	36,127	36,414	(287)
Average number of FTE	789	27	816	831	(15)

Remuneration and Staff Report (Continued)

There is a reduction of 15 FTE from 2018-19 to 2019-20. This is mainly due to a reduction in temporary staffing the restructure of the faculty areas which was complete in 2019/20.

The college employed 572 females and 346 males as at 31 July 2020, the following table details the breakdown:

	2020 Female	2020 Male	2019 Female	2019 Male	Inc/(Dec) Female	Inc/(Dec) Male
Executive	3	3	3	3	0	0
Director	7	4	6	5	1	(1)
All other Employees	562	339	590	347	(28)	(8)
TOTAL	572	346	599	355	(27)	(9)

Sickness Absence Data

The average number of days lost per full time equivalent (FTE) to sickness absence during the year 2019/20 was 7.3, this compares to 8.8 days for the same period during 2018/19.

The following table shows the sickness absence days for the year 2019/20 comparing to the same period during 2018/19. There has been a decrease in sickness absence and this is due to the current College lockdown and staff working from home.

	2020	2019
	12 Months	12 Months
Days Sickness Absence		
Short Term (Under 20 Days)	3,020	3,169
Long Term (Over 20 Days)	2,876	4,225
Total	5,896	7,394

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 every two years and is published on the Fife College website.

The policy is also implemented through a number of policies and procedures that concern the experience of staff and students. For staff, these cover the employment cycle:

Recruitment and Selection

The College does wish to be a good employer and one of choice so that it can attract the best staff. Part of this includes being positive about disability and supporting people with disabilities through the recruitment and selection process including the provision of any additional support to enable all candidates to participate fairly in the process, which promotes an inclusive culture supported through the College's Vision and Values.

The College also commits to ensuring that posts are advertised in a wide variety of places that attract all people and that the way in which external advertisements are worded is inclusive of all the population. The College has continued to have The Disability Confident Committed Employer scheme and has achieved and maintained Level 2. This scheme helps us:

- Draw from the widest possible pool of talent.
- Secure high quality staff who are skilled, loyal and hard working.

Remuneration and Staff Report (Continued)

- Improve employee morale and commitment by demonstrating that we treat all employees fairly.
- It also helps customers and other businesses identify that we are committed to equality in the workplace.
- It also enables the College to use the Disability Confident Logo on all advertisements.

When recruiting the right people for Fife College, it is important we attract people who have these values and behaviours which will complement our workforce and fit in with our organisational culture. Consequently, we are looking at our recruitment policy and processes in line with our new on-line recruitment portal to identify if we advertise in places where people seek out new roles, if we are using the best selection methods and the right on boarding tools to welcome new recruits to the College and reduce induction fatigue. This is scheduled to take place during academic year 2020/21.

Professional Development

All staff will have the opportunity to participate in development activity that enables them to develop their qualifications and skills. They are also expected to participate in the Colleges Professional Development Review Scheme and undertake any staff development and training necessary for the full performance of their duties.

The college has recently devised a Career Development Framework (CDF) which consists of a leadership framework, a clustering of all roles across the college and lastly, aligned Career Long Professional Learning (CLPL) activities. The CDF provides transparency and visibility of opportunity, a greater understanding of the organisation as a whole and aids in organising and delivering career-relevant training to colleagues across the college. The leadership framework allows colleagues to see alternative roles at a similar level, as well as clarity in the skill and behavioural requirements of roles that they could be working towards. Not all changes to a person's role will be upwards (nor is that always desired) and what is sometimes referred to as career zig-zagging not only enhances motivation, but also supports both currency and flexibility of skills within the workforce allowing it to meet changing business requirements. The college wishes for colleagues to bring all their skills and experiences to the fore as cited in the current Workforce Plan and Strategy.

Equal Pay

Fife 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; 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 and in any case at least once every two years; 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.

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 differing 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.

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.

Remuneration and Staff Report (Continued)

Exit

Members of staff will be treated fairly in circumstances where there is a reduction in the need for certain types of roles and in the application of disciplinary procedures where dismissal may be an outcome.

Health and Safety

The Board of Governors of Fife College not only accepts its legal duties of care as set out in the Health and Safety at Work etc. Act 1974 and subsequent legislation but also its moral and ethical obligations to staff and to all other persons who may be affected by operational practices and procedures.

It is the policy of Fife College; Board of Governors to conduct its activities so that:

- Prime consideration is given to the health and safety of its employees and all other persons affected directly or indirectly by its activities.
- Proper regard is given to minimise any possible undesirable effect of its activities on the student population.

The Principal and Chief Executive of the College has ultimate responsibility for health and safety of the staff, students and of any members of the general public having access to College premises, and in particular assumes responsibility for:

- Considering and addressing the implications of Board decisions.
- Maintaining management structures for the effective implementation, monitoring and review of the College Health and Safety Policy, performance, systems and procedures.
- Appointing a member of the Executive Team (Chief Operating Officer) to the role responsible for Health and Safety.

Fife College has introduced a cloud based Health and Safety Management tool to help implement and manage its legal duties set out in current legislation. The management tool holds all Health and Safety information and is the main forum for staff to undertake risk assessments, accident reports, training compliance, COSHH data and also acts as the main source of data for regular reporting on Health and Safety performance.

Fife 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 three times over the Curriculum year. These meetings are Chaired by a Senior Manager and made up of the College Management, representatives of each recognised Union and staff representatives. Typically, Health and Safety performance topics being discussed would include accident trends, training compliance, inspection reports and issues raised over the period covered.

The College Health and Safety Team also conducts regular workplace spot inspections jointly with trade union Safety Representatives as well as conducting Health and Safety Audits of Faculties throughout the College. The Faculty Audits are undertaken throughout March, April & May with audit reports and action logs issued to the Faculty Director for sign off and action. The H&S Team then follows up all Audit actions in October to make sure all outstanding action have been complete.

Fife College commissioned a full health and safety audit by an external provider as per the College Health & Safety Policy where such an audit is undertaken once every 4 years. The actions from the audit (conducted in June 2019) are being actioned throughout the College and progress reported to the Board of Governors.

Also, as part of the internal audit programme when selected Health & Safety processes and procedures are reviewed by the College internal auditors.

Remuneration and Staff Report (Continued)

Covid-19 Prevention

Fife College has carried out an extensive and thorough Covid-19 risk assessment throughout our various campuses and we adhere to the strictest guidelines set by the Scottish Government, as well as those necessary for the education sector.

There are hygiene stations at regular intervals and locations throughout our sites as well as our regular ongoing deep cleaning procedures. Social distancing measures have been implemented throughout all our sites, and a one-way system in place where possible. We have also made the decision to go beyond the minimum requested by the Scottish Government and we are asking everyone who can, to wear a face-covering on campus when in public areas and when moving around the campus buildings.

We will continue to regularly review the information and guidelines provided by the Scottish Government, as the health and safety of all is paramount at Fife College.

Employment Issues

The College commits itself to the fundamental conventions of the ILO where they apply to employment in particular with regard to, freedom to join a Trade Union (convention number 87), collective bargaining (convention number 98), equal pay for men and women (convention number 100) and equality of opportunity (convention number 111).

In relation to equality of pay, the Gender Pay Gap Report dated April 2020 highlights the College has a pay gap of overall mean and median pay gap of -5.12% and 2.30% between women and men. There are larger pay gaps in relation to disability and ethnicity which are a result of the numbers of staff with these protected characteristics.

The College has a published commitment to equal pay within this report 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, the 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 and in any case at least once every two years;
- 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 for support staff.

The College also has a commitment to equality and diversity demonstrated by the principles of adopted by the College in this regard 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.

16.2% of staff participated in "Career Long Professional Learning" (CLPL) activities which led to a recognised qualification which is slightly higher than 2018/19 (14.7%).

During 2019/20 24 members of staff achieved the 'Teaching Qualification (Further Education) with the University of Aberdeen. Fifteen members of staff were enrolled to undertake the 'PDA: Teaching Practice in Scotland's Colleges' with 5 achieving the qualification with 6 continuing into the next academic year, and 3 staff moved onto TQFE.

Remuneration and Staff Report (Continued)

There was also one member of staff who achieved the CDN Award for Teaching in Colleges Today. There has been success with Planning and Delivering Training Sessions to different groups around the College, with 19 enrolled. Five achieved with the rest continuing to 2020/21.

The College has a Professional Development Review process which includes a CLPL element to support the development of both College and Faculty/Professional service specific CLPL activity.

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

Trade Unions

The College recognises three Trade Unions, EIS, UNISON and UNITE. The relationships with each are governed by the appropriate Recognition and Procedure Agreements augmented with regular informal discussions with senior staff including the Principal and Director: OD and HR. The recognised Trade Unions and Management also have the opportunity to discuss how the relationships are working with the Health and Safety and Human Resources Committee of the Board and are now part of this committee. 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.

Facility Time

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 March 2020

Relevant union officials

Number of employees who were relevant union officials during the relevant period:	Full time equivalent employee number:
10	10

Percentage of time spent on facility time

Percentage:	Number of employees:
0%	-
1%-50%	10
51%-99%	-
100%	-

Percentage of pay bill spent on facility time

Total cost of facility time:	£27,446
Total pay bill:	£36,779,897
Percentage of the total pay bill spent on facility time:	0.07%

Paid trade union activities

Time spent on trade union activities as a percentage of total paid facility time hours:	4.80%
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Marketing

Fife College undertakes responsible marketing and research through working collaboratively with internal teams, partners and stakeholders to better understand the needs of our target audiences. Campaigns are then developed to ensure that messages are clear and authentic and promote opportunities for all.

Remuneration and Staff Report (Continued)

For example, colleges play a crucial role in providing higher education to students from the most deprived backgrounds, and as such our Higher Education Campaign promotes that all learners, regardless of age, background or gender have equal access to education and training. In the wider sense, our campaigns focus on the destination rather than the course, identifying the wide variety of pathways available into a career, employment or further study, ensuring students take the route that is the best for them. Particular focus is placed on sectors that are crucial for the local economy and where there are current or emerging skills gaps, such as engineering, digital technologies, computing, construction and care, establishing education as a driver for economic change and social inclusion.

Community Relations

Fife College develops positive relationships with communities through initiatives such as the co-location of our Levenmouth campus with Levenmouth Academy, which provides interdisciplinary learning for STEM subjects and improved vocational pathways from school to college then employment. We also provide offender learning programmes and services at all 13 public sector prisons across Scotland to support offenders by providing them with the skills and knowledge to support them reintegrate into society with the ultimate goal of helping them into employment or further training. Our curriculum teams also work with their students to support community projects such as beach clean ups, improving outdoor areas in schools and retirement homes and house renovations for the homeless people in Fife.

The College donated a significant amount of its own PPE stock to Fife care providers at the beginning of the national lock down as a result of Covid-19.

Expenditure on consultancy

There was no consultancy expenditure incurred during 2019/20.

Parliamentary Accountability Report

Fees and Charges

Throughout the financial year Fife College had a contract with the Scottish Prison Service to deliver education services within 13 prisons across Scotland.


The direct cost of running this contract was £3.82m (£3.81m in 2018/19) and income generated was £4.51m (£4.6m in 2018/19).

As a result of the Covid-19 pandemic, Fife College's ability to meet its contractual obligations under the SPS contract have been adversely affected and therefore we have agreed with SPS on a reduced monthly payment to cover the College's fixed costs relating to this contract.


This is in line with the guidance of the Scottish Procurement Policy Note ("SPPN 5/2020" dated 27 March 20) which sets out information and guidance for public bodies on how they may amend payment provisions in contracts or consider other contractual relief in order to assist Service Providers to combat the impact of Covid-19.

The College continues to communicate with the Scottish Prison Service as to when the delivery will resume and changes required to the delivery model.

The Corporate Governance Statement on pages 23 – 30 was approved by the Board of Governors on 9 December 2020 and signed on its behalf by:



Hugh Hall
Principal



David C. Watt
Chair, Board of Governors

Independent auditor's report to the Board of Governors of Fife 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 Fife College for the year ended 31 July 2020 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 Statement of Comprehensive Income and Expenditure, Statement of Changes in Reserves, Balance Sheet, and 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 college's affairs as at 31 July 2020 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 of opinion

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

Conclusions relating to going concern basis of accounting

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date 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 conclusions thereon.

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

Responsibilities of the Board of Governors for the financial statements

As explained more fully in the Statement of the Board of Governor's Responsibilities, the Board of Governors 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 Governors 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 Governors 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.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting 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. We therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

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.

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and our independent auditor's report. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements, our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the 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 there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Report on regularity of expenditure and income

Opinion on regularity

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

Responsibilities for regularity

The Board of Governors is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements

Opinions on matters prescribed by the Auditor General for Scotland

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.

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
- there has been a failure to achieve a prescribed financial objective.

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 Board of Governors of Fife 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
10 December 2020

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

Fife College

College Statement of Comprehensive Income and Expenditure

		Year Ended 31 July 2020	Year Ended 31 July 2019
	Notes	College £'000	College £'000
Income			
SFC Grants	2	42,047	40,326
Tuition fees and education contracts	3	9,953	10,567
Other income	4	2,609	2,566
Investment income	5	40	24
Donations and endowments	6	128	124
Revenue Grant from Arms Length Foundation	4	473	475
Total income		55,250	54,082
Expenditure			
Staff costs	7	39,843	38,498
Restructuring costs	7	428	1,171
Interest and other finance costs	9	724	559
Other operating expenses	10	14,132	14,081
Depreciation	11	3,141	3,035
Charitable donations		62	57
Total expenditure		58,330	57,401
Surplus/(deficit) before other gains losses		(3,080)	(3,319)
Surplus/(deficit) before other comprehensive income		(3,080)	(3,319)
Surplus / (Deficit) for the year		(3,080)	(3,319)
Unrealised surplus on revaluation of land and buildings			
Other comprehensive income			
Actuarial (loss)/gain in respect of pension schemes	18	(12,766)	(9,414)
Unrealised gain/(loss) on revaluation of fixed assets	22	953	4,193
Total comprehensive income for the year		(14,893)	(8,540)

Total comprehensive income/ (expenditure) for the year is wholly represented by unrestricted income and is fully attributable to College.


All items of income and expenditure relate to continuing activities

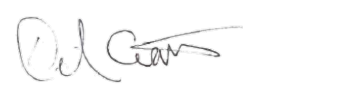
The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 28 provides details of the adjusted operating position on a Central Government accounting basis and presents the underlying surplus for the year.

Fife College
College Balance Sheet

	Notes	Year Ended 31 July 2020 College £'000	Year Ended 31 July 2019 College £'000
Non-current assets			
Tangible assets	11	78,603	80,790
Investments	12	32	32
Investment in joint venture	12	404	404
		79,039	81,226
Current assets			
Stock	13	124	90
Trade and other receivables	14	3,386	2,519
Cash and cash equivalents	15	8,466	4,955
		11,976	7,564
Less: Creditors - amounts falling due within one year	16	(18,865)	(15,685)
Net current (liabilities)/assets		(6,889)	(8,121)
Total assets less current liabilities		72,150	73,105
Creditors: amounts falling due after more than one year	17	(25,655)	(27,536)
Provisions			
Pension provisions	18	(33,291)	(17,658)
Other provisions	19	(3,505)	(3,319)
Total net assets		9,699	24,592
Unrestricted Reserves			
Income and expenditure reserve - unrestricted	20	(27,317)	(12,516)
Revaluation reserve	21	37,016	37,108
Total Reserves		9,699	24,592

The financial statements on pages 1 to 62 were approved by the Board of Management on 9 December 2020 and were signed on its behalf on that date by:


Mr Hugh Hall
Principal


Mr David C. Watt
Chair, Board of Governors

Fife College
Statement of Cash Flow

	Note	31 July 2020	31 July 2019
		£'000	£'000
Cash flow from operating activities			
(Deficit)/surplus for the year		(3,080)	(3,319)
Adjustment for non-cash items			
Depreciation	11	3,141	3,035
Deferred government grants released to income	2	(927)	(927)
Deferred non-government grants released to income	4	(403)	(403)
Decrease/(increase) in stock	13	(34)	37
Decrease/(increase) in debtors	14	(867)	321
Increase/(decrease) in creditors	16	2,562	7,558
Pension costs	24	2,396	2,084
Increase/(decrease) in other provisions	19	186	65
(Decrease)/increase in student funds	23	834	(171)
Adjustment for investing or financing activities			
Investment income	5	(13)	(14)
Interest payable	9	724	559
Net cash inflow from operating activities		4,519	8,825
Cash flows from investing activities			
Investment income	5	13	14
Payments made to acquire fixed assets	11	0	(5,285)
Cash flows from financing activities			
Interest paid	9	(198)	(225)
Interest element of finance lease	9	(55)	(54)
Repayments of amounts borrowed	17/18	(631)	(493)
Capital element of finance lease and service concession payments	17/18	(137)	(121)
Increase/(decrease) in cash and cash equivalents in the period		3,511	2,661
Cash and cash equivalents at beginning of the period		4,955	2,294
Cash and cash equivalents at end of the period		8,466	4,955
Increase/(decrease) in cash		3,511	2,661

Fife College
College Statement of Changes in Reserves
Year ended 31 July 2020

	Income and expenditure account	Revaluation reserve	Total
	Unrestricted		
	£'000	£'000	£'000
Balance at 1 August 2018	(426)	33,558	33,132
Surplus/(deficit) from the income and expenditure statement	(3,319)	0	(3,319)
Other comprehensive income	(9,779)	4,558	(5,221)
Transfers between revaluation and income and expenditure reserve	1,008	(1,008)	0
	(12,090)	3,550	(8,540)
Balance at 1 August 2019	(12,516)	37,108	24,592
Surplus/(deficit) from the income and expenditure statement	(3,080)	0	(3,080)
Other comprehensive income	(12,766)	953	(11,813)
Transfers between revaluation and income and expenditure reserve	1,045	(1,045)	0
Total comprehensive income for the year	(14,801)	(92)	(14,893)
Balance at 31 July 2020	(27,317)	37,016	9,699

Fife College

Analysis of Debt Statement

Year ended 31 July 2020

	Balance at 1 August 2019 £'000	Cash flows £'000	Balance at 31 July 2020 £'000
Cash and cash equivalents			
Cash	4,955	3,511	8,466
Borrowings			
Loans falling due within on year	(503)	162	(341)
Loans falling due after more than one year	(4,389)	469	(3,920)
Finance Lease obligations	(1,464)	137	(1,327)
Total	(1,401)	4,279	2,878

Notes to the Financial Statements

1 Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the updated Statement of Recommended Practice: Accounting for Further and Higher Education 2019 Edition; the Financial Reporting Standards FRS 102 and the 2019-20 Government Financial Reporting Model (FReM) issued by HM Treasury and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

The College's financial statements for 2019/20 have been prepared on a going concern basis. The uncertainty as to the future impact on the financial performance and cashflows of the College, as a result of the Covid-19 pandemic, has been considered as part of the College's adoption of the going concern basis in these financial statements and in developing a financially sustainable financial plan. These financial statements have been prepared on a going concern basis which the Board of Governors believes to be appropriate for the reasons outlined below.

The activities of Fife College are over 70% funded by the Scottish Government through the Scottish Funding Council (SFC) to provide Higher and Further Education. The Board of Governors and the Executive Team are responsible for ensuring that these funds are used to meet this purpose and the operations within the College to achieve this support ensuring financial sustainability for the College.

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

The College recorded a deficit of £3.1 million before other gains and losses during the financial year and total comprehensive expenditure of £14.9 million. The College reported an adjusted operating surplus of £1.016 million after accounting for technical pension adjustments of £3.3 million, net depreciation adjustments of £1.8 million and cash budget for priorities of £1 million. Cash increased by £3.5 million during the year. At 31 July 2020, the College held borrowings of £4.2 million in unsecured loans which have no financial covenants. The College is reporting a net asset position in these financial statements of £9.7million. This includes a pension liability of £36.8million for the College's share of the Fife Council Local Government Pension Scheme (LGPS).

Following the coronavirus outbreak, the College has updated the financial forecast 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. Therefore, based on our latest assumptions the College will breakeven across the forecast period and sustain the liquidity position. Cashflow projections have been prepared for twelve months from the date of approval of these consolidated financial statements, which demonstrates sufficient cash headroom throughout the going concern period without the need for recourse to additional sources of finance.

Senior management have considered various scenarios in assessing the impact of Covid-19 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 Governors and the Finance, Commercial and Estates 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.
- Business Development Team remain in regular contact with the client base offering support when/where appropriate within these uncertain times for our customers.
- Ongoing engagement with SFC/Scottish Government on the funding requirements for the New Build project activities.
- Ensuring that Fife College continues to deliver remotely to our students regardless of any future college closures as a result of the pandemic and ensuring each student has the necessary resources, i.e. Chromebooks, to continue their studies remotely.

Based on the above analysis it remains wholly appropriate to prepare the College financial statements on a going concern basis.

Basis of accounting

The financial statements are prepared under the historical cost convention, modified by the revaluation of certain fixed assets.

The accounting policies contained in the FReM apply International Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the College for the purposes of giving a true and fair view has been selected. The particular policies adopted by the College in dealing with items that are considered material to the financial statements are set out.

Recognition of income

Income from the sale of goods or services is credited to the Statement of Comprehensive Income and Expenditure when the goods or services are supplied to the external customers or the terms of the contract have been satisfied.

Fee income is stated gross of any expenditure which is not a discount and credited to the Statement of Income and Comprehensive Expenditure over the period in which students are studying. Where the amount of the tuition fee is reduced, by a discount for prompt payment, income receivable is shown net of the discount.

All income from short-term deposits and Investment income is credited to the Statement of Income and Comprehensive Expenditure on a receivable basis.

Grant funding

Government revenue grants including the recurrent grants from the Scottish Funding Council (SFC) are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

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.

Donations and endowments

Non exchange transactions without performance related conditions are donations and endowments. Donations and endowments with donor imposed restrictions are recognised in income when the College is entitled to the funds. Income is retained within the restricted reserve until such time that it is utilised in line with such restrictions at which point the income is released to general reserves through a reserve transfer.

Donations with no restrictions are recognised in income when the College is entitled to the funds.

Investment income and appreciation of endowments is recorded in income in the year in which it arises and as either restricted or unrestricted income according to the terms of the restriction applied to the individual endowment fund.

Notes to the Financial Statements**Capital grants**

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met, the funds will be held in deferred income under creditors until conditions are met.

Tangible fixed assets

In line with FReM all tangible assets must be carried at fair value.

Land and buildings

Land and buildings are measured using the revaluation model. Under the revaluation model, assets are revalued to fair value. Where appropriate Depreciated Replacement Cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used. The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. In line with the FReM an annual indexation exercise will be completed. Depreciation and impairment losses are subsequently charged on the revalued amount.

Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

If a building is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months that the asset was in use.

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

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

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives.

The expected useful life of buildings can vary from 10 to 50 years as determined by professional opinion and valuation.

Equipment

Equipment is carried at depreciated historical cost, which is used as a proxy for fair value. Depreciated historical cost is deemed to be more appropriate than revaluing for equipment as it is common for such assets to reduce in value, rather than increase, as they are utilised by the College.

Capitalised equipment is depreciated over its useful economic life as follows:

Building Fixtures	10% per year
Surface Works / Car Parks	25% per year
Non ICT Equipment	25% per year
ICT Equipment	25% per year
ICT Software	25% per year
Vehicles	25% per year

For all equipment only one-off spend above £10,000 will be considered for capitalisation and be capitalised at cost.

Where equipment is brought into use mid-way through a year the depreciation charge in the first year will be prorated to reflect the number of months that the asset was in use.

Depreciation methods, useful lives and residual values are reviewed at the date of preparation of each Balance Sheet.

Leased assets

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over their useful life.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The lease rentals are treated as consisting of capital and interest. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the income & expenditure account in proportion to the reducing capital element outstanding.

Leases not meeting the criteria of a finance lease are treated as an operating lease. Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Service Concession Arrangements

Fixed assets held under service concession arrangements will be recognised on the Balance Sheet at the present value of the minimum lease payments when the assets are bought into use with a corresponding financial liability.

Payments under the service concession arrangement are allocated between service costs, finance charges and financial liability repayments to reduce the financial liability to nil over the life of the arrangement.

Notes to the Financial Statements**Investments**

Fixed asset investments that are not listed on a recognised stock exchange are carried at historical cost less any provision for impairment in their value, or at a fair estimate of value placed on such assets by an independent valuer for insurance purposes. Artwork investments are subject to an independent valuation every five years.

Investments in jointly controlled entities are carried at cost less impairment in the Colleges accounts as a measurement for fair value.

Current asset investments are held at fair value with movements recognised in the Surplus or Deficit.

Stocks

Stocks held are valued at cost.

Cash

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.

Taxation

The College is an exempt charity and is therefore not liable for corporation tax under section 506 (1) of the Income and Corporation Taxes Act (ICTA) 1988. The subsidiary company transfers its profits to the College by gift aid in order to minimise their tax liabilities.

The College does not receive exemption in respect of Value Added Tax. (VAT)

The College's subsidiary company is subject to corporation tax and VAT in the same way as any commercial organisation although where profits are transferred by gift aid, corporation tax will not be liable.

Provisions

Provisions are recognised when the College 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.

Agency arrangements

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

Employment benefits

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

Retirement benefits**Fife Council Pension Fund**

The Fife Council Pension Fund is a pension scheme providing benefits based on final pensionable pay. The assets and liabilities of the scheme are held separately from those of the College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Age Attained Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the schemes, after making allowances for future withdrawals. The amount charged to the income and expenditure account represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme

The College participates in the Scottish Teachers' Superannuation Scheme pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the income and expenditure account represents the contributions payable to the scheme in respect of the year.

Reserves

Reserves are classified as restricted or unrestricted. Restricted endowment reserves include balances which, through endowment to the college, are held as a permanently restricted fund which the college must hold in perpetuity.

Other restricted reserves include balances where the donor has designated a specific purpose and therefore the college is restricted in the use of these funds.

		Year Ended 31 July 2020	Year Ended 31 July 2019
	Notes	College £'000	College £'000
2 SFC Grants			
FE recurrent grant		35,298	34,588
Childcare funds	23	975	1,129
Release of deferred capital grants		927	927
Other SFC grants		4,847	3,676
Funding for Merger		0	6
		42,047	40,326
3 Tuition fees and education contracts			
FE fees - UK		140	146
HE fees		3,016	3,185
SDS contracts		629	649
Education contracts		6,168	6,587
		9,953	10,567
4 Other income			
European funds		1	1
Release of deferred capital grants		403	403
Other grants		671	209
Other income-generating activities		704	1,141
Other income		830	812
		2,609	2,566
Revenue grant from Arms Length Foundation		473	475
		3,082	3,041
The College received £315k from the Government for the Coronavirus Job Retention Scheme (furlough), which is included in other grants.			
5 Investment income			
Other interest receivable		13	14
Total net of pension scheme		13	14
Net return on pension scheme		27	10
		40	24
6 Donations and endowments			
Unrestricted donations		128	124
		128	124

	Year Ended 31 July 2020 College £'000	Year Ended 31 July 2019 College £'000
7 Staff costs		
Staff costs :		
Salaries	28,946	28,863
Social security costs	2,707	2,664
Other pension costs	5,794	4,887
FRS 102 adjustment	2,396	2,084
Restructuring costs	428	1,171
Total	40,271	39,669
Academic/teaching departments	18,041	17,814
Academic/teaching services	11,333	10,727
Other support services	1,629	1,919
Administration and central services	3,489	2,975
Premises	1,396	1,344
Full cost activities	1,419	1,492
Other expenditure	140	143
Pension charge less contributions paid	2,396	2,084
Sub-total	39,843	38,498
Restructuring costs	428	1,171
	40,271	39,669
Employment costs for staff on permanent contracts	36,681	35,174
Employment costs for staff on temporary contracts	766	1,240
Pension charge less contribution paid	2,396	2,084
Fundamental restructuring costs	428	1,171
	40,271	39,669

Payroll expenditure has been marginally funded by the government Coronavirus Job Retention Scheme (furlough) to a value of £315k, as noted in other income.

Academic/teaching services costs have increased by £606k in 19/20 due to the re-categorisation of staff previously in other support services as well as administration and central services departments along with an increase in the unfunded pension liability.

Administration and central services costs have increased by £514k in 19/20 due to the job evaluation costs being accounted for at £968k, less staff re-categorisation to Academic/teaching services..

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

	2020	2019
Academic/teaching departments	441	454
Academic/teaching services	217	210
Other support services	40	43
Administration and central services	46	43
Premises	38	38
Full cost activities	32	40
Other staff	2	3
	816	831

The number of staff, including senior post-holders and the Principal, who received emoluments in the following ranges were: (A split is shown below for 2020 between staff whose emoluments include a voluntary severance) payment and those that do not include a VS payments.

	2020 VS included	2020 No VS	2020 Total No	2019 Total No
£60,001 to £70,000 per annum	0	7	7	6
£70,001 to £80,000 per annum	0	2	2	4
£80,001 to £90,000 per annum	0	0	0	3
£90,001 to £100,000 per annum	0	3	3	1
£100,001 to £110,000 per annum	0	0	0	0
£110,001 to £120,000 per annum	0	0	0	0
£120,001 to £130,000 per annum	0	0	0	0
£130,001 to £140,000 per annum	0	0	0	0
£140,001 to £150,000 per annum	0	0	0	0
£150,001 to £160,000 per annum	0	1	1	1
	0	13	13	15

8 Senior post-holders' emoluments

	Year Ended 31 July 2020	Year Ended 31 July 2019
	College	College
	£	£
Emoluments of the Principal		
Salary	133,867	133,200
Salary in lieu of pension contributions	30,022	23,349
Total emoluments of the Principal	163,889	156,549

Included within the emoluments figures are amounts in respect of salary and pension contributions. The Superannuation Scheme in respect of the Principal's pension are paid at the same rates as for other staff. The current Principal has ceased to pay pension contributions into the Superannuation Scheme and the College's contributions to the pension scheme were paid to the Principal as salary on an equivalent basis.

9 Interest and other finance costs

	Year Ended 31 July 2020	Year Ended 31 July 2019
	Consolidated £'000	College £'000
On bank loans, overdrafts and other loans:		
Repayable within five years, not by instalments	11	9
Repayable within five years, by instalments	14	24
Repayable wholly or partly in more than five years	173	192
	198	225
On finance leases	55	54
Total net of pension charge	253	279
Net charge on pension scheme	471	280
	724	559

10 Other operating expenses by activity

Academic/teaching departments	1,982	1,998
Academic/teaching services	370	602
Other support services	70	61
Administration and central services	2,977	3,304
General education	1,418	1,327
Premises costs	5,443	4,945
Planned maintenance	224	157
Other expenses	1,563	1,405
Other income generating activities	129	342
Residences and catering	(44)	(60)
	14,132	14,081

Other operating expenses include:

Auditors' remuneration		
- external audit of these financial statements	38	34
- internal audit services	37	38
- other internal audit services	4	9

11 Fixed Assets

	Land and Buildings £'000	Equipment £'000	Total Assets £'000	Total £'000
Cost or valuation				
At 1 August 2019	84,401	2,619	87,020	87,020
Additions	0	0	0	0
Revaluation	(1,723)	0	(1,723)	(1,723)
Disposals	0	0	0	0
At 31 July 2020	82,678	2,619	85,297	85,297
Depreciation				
At 1 August 2019	3,874	2,356	6,230	6,230
Charge for the year	3,028	113	3,141	3,141
Written back on depreciation:				
Revaluation	(2,677)	0	(2,677)	(2,677)
Disposals	0	0	0	0
At 31 July 2020	4,225	2,469	6,694	6,694
Net book value				
At 1 August 2019	80,527	263	80,790	80,790
At 31 July 2020	78,453	150	78,603	78,603

All assets are deemed to be exchequer funded. The proceeds from the disposal of any asset, potentially could result in a repayment of funds to the exchequer.

Land and buildings were independently valued for the purposes of the financial statements by F G Burnett, Property Consultants. The basis of valuation used was depreciated replacement cost at 31 July 2020. Directly attributable acquisition costs have been included and expected selling costs deducted.

The outbreak of Novel Coronavirus (COVID-19), declared by the World Health Organisation as a global pandemic on 11 March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries.

Market and construction activity is being impacted in many sectors. As at the valuation date, the College's property consultants consider that they can attach less weight to previous market and cost evidence for comparison purposes, to inform opinions of value. Indeed, the current response to COVID-19 means that we are faced with an unprecedented set of circumstances on which to base a judgement.

The valuations are therefore reported on the basis of "material valuation uncertainty" as per VPS3 and VPGA10 of the RICS Red Book global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market and construction sector, it is recommended that the College keep the valuation of this property under frequent review.

Freehold land at Dunfermline, Glenrothes and Kirkcaldy campuses which was inherited on incorporation at a nominal value of £1, was revalued on 31 July 2020 and restated in the accounts at £3.65m (£3.7 million 2019)

Other tangible fixed assets inherited from the local authority at incorporation were revalued on 31 July 2020 on a depreciated replacement cost basis with the assistance of independent advice. If inherited land and buildings had not been valued they would be included at nil cost and nil net book value.

The title to land, buildings and equipment with an original net book value of £5.335m originally funded from local authority sources was formally transferred to the College during 1997/98. The disposal of these assets and retention of any proceeds is subject to the approval of the Scottish Funding Council in accordance with the procedures set out in its circular letter FE/48/00

Included in the College's tangible fixed assets (land and buildings) is a finance lease asset with a net book value of £1.15 million. The finance lease is for a 25-year period commencing October 2003. Under the terms of the lease the amount payable is reviewable every 5 years. The next review is due in October 2023.

	Year Ended 31 July 2020	Year Ended 31 July 2019
	College £'000	College £'000
12 Investments		
Investments in joint venture companies	404	404
Artworks	32	32
Total	436	436
13 Stocks		
Consumables	124	90
	124	90
14 Trade and other receivables		
Trade debtors - net of provision for doubtful debts	581	973
Amounts owed by SFC	161	158
Prepayments and accrued income	2,644	1,388
	3,386	2,519
15 Cash and cash equivalents		
Cash at bank	8,446	4,938
Cash in hand	20	17
	8,466	4,955
<p>The College receives certain Scottish Funding Council grants on an agency basis. The funds are available solely for students and the College acts only as paying agent. The funds held in trust are reflected on the balance sheet, as both cash at bank and as a current liability. The following agency funds are included in cash at bank and in hand at the year end:</p>		
Bursary funds	782	212
FE Hardship	8	0
HE discretionary	135	90
Childcare	256	0
	1,181	302
16 Creditors - amounts falling due within one year		
Bank loans and overdrafts	341	503
Obligations under finance leases	141	137
Trade creditors	2,065	1,911
VAT	(8)	10
Pension	682	654
Amounts owed to SFC	4,908	4,650
Other taxation and social security	701	839
Other creditors	49	100
Accruals and deferred income	7,669	5,340
Bursaries and Access funds for future disbursement	1,046	212
Government grants	1271	1329
	18,865	15,685

	Year Ended 31 July 2020 College £'000	Year Ended 31 July 2019 College £'000
17 Creditors: amounts falling due after more than one year		
Bank loans	3,920	4,389
Obligations under finance leases	1,186	1,327
Government grants	20,549	21,820
	25,655	27,536
Bank loans include a term loan from Santander, with a fixed rate of 2.155%, due to mature in November 2032. Also included is a term loan from Barclays, with a maturity date of February 2021, which has been repaid in full in July 2020. Leases include a £40k lease with a maturity date of February 2029, and interest rate of 4.32%, and a second lease of £2.655M, with a maturity date of September 2028, and interest rate of 3.37%.		
18 Pension Provision		
As at 1 August 2018	17,658	5,880
Current service cost	5,005	4,640
Employer contributions	(2,609)	(2,556)
Interest charged	471	280
Net return on assets	0	0
Transfer to/(from) income & expenditure	2,867	2,364
Actuarial (gains)/losses	12,766	9,414
As at 31 July 2019	33,291	17,658
19 Early Retirement Provision		
At 1 August 2019	3,319	3,254
Expenditure in the period	(221)	(223)
Additional provision required in year		
Revaluation adjustment	433	297
Interest charged	(27)	(10)
At 31 July 2020	3,505	3,319
The above liability is in respect of future pension liabilities arising from early retirees.		
A valuation of the existing pension provision was carried out by Hymans Robertson LLP, an independent firm of actuaries, at 31 July 2020		
20 Income & Expenditure Reserve Unrestricted		
At 1 August 2019	(12,516)	(426)
Surplus/deficit for the year	(3,080)	(3,319)
Revaluation of asset	0	(365)
Transfer from revaluation reserve	1,045	1,008
Transfer (to)/from restricted reserve	0	0
Actuarial gain/(loss) in pension scheme	(12,766)	(9,414)
At 31 July 2020	(27,317)	(12,516)
21 Revaluation Reserve		
At 1 August 2019	37,108	33,526
Disposal	0	0
Revaluation	(1,723)	1,918
Transfer of artworks from subsidiary	0	32
Write back of depreciation on revaluation	2,676	2,640
Transfer to Income & expenditure account in respect of:		
Depreciation on revalued assets	(1,045)	(1,008)
At 31 July 2020	37,016	37,108

22 Lease obligations

Minimum lease payments receivable under non-cancellable finance leases in future years are detailed below:

	31 July 2020	31 July 2019
	Total	Total
Land and Buildings		
£'000	£'000	£'000
Payable during the year	141	137
Future minimum lease payments due:		
Not later than 1 year	141	137
Payable within 2 - 5 years	618	596
Payable within 6 - 10 years	568	731
Payable within 11 - 15 years	0	0
Total lease payments due	1,327	1,464

23 FE Bursary and other Student Support Funds

	FE Bursary	FE Hardship	EMA's	Other	Total	Period ended 31 July 2020	Period ended 31 July 2019
	£000	£000	£000	£000	£000	£000	£000
Balance brought forward	212	0	0	90	302		299
Allocation received in year	8,122	515	536	349	9,522		8,036
	8,334	515	536	439	9,824	8,335	
Expenditure	(7,426)	(507)	(536)	(214)	(8,683)		(7,766)
Repayable to Scottish Funding Council as Clawback	(126)	0	0	(90)	(216)		(206)
College contribution to funds	0	0	0	0	0		0
Virements	0	0	0	0	0		(61)
Balance carried forward	782	8	0	135	925	302	

All grants are available solely for students, the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

Represented by:

Repayable to Scottish Funding Council as clawback	925	302
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FE Childcare Funds

Balance brought forward	0	175
Allocation received in year	1,232	1,068
	1,232	1,243
Expenditure	(976)	(1,129)
Repayable to Scottish Funding Council as clawback	0	(175)
Virements	0	61
Balance carried forward	256	0

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

24 Pensions and similar obligations

The College's employees belong to two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Fife Council Pension Scheme (LGPS).

The total pension costs for the institution was :

	12 months to 31 July 2020	12 months 31 July 2019
	£000	£000
Contribution to STSS	2,878	2,320
Contribution to LGPS	2,482	2,259
Aviva	0	10
Total pension cost (Note 7)	5,360	4,589
Contribution rates		
STSS	23.0%	17.2%
LGPS	19.1%	19.1%

Scottish Teachers Superannuation Scheme (STSS)

The STSS is an unfunded defined benefit scheme. Contributions on a pay as you go basis are credited to the Exchequer under arrangements governed by the Superannuation Act 1972. A notional asset value is ascribed to the scheme for the purpose of determining contribution rate.

Fife Council Pension Scheme

The Fife Council Pension Scheme is a notional fund and is a defined benefit multi-employer scheme. The latest actuarial valuation for the scheme was carried out as at 31 July 2020.

The following notes are derived from the actuarial report supplied by Hymans Robertson's LLP dated September 2020 to comply with the reporting requirements of FRS102, as amended. **

The Fife Council Pension Scheme is a defined benefit statutory scheme, administered in accordance with the Local Government Pension Scheme (Scotland) Regulations 1998, as amended. It is contracted out of the State Second Pension.

The value of the College's share of assets in Fife Council Pension Fund is subject to estimation uncertainty, which has increased in 2019/20 as a result of the outbreak of Covid-19. As a result, Fife Council Pension Fund has disclosed a material uncertainty around the valuation of its Level 3 investment assets held at 31 March 2020 (approximately 11% of the total fund assets). Consequently, less certainty and a higher degree of caution is attached to the valuation of the Fund's investment assets than would normally be the case and that the valuation of these assets will be kept under more frequent review. The inclusion of the material valuation uncertainty does not mean that the valuation cannot be relied on, but rather to be clear and transparent with all parties that less certainty is attached to the stated valuations.

McCloud Case

The Government Actuary's Department (GAD) estimated that the impact of the McCloud/Sargeant rulings for the LGPS as a whole could be to increase active member liabilities by 3.2%, based on a given set of actuarial assumptions. The College's own actuary has adjusted GAD's estimate to better reflect the College's local assumptions, particularly withdrawal rates and salary increases. The College's approach in 2018/19 therefore had been to include an estimated cost of the impact of the McCloud judgement in the financial statements based on the actuary's estimate. This impact was recognised as a past service cost for of £380,000. These numbers were high level estimates based on a combination of Scheme and Fund level calculations and therefore depend on various key assumptions which may or may not be borne out in practice. Further uncertainties affecting the final cost relate to the number of members who will ultimately be affected and the precise way in which they will be compensated.

In 2019/20 SPPA have issued a consultation into how they propose to remedy the discrimination identified by the McCloud case, principally by removing the age qualification criteria from the protection. Correcting the discrimination, according to the most recent estimate provided by Hymans Robertson will add 0.2% onto total Pension Fund liabilities and 0.2% onto employer contribution rates. The total actuarial loss recognised by the College in 2019/20 in respect of the pension scheme therefore include a £348k gain for an allowance for McCloud remediation as calculated by the actuaries.

Walker and Goodwin Cases

In 2017, the Supreme Court ruled in Walker that the surviving spouse of a same sex marriage was entitled to a survivor's pension based on all of a deceased's members service. As confirmed by the employment tribunal ruling in Goodwin, this placed a same sex survivor in a more favourable position than an opposite sex survivor and was therefore direct discrimination on grounds of sexual orientation. The rulings relate to members whose entitlement arose with effect from 5 December 2005 and therefore retrospective calculations will be required to eliminate past discrimination. As the Goodwin ruling is very recent, there is no Fund specific estimate as to the remedial costs. The Government Actuary (GAD) has estimated that the cost to LGPS (Scotland) could be in the region of £50m, resulting in an estimated average 0.1% increase in employer contribution rates per Fund. The GAD estimate is based on data from 2014. As a result, actual costs based on up-to-date scheme specific data could vary significantly. Based on the most recent high level estimate performed by Hymans Robertson, the liabilities of the College as at 31 July 2020 would increase by £20k as a result of the Goodwin judgement and therefore does not considered to be material for the financial statements.

Reconciliation of defined benefit obligation

Period ended	31 July 2020	31 July 2019
	£000	£000
Opening position	107,845	89,725
Current service cost	5,539	4,229
Interest cost on defined benefit obligation	2,311	2,556
Plan participants contributions	753	696
Total remeasurements recognised in other comprehensive income	13,138	11,878
Past service costs	(348)	476
Estimated unfunded benefits paid	(226)	(215)
Benefits paid	(1,600)	(1,500)
Closing position	127,412	107,845

Balance sheet

Period ended	31 July 2020	31 July 2019
	£000	£000
Fair value of plan assets	90,616	86,868
Present value of funded liabilities	(123,907)	(104,425)
Net liability held in balance sheet	(33,291)	(17,557)

The present value of unfunded obligations is £3,505K (was £3,319k in 18/19) in relation to early retirements agreed in previous years. There are no partly funded obligations.

Reconciliation of fair value of employer assets

Period ended	31 July 2020 £000	31 July 2019 £000
Opening position	86,868	80,591
Interest income on plan assets	1,840	2,276
Return on assets excluding amounts Included in net interest	372	2,464
Plan participants contributions	753	696
Employer contributions	2,383	2,341
Contributions in respect of unfunded benefits	226	215
Unfunded benefits paid	(226)	(215)
Benefits paid	(1,600)	(1,500)
Closing position	90,616	86,868

Fair value of employer assets

Period ended	31 July 2020 £000	31 July 2019 £000
Equities	64,337	63,414
Bonds	12,686	11,293
Property	6,343	6,949
Cash	7,249	5,212
Total	90,616	86,868

Analysis of amounts included in interest receivable (Note 5 & 9)

	31 July 2020 £000	31 July 2019 £000
Net return/(cost) on pension asset/liability	(471)	(280)
Interest income on plan assets	1,840	2,276
Interest cost on defined benefit obligation	(2,311)	(2,556)
Net interest	(471)	(280)

Analysis of amounts charged to staff costs (Note 7)

	31 July 2020 £000	31 July 2019 £000
Pension charge less contributions paid	2,396	2,084
Current service costs	5,353	4,164
Past service costs	(348)	476
Total operating charge	5,005	4,640
Less contributions paid	(2,609)	(2,556)
Pension costs less contributions payable	2,396	2,084

Actuarial assumptions

The actuaries recommended assumptions are summarised below:

Period ended	31 July 2020 % p.a.	31 July 2019 % p.a.
Salary increase rate	2.6%	2.9%
Pension increase rate (CPI)	2.2%	2.4%
Discount rate	1.4%	2.1%

The expected return on assets is based on the discount rate.

Mortality rates

The average life expectancy after retiring is assumed to be as follows:

	Males	Females
Current pensioners	20.5	23.0
Future pensioners	21.6	24.6

Amounts for the current and previous accounting periods

Year to 31 July	2020 £000	2019 £000	2018 £000	2017 £000	2016 £000
Fair value of employer assets	90,616	86,868	80,591	70,087	61,056
Present value of defined benefit obligation	(127,412)	(107,845)	(89,725)	(96,607)	(85,652)
(Deficit)	(36,796)	(20,977)	(9,134)	(26,520)	(24,596)

25 Summary pension note

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

	Year Ended 31 July 2020 £000	Year Ended 31 July 2019 £000
Charged to staff costs:		
Current service cost	(5,539)	(4,229)
Past service cost	348	(476)
Total charged to staff costs	(5,191)	(4,705)
Credit/charge for net return on pension scheme:		
Interest income on plan assets	1,840	2,276
Interest cost on defined benefit obligation	(2,311)	(2,556)
Net interest charges	(471)	(280)
Credit/charge to other comprehensive income:		
Return on assets excluding amounts Included in net interest	372	2,464
Other experience	265	(190)
Gains and losses arising on changes in financial assumptions	(13,403)	(11,688)
Actuarial gain/(loss)	(12,766)	(9,414)
Total charge to the SOCi	(18,428)	(14,399)
Analysis of the movement in deficit during the year:		
Deficit in scheme at start of the year	(20,977)	(9,134)
Service cost	(5,191)	(4,705)
Employer contributions	2,609	2,556
Net interest costs	(471)	(280)
Actuarial gain/(loss)	(12,766)	(9,414)
Deficit in scheme at end of year	(36,796)	(20,977)

26 Related party transaction

Company	Sales	Purchases	As at 31st July Due from	As at 31st July Due to	Name	Position in Company
Colleges Scotland	£90,620	£57,120	(22,319)	0	DC Watt	Board Member
Fife Chamber of Commerce	£0	£5,520	0	(102)	Ross Taylor	Premier Partner
College Development Network	£2,163	£2,325	0	0	Hugh Hall	Board Member
Babcock International Group	£9,799	£406,999	2,949	0	Patrick K Camir	Director
Totals	£102,582	£471,964	(19,370)	(102)		

27 Non-cash allocation

The following note provides details of the adjusted operating position on a Central Government Accounting basis

	Year Ended 31 July 2020 College £'000	Year Ended 31 July 2019 College £'000
Surplus/(deficit) before other gains and losses (FE/HE SORP basis)	(3,080)	(3,319)
Add back: non-cash allocation for depreciation (net of deferred capital grant)	1,811	1,705
Operating surplus/(deficit) on Central Government Accounting basis	(1,269)	(1,614)

Following reclassification, colleges received additional non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges show a deficit equivalent to net depreciation (where funds are spent on revenue items) in order to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the college recorded an operating deficit of £3,198,000 for the year ended 31 July 2020. After taking account of the Government non-cash budget, the college shows an "adjusted" deficit of £1,387,000 on a Central Government Accounting basis. Further removing the impact of the non-cash pension adjustments and the impact of revenue funding allocated to capital items the below demonstrates that the college is operating sustainably within its funding allocation to 31st of July 2020.

Operating surplus/(deficit) on Central Government Accounting basis	(1,269)	(1,614)
Non-cash pension adjustments	3,274	2,652
Revenue funding allocated to loan repayments and other capital items	(989)	(830)
Adjusted operating surplus/(deficit)	1,016	208

Accounts direction for Scotland's Colleges 2019-20

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 (RBS) (for assigned colleges).
3. Incorporated colleges and Glasgow Colleges' Regional Board are also required to comply with the Government Financial Reporting Manual 2019-20 (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 2020.
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
17 July 2020

¹ The term "institutions" includes colleges and Glasgow Colleges' Regional Board.

² Glasgow Colleges' Regional Board's accounts are prepared on a consolidated basis, incorporating the results of City of Glasgow College, Glasgow Clyde College and Glasgow Kelvin College. New College Lanarkshire's accounts are also prepared on a consolidated basis, incorporating the results of South Lanarkshire College.