

Stirling Campus, S1.19 10am (refreshments available from 9.30am)

**AGENDA**

	Type	Lead
10.00 – 10.45 Directors Training	Training	Scott Moncrieff
1 Apologies and Declarations of interest	Discussion	Ross Martin
2 Minutes and Matters Arising of Meeting of 21 September 2018	Approval	Ross Martin
3 Minutes of Committee Meetings		
HR - 25 October 2018	Noting	Beth Hamilton
Draft Learning & Student Experience - 1 November 2018	Noting	Anne Mearns
Finance – 4 December 2018 (Verbal)	Noting	Liam McCabe
Audit – 4 December 2018 (Verbal)	Noting	Lorna Dougall
4 Principal's Report	Discussion	Ken Thomson
(Elements of this paper are withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)		
5 Student Association Report	Discussion	Liam Williams
<b>STRATEGIC PLAN IMPLEMENTATION</b>		
6 Core Project in RAK (to follow)	Approval	Jennifer Tempany
(Paper 6 is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)		
7 Falkirk Campus Project Report	Discussion	David Logue
8 Board Development Plan	Approval	Alison Stewart
<b>OPERATIONAL OVERSIGHT</b>		
9 Annual Report and Financial Statements	Approval	Alison Stewart
10 External Auditor Annual Report and Letter of Representation	Approval	Alison Stewart
11 Audit Committee Chair's Report to the Board of Management	Approval	Lorna Dougall

12	Risk Register	Discussion	Ken Thomson
13	Review of Risk	Discussion	All
14	Any other competent business	Discussion	All

**FOR NOTING**

Fundraising Action Plan 2018/19

Noting All

(The Fundraising action plan is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

Enterprise and Skills Strategic Board Strategic Plan

Noting All

Evaluative Report and Enhancement Plan

Noting All

Audit Scotland – Withdrawal from the European Union

Noting All

12.30 Christmas Lunch

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**Stirling Court Hotel, University of Stirling (Commencing at 9.30am)**

Present: Mr Ross Martin (Chair)  
Dr Ken Thomson  
Mr Liam Williams  
Mr Lindsay Graham  
Mrs Trudi Craggs  
Mrs Lorna Dougall  
Mrs Pamela Duncan  
Mr Davie Flynn  
Ms Beth Hamilton  
Mr Scott Harrison  
Mr Ken Richardson

Apologies: Mrs Anne Mearns (Vice Chair)  
Mr Colin Alexander  
Mrs Fiona Campbell  
Mr Andrew Carver  
Mrs Caryn Jack  
Mr Liam McCabe  
Mr Steven Tolson

In Attendance: Mr Andrew Lawson, Depute Principal and Chief Operating Officer (DPCOO)  
Mrs Fiona Brown, Vice Principal Learning and Quality (VPLQ)  
Mr David Allison, Vice Principal Information Systems and Communications (VPISC)  
Mrs Alison Stewart, Vice Principal Finance and Corporate Affairs (VPFACA)  
Mrs Senga McKerr, Head of Finance (exited after item B/8/005)  
Mr Stephen Jarvie, Corporate Governance and Planning Officer and Deputy Board Secretary

**B/18/001 Apologies and Declarations of interest**

The apologies were noted and no declarations of interest were made

**B/18/002 Minutes and Matters Arising of Meeting of 21 June 2018**

Members approved the minute of the meeting of 21 June 2018.

Members queried whether Board members would be receiving training in the EQIA process as noted in the minute. The DPCOO informed members that the original intent had been to provide this training during the session the previous day but that, owing to the full agenda and the strategic theme of the day, it was decided to provide this training at the December Board meeting.

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**B/18/003 Minutes of Committee Meetings**

**Audit Committee – 6 September 2018**

Lorna Dougall, Chair of the Audit Committee, updated members on the business of the recent meeting. She reported on the positive audit reports that had been presented to the Committee and outlined the further discussions that had been had at the Committee in relation to risk management.

She noted that it would be productive to work with the Chairs of the other Committees to ensure committees explore risk further in their meetings and also that they consider potential opportunities as well.

She informed members that Audit were also going to be taking a 'deep dive' into an individual risk area at each meeting. She emphasised that this was not intended to create additional work for the College or become engaged operationally but was intended to be a chat with relevant staff to increase the Committee's understanding of a particular risk area.

Following discussion, it was agreed that it would be beneficial for the Audit Committee to have a deep dive on tracking and reporting on PI's for the Outcome Agreement owing to their correlation to learning progress within the College.

a) Members noted the content of the update.

**Finance Committee – 11 September 2018 (To Follow)**

Trudi Craggs, Finance Committee member, updated member on the discussions at the recent committee meeting.

She noted the Committee were pleased that the VPFACA had been appointed to the Scottish Funding Council's new funding model sub group which would allow the College's perspective to be taken into account.

She informed members on the extensive discussion at the Committee on the content of the Financial Forecast Return (FFR) and the associated scenarios and assumptions supporting the submission which members had challenged to ensure these were robust.

She confirmed to members that the recommended changes to the FFR were incorporated in the paper which would be considered at this meeting and that Liam McCabe, Chair of the Finance Committee, had had an opportunity to review the revised paper as well.

a) Members noted the content of the update

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**B/18/004      Student Association Report**

The Student Association (SA) President presented a paper outlining the activity of the SA since the last meeting.

He reported that the SA had won two awards at the NUS National Awards for Best Student Association and Best Campaign.

He informed members that the Arm's Length Foundation had recently approved funding which would fund the relevant SA posts for the next 2 years.

He also informed members of the recently completed Fresher's Fayres which had been very successful.

He updated members on progress made in conjunction with the College to create an updated partnership agreement between the College and SA.

The DPCOO noted that both the College and SA benefited from the strong links between SMT and the SA.

Davie Flynn informed members that he had been at the recent Student Advisory Board where the subject of mental health and queried whether the activity of the SA was linked into wider College activity.

The DPCOO noted that this ties into the Healthy Working, Health Lives activity within the College.

The Chair noted the importance of mental health and requested that a paper be brought for further discussion to the December Board of Management meeting.

Members also discussed comments contained within the recent Student Experience Audit which highlighted that not all class reps were engaging in classroom feedback and that Curriculum Managers (CM's) were instead involved in this activity.

The Student President and Vice President informed members that they were working with the College Quality Manager to support class reps and that CM's were still a valued part of the process as they can provide College feedback direct to students.

- a) Members noted the content of the report
  - b) Members expressed their congratulations to the SA team on the recent NUS awards win
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**FINANCIAL**

**B/18/005 Financial Forecast Return 2017/18 – 2022/23**

The Head of Finance presented the FFR submission for discussion and approval.

She highlighted, in relation to the potential corrective actions outlined in the paper, that the Board were not being asked to approve these at this time but that the Board should be aware some of these actions may need to be considered in the next few years.

The Principal noted that there had been very useful discussion and challenge at the Finance Committee to ensure that the paper being presented was in line with their recommendations.

Members discussed the potential corrective actions, noting that a number of these could result in significant changes from the current successful model in place and would have a measurable impact on the College.

Members also noted that the National Bargaining process meant that the College was not in control of decisions which can have a significant impact on the College's finances.

- a) Members approved the submission of the FFR to SFC

**GOVERNANCE**

**B/18/006 Board Self Evaluation Feedback (Verbal)**

The Chair and VPFACA provided members with an overview of the recent Board Self Evaluation meetings. The outlined the themes of the discussions which included gaining the best benefit from members and increasing board members engagement across the College. He reported that feedback from the one to one meetings would also be used to inform the Board Engagement and Activity calendar which would be discussed later in the meeting.

Members also discussed how to improve Committee and Board meetings, noting that beyond the papers provided, it would be useful to identify a 'big issue' for consideration at each meeting.

- a) Members noted the content of the update

**B/18/007 Board of Management Scheme of Delegation & Standing Orders**

The VPFACA presented members with an updated Scheme of Delegation and Standing Orders. She informed members that the CDN developed templates for these documents had been used to inform the revised documents.

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Members discussed the Standing Orders first.

Members queried why the provision for the issuing of minutes had been removed. The VPFA noted this was because this did not match the standard practice and that all committee minutes were presented to the following meeting of the Board.

Members recommended that this provision should remain as, while acknowledging the Committee minutes go to the following Board meeting, the Board minute itself is not seen by members until the following meeting which can be up to three months later.

The VPFA noted, in relation to the Scheme of Delegation, that the Chair of the Finance Committee had correctly fed back that, while the Board can delegate particular tasks to Committee level, the Board itself retains overall accountability.

Members noted that the document should include a reference to the Board's responsibilities as Charity Trustees.

- a) Members approved the Scheme of Delegation and Standing Orders subject to the agreed amendments.

**B/18/008 Board of Management Committee Structure**

The VPFA informed members that the revised structure being presented for approval was reached following the discussions with members at the recent self-evaluation sessions.

The revised structure and delegation of matters to the Committee level will allow the Board of Management as a whole to spend more time discussing strategic matters.

Members discussed the proposed membership of the Committees.

- a) Members approved the revised Committee Structure and membership

The VPFA presented the revised Committee remits to support the updated Committee's to members.

Members noted that the Audit Committee remit should include a reference to their role of providing assurance to the wider Board.

The Principal also queried, now that policies can be approved by the relevant Committee, how the wider Board wanted to be informed of these decisions. It was agreed that updated policies would be taken to the Board of Management for notification.

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b) Members approved the revised remits, subject to further discussion on these at the next meeting of each Committee, and agreed that the Committees would have the flexibility to further amend their remit if required.

The Chair asked members to consider who would serve as the Chair of each Committee. Following discussion, nomination and voting, it was agreed that the Committee Chairs would be as follows –

Audit Committee	Lorna Dougall
Finance Committee	Liam McCabe
HR	Beth Hamilton
Learning & Student Experience	Anne Mearns (to be confirmed)
Falkirk Campus Project Board	Ken Richardson

As Anne Mearns was not in attendance it was agreed that the Board Secretary would confirm with her that she was content to take on the role of Chair of the Learning & Student Experience Committee. It was also agreed that each Committee would decide on a member to have the role of Vice Chair.

**B/18/009 Board of Management Calendar 2018/19 & 2019/20**

The VPFACA presented members with the proposed Board Calendar for the current academic year and the following year.

Members requested that the October 2018 meeting of the HR be held in the Stirling Campus. The Corporate Governance Officer informed members that this would be updated and that electronic calendar invites would be issued in due course.

a) Members approved the Board of Management Calendar

**B/18/010 Audit Committee Co-option**

The VPFACA presented a paper seeking approval to co-opt an additional member for the Audit Committee to ensure the Audit Committee has a member with relevant financial or audit experience as per the Code of Good Governance.

She informed members that a candidate had been identified and outlined their experience that would support the activity of the Audit Committee.

a) Members approved the Co-option

**B/18/011 Board Secretary Arrangements**

The Chair presented a paper outlining the arrangements for the Board Secretary and Deputy Board Secretary. He noted that these arrangements were not in alignment with the Code of Good Governance but that these had previously been approved by

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the Board of Management as appropriate to the College. He was seeking approval to continue with these arrangements.

- a) Members approved the Board Secretary arrangements

**B/18/012 Board Development Plan (Verbal)**

The VPFA informed members that there was a need to maintain a Board Development plan and that she intended to combine the comments from this meeting, the previous day's strategic discussions and Board self-evaluation sessions into a plan to be presented at the December Board of Management meeting.

- a) Members agreed a Board Development Plan and Board Engagement and Activity Calendar should be brought to the December meeting

**STRATEGIC PLAN IMPLEMENTATION**

**B/18/013 Review of Strategic Risk (Verbal)**

The VPFA requested that members consider the content of the meeting and the previous day's strategic discussion in identifying the top 5 risks raised.

Following discussion, it was agreed that significant risks included –

- Ongoing financial challenges and the need for successful commercial activity to support College budgets
- The impact of National Bargaining on the College
- Loss of key staff within the College
- Challenges of delivering the Outcome Agreement
- The need to maintain the core student experience whilst also ensuring personalisation and diversity of content and provision
- Successful delivery of the new Falkirk campus on time and on budget and a smooth transition of activity so it does not impact on learning
- International activity and achieving agreed targets
- Reputational risk to the College Brand

- a) Members noted the content of the paper

**B/18/014 Any other competent business**

The VPLQ informed members that she was currently working on the EREP report for Education Scotland and, due to the submission timeframes, requested approval from the Board to contact Learning & Student Experience members for an initial review of the report with the final report being circulated electronically for approval from the Board of Management.

- a) Members approved this approach
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**Room S1.18, Stirling Campus (commencing at 4.30pm)**

Present: Mrs Beth Hamilton (Chair)  
Mrs Fiona Campbell  
Mr Davie Flynn

Apologies: Mr Colin Alexander  
Mrs Trudi Craggs  
Mrs Anne Mearns

In Attendance: Mr Andrew Lawson, Depute Principal and Chief Operating Officer (DPCOO)  
Mr Ralph Burns, Head of Human Resources (HHR)  
Mr Stephen Jarvie, Corporate Governance and Planning Officer (CGPO)  
Mr Marc McCusker, Head of Facilities Management and Health and Safety (HFM) for items H/18/006 only

Members discussed the circulation of minutes and it was agreed that, once the Chair had approved the draft minutes, these would be circulated to the remainder of the Committee as a draft, with formal approval at the following meeting.

**H/18/001 Declarations of Interest**

None

**H/18/002 Minutes of meeting held on 27 February 2018**

Approved.

**H/18/003 Matters arising**

a) H/17/024 Gifts and Hospitality Policy

The CGPO informed members that the policy had been updated as requested

b) H/17/025 Complaints Procedure – Principal

The CPGO informed members that the procedure had been updated as requested and subsequently approved by the Board of Management

c) H/17/026 Delivering the People Strategy

Members queried whether the Listening to Staff events were still going ahead and whether there was an opportunity for Board members to participate.

The HHR noted that an initial meeting had occurred to establish the purpose of the sessions but that there were more planned and that the Board would be invited to participate in these.

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d) H/17/028 National Bargaining Report

The CPGO informed members that the concerns they had raised at the meeting had been raised at Board level and used to inform College communications with the Scottish Funding Council.

**H/18/004 Equalities Policy**

The DPCOO presented members with an updated equalities policy, with accompanying Equalities Impact Assessment (EQIA) form, for review and approval.

He informed members that the changes were relatively minor to reflect changes in College staffing roles and legislation.

Members noted that the responsible committee for the policy on page 3 of the document should be changed to show the HR Committee as the responsible committee.

Members also noted that, on the EQIA, Paternity should be listed alongside maternity and pregnancy.

a) Members approved the policy subject to the requested changes.

**H/18/005 Five Year Plan for the People Strategy**

The HHR presented the five year strategy to support the implementation of the People Strategy. He noted that members had previously considered the initial, 1 year plan in February 2018.

He outlined that main areas of focus and the anticipated measures of success for each of these.

Members challenged some of the measures of success and noted that some of these would benefit from being SMART.

It was also noted that Board Members could engage in some of these sessions. It was agreed that the College would look at a programme of events with which Board Members could choose to engage.

Members also noted that, while the College was successful at seeking external awards for activity, it might be beneficial to develop internal awards to support engagement with the People Strategy.

a) Members approved the five year plan subject to a review of the identified measures of success

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**H/18/006 Health and Safety Report**

The HFM presented members with a report on Health and Safety within the College. He focussed on the work within the College to support mental health awareness and provided members with an overview of the support mechanisms (internal and external) which students and staff can access.

He also discussed the support within the College for physical wellness, highlighting the free gym membership and the appointment of a cycling officer following receipt of funding from Cycle Scotland.

Members queried whether staff receive financial support with the cost of purchasing bikes. The HFM confirmed that this was the case via the cycle to work scheme which is open to staff.

Members informed the HFM that the membership of the Committee had been revised to include more Health and Safety experience. They noted that the Committee would be especially interested in lessons learned from any incidents.

The HFM noted that one of the incidents listed in the report, which occurred at Petrolneos, had resulted in a full investigation report which had highlighted further areas for improvement. He informed members that he would circulate the report to the Committee for information.

He also informed members of the work undertaken by College First Aiders and the specific prep work they were doing to support students with individual challenges.

Members requested that a further paper on first aiders be brought to the next Committee meeting.

a) Members noted the content of the report

**H/18/007 Staff Development August 2018**

The DPCOO presented a report on the recent staff development conference, which included joint activity and staff exchange with SERC College, Belfast.

He outlined the work done by staff to generate new ideas and ways of working. He highlighted the popularity of the drop in sessions to test out new tech and share how it is used in the classroom.

He also highlighted the work to gain on the day feedback and noted that the report had a breakdown showing that feedback was almost universally positive.

Members asked if there are any follow on from these types of sessions.

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The HHR noted that, following last year, there had been a number of collaborations with SERC (both staff and student) and that the award the College had been nominated for at that evening's College Development Network event was for the work between FVC and SERC.

He also informed members that the HR team had appointed a learning development worker who would help to take the positive actions from the day forward throughout the year.

Members discussed whether there were department led staff development sessions.

The HHR reported that there were department days and that the HR team supported these by doing training needs analysis for departments to identify areas to focus on.

He noted that the work with Departments on training needs helped HR to be proactive rather than reactive to training needs and to allocate available funding more effectively. The team can also ensure managers feed this activity into individual staff PRD's.

a) Members noted the content of the report

**H/18/008**

**National Bargaining (Verbal)**

The DPCOO informed members that support staff unions had accepted the proposed three year deal and that College staff would see this in their salaries by the end of November 2018. He noted that this deal also included a mechanism to move the pay award date from April to August by the end of the agreed period to tie this into the College financial year.

Members queried what effect this might have on College budgets. The DPCOO confirmed that this pay deal had been already included in the College's budget assumptions.

The DPCOO noted that the teaching union were not willing to accept the offered pay deal and that they would be recommending strike action to their members. He provided members with an overview of the offer made and the positions of the management and union sides.

He noted that this information was now in the public domain and provided members with a copy of the press release issued by Colleges Scotland that day.

The DPCOO informed members that he would bring a further report to the next meeting of the Committee.

a) Members noted the content of the report

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**H/18/009      Review of Risk**

Members noted that possible strike action was a risk to the College.

**H/18/010      Any Other Competent Business**

The DPCOO informed members that the College's International Manager had resigned and that, at this time, it was not the intention of the College to replace this role immediately and informed members that discussions had begun with The University of Stirling to seek support for the current International development.

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**S1.18, Stirling Campus (commencing at 4.30pm)**

Present: Mrs Anne Mearns (Chair)  
Mrs Fiona Campbell  
Mrs Lorna Dougall  
Mr Liam Williams (Student Association President)

Apologies: Mrs Caryn Jack  
Mr Scott Harrison  
Mr Steven Tolson

In Attendance: Dr Ken Thomson, Principal  
Mr David Allison, Vice Principal Information Systems and Communications (VPISC)  
Mrs Fiona Brown, Vice Principal Learning and Quality (VPLQ)  
Mr Miles Lagan, Commercial Growth Manager (CGM) (For item L/18/00 only)  
Mr Marc McCusker, Head of Facilities Management and Health and Safety (HFMHS)  
(For item L/18/00 only)  
Mr Stephen Jarvie, Corporate Governance and Planning Officer

The Chair welcomed members to the first meeting of the Learning & Student Experience Committee

**L/18/001      Declarations of Interest**

None.

**L/18/002      Committee Remit and Membership (additional Item)**

The Chair discussed the remit and membership of the Committee with members.

Members noted that it would be useful for the Committee to have sight of appropriate information such as attainment, destinations and internal assessment.

The Principal agreed that this information would be of use to the Committee and that, by reporting by exception, the College could bring key information to the attention of the Committee.

Members also discussed the possibility of appointing a Vice Chair for the Committee. It was agreed that any decision would be deferred until the next meeting to allow for members who are not present to contribute.

It was also agreed that the remit document should come to future meetings as a For Information item to assist members to ensure they are meeting the purpose of the Committee.

- a)      Members agreed the Remit subject to the updates above
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**L/18/003      Minutes of Strategic Development Committee meeting held on 7 June 2018**

The minutes of the Strategic Development Committee meeting held on 7 June 2018 were approved as an accurate record.

The Chair asked that thanks for members who had served on the Strategic Development Committee be recorded.

**L/18/004      Matters arising**

The Principal informed members of the recent award win at the College Development Awards for the collaboration between the College and SERC.

The Chair and members expressed their congratulations on the win.

The VPLQ provided members with an overview of work with SERC to build on this success, noting that there had been 7 collaborative projects last year and that there were 22 projects this year.

**L/18/005      Evaluative Report and Enhancement Plan 2017-2018**

The VPLQ presented the Evaluative Report and Enhancement Plan (EREP) 2017-18 for endorsement by the Committee.

She noted that the EREP had been submitted and thanked members who had contributed comments for the report.

She reported on the grades included in the report, noting the process used to arrive at these grades and the external challenge function from Education Scotland and the Scottish Funding Council on the grades.

She informed members that Education Scotland and Scottish Funding Council would be considering the submissions from all Colleges before announcing the final grades for each College.

The Principal noted that this was a new process and it would be interesting to see how grades are applied across the sector. Members noted that the EREP was very comprehensive and supported the grades suggested by the College SMT.

The VPLQ noted that the length of the report had been commented on but that the College felt it warranted to include a lot of context and supporting information to demonstrate how the College supports students into positive destinations.

a) Members approved the EREP for submission to the full Board of Management

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**L/18/006 Flexible Workforce Development Fund Report**

The CGM presented members with an update on the progress with Flexible Workforce Development Funding (FWDF) this year.

He informed members that the College was progressing toward full utilisation of our allocation of FWDF funding and that it was anticipated that the College would be approaching SFC to see if there were additional funds from other College's underperformance to be reallocated.

He advised members that SFC would be reviewing FWDF uptake in January 2019.

Members queried how the allocation process for initial funding works. The CGM informed members that the Scottish Government is given an allocation of the apprenticeship levy from HM Treasury. They then work out the number of levy payers per region and that forms the basis of the allocation for Colleges.

Members queried whether the training would occur in College or on the employer's premises. The CGM noted that this was a mixture based on a number of factors, which included the number of staff per employer and the type of training being requested.

Members asked whether the College thought it likely additional funding would be received.

The Principal noted that the CGM and his team had done a significant portion of work which placed the College at the forefront of College's already drawing down existing funding and that this places the College in a positive position for reallocation of funds.

Members asked what other benefits, beyond financial, FWDF activity brought to the College.

The CGM informed members that the primary benefit was the ability to engage with employers who had not previously used the College for training and the relationships which were being developed with these.

a) Members noted the content of the report

**L/18/007 Overview of Pilot Classrooms (Presentation)**

The HFMHS provided members with a presentation on the three pilot classrooms, which had been established within the Falkirk campus. He noted that the purpose of these pilot rooms were to trial new approaches to the classroom environment which could be introduced into the new Falkirk campus and that the feedback of using these rooms as live classrooms was providing valuable feedback.

He provided an overview of the design ethos behind each room and the built in flexibility to allow for multiple rooms uses.

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Members queried whether the new layouts were appropriate for assessment purposes. The VPISC noted that the College did not anticipate issues but that this was being checked with the relevant awarding bodies.

Members noted that ensuring maximum accessibility for a range of disabled students should be considered in the designs.

It was agreed that the College would arrange for Board of Management members to have a tour of the pilot rooms.

a) Members noted the content of the presentation

**L/18/008**

**Student Association Report**

The Student Association President provided members with an update on the work of the Student Association (SA). He informed them that the recent Fresher's Fayres had been successful in getting students engaged with the SA.

He updated members on the recent elections for the SA Executive team. He provided an overview of the positions which had been filled and informed members that there would be a by election in the new year for those positions where there had not been any candidates to date.

He informed members of the work the SA were doing in conjunction with the College toward developing a partnership agreement.

The Chair thanked the SA President for the update and requested that the SA report be put toward the top of the agenda for future meetings.

The Chair requested that a report on mental health support across the College be brought to the next meeting of the Committee. The Principal noted that there should be a joint presentation on this topic from the College and SA.

Members discussed whether this report or an updated report should be presented to the Board of Management. It was agreed that the report as presented could go as a For Information paper to the Board of Management.

Members also agreed an annual report on the activity of the SA should be taken to the Board of Management for consideration.

a) Members noted the content of the report

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**L/18/009 Student Activity Report**

The VPISC presented members with a report on student activity levels.

He reported that the College had met its Credit target for 2017/18, was on target to achieve its Credit target for 2018/19, that overall recruitment was up on last session but also highlighted that, for 2018/19, full time HE recruitment was below target. He noted that this was a sector wide trend.

Members queried if this could be managed via curriculum planning. The Principal assured members that any trends identified are incorporated into future planning.

Members noted that this decrease should be borne in mind for the Outcome Agreement and that there may be income implications owing to a reduction in SAAS income.

The Principal informed members that he would be discussing the HE reduction at the Principal's group and the VPISC noted that the College budget for full time HE had not been increased last year which helped to mitigate the impact.

a) Members noted the content of the report and requested that any trends which are identified are included in future reports.

**L/18/010 Review of Risk**

Members noted the risks as identified on the papers and requested that future papers also include information on identified opportunities.

**L/18/011 Any Other Competent Business**

Members requested information on training opportunities. It was confirmed that the Board Secretary was looking at a Board development programme.

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1. Purpose

To present to the Board of Management the eighteenth Principal's report on key and strategic activity undertaken since the Board meeting in September 2018.

2. Recommendation

The Board should note and comment on the activity undertaken by the Principal since September 2018.

3. Key Highlights

3.1 Ross Martin, Trudi Craggs and I attended the "Topping Out" ceremony on the roof of the new Falkirk Campus teaching block putting our names into a concrete block which will be incorporated into the building. The event was very well attended with senior staff from Balfour Beatty, Falkirk Council, SFC and with staff and students from the college. We continue to have a good relationship with Balfour Beatty who have worked closely with us in a number of community benefit events. In addition we are actively contributing to the Balfour Beatty sponsored Social Value portal which will identify the social impact of the new building over and above the more obvious economic benefits. We were also delighted to appoint David Logue as Project Director to replace Tom Gorman who retired in September. David brings a wealth of experience as a senior partner in Gardiner Theobald.

3.2 [REDACTED]

3.3 At the Board residential in September the Board contributed to a vision for Forth Valley College 2030 – Vision 2030. The illustration has now been completed and is currently being showcased to all staff as part of the Principal's Christmas briefings. It has also been shared with the chair of SFC. An official launch is planned for the CDN Expo 2019 where Ross and I will jointly be presenting a "think piece" on colleges and economic development. In the meantime, Vision 2030 will complement our delivery of the Colleges 2017 to 2022 Strategic Plan and will be distributed to all staff.

3.4 Our October graduations were a highlight of the year. The number of graduates was a record for the college with full houses at the Falkirk Town Hall and Stirling Castle. Many thanks to Richard Lochhead, MSP and Minister for Further and Higher Education and Science and to Barry Fisher, MD for Duke of Edinburgh Award who were our keynote speakers and thanks to all Board members and staff that were able to attend the events. Next year we are looking to hold an additional event hopefully in Alloa to ensure all our graduates and their guests can attend the celebrations.

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- 3.5 I am also delighted to report that the College won the CDN Award for Innovation at the recent Awards night in Glasgow for their work with South East Regional College in Ireland for projects aligned to our Creative Learning Strategy and their Project Learning. Students from 7 curricular areas worked on collaborative projects using Moodle as their communication tool. We are now developing 27 ideas for projects and will see staff and students visit both Colleges in the near future. I can also report that the ConnectForth Project in the Department of Creative Industries received a Commended Beacon Award which is a pan UK award. Many congratulations to all concerned.
- 3.6 I continue to be involved in the Stirling and Clackmannanshire City Deal project development, particularly the International Environment Centre in partnership with the University of Stirling. I was recently asked to become a member of the Clackmannanshire Commission to support their project thinking for City Deal funding which I have accepted. In addition and as a member of the Falkirk Economic partnership, we are collaborating on a number of projects for future City Deal funding for Falkirk and Grangemouth. The work the college is undertaking maps very closely to many of the recommendations within the Enterprise and Skills Strategy published in October and this includes our project proposal for working in Ras al Khamiah. The Strategy is attached to Board Papers for information
- 3.7 I have to report that following negotiations between the sector wide Employers Association and EIS-FELA, the union have rejected the Employers Association offer and will be balloting for strike action commencing in mid-January. We should hear the results of the ballot before the Christmas holidays and I will ensure all Bboard members are kept informed of developments.

#### **4. Networking**

- 4.1 I continue to be a member of the influential Curriculum and Assessment (CAB) Board and a member of the Access Delivery Board, chaired by the Minister. Recently I was invited to become one of two Principals on the new SFC Learning Enhancement Committee and I am supporting the establishment of a new IoD Central Scotland Group. Through the People Strategy, we are encouraging senior managers to become involved in external non-executive activities and delighted to note Kenny McInnes, Director of Engineering and Science is now a Board member of Forth Valley Chamber of Commerce; Jen Tempany is a Board Member and Trustee of the Smith Institute Art Gallery and Museum and Alison Stewart is now chairing the Audit Committee of SCQF.
- 4.2 I recently attended a very interesting event hosted by our Internal Auditors, Scott Moncrief, and entitled "Responding to Risk Forum for Non-Executives". Areas to note were Audit Scotland's report to Scottish Government on public bodies where two colleges were noted for poor financial planning and the importance for Board members to ask how an organisation is planning for cybersecurity.
- 4.3 I was pleased to be asked to say a few words at the 10 year Anniversary of the relationship between the Addictions Support and Counselling (ASC) Falkirk and the College. The partnership was initiated by Andrew Lawson and is now being led by Scott Harrison.
-

- 4.4 Over the last month I have undertaken eight staff briefings with a further nine between now and Christmas where I am showcasing the work of the college, introducing the Vision 2030 and launching our triennial cultural survey. It should be noted that all staff contributed to the visioning piece across workshops and meetings over the last year. In addition I am delighted to report the launch of our management and Leadership programme for 13 staff as part of our succession planning and a direct result of the College's People Strategy. This unique and bespoke programme will have 13 aspiring managers undertake a programme of work mentored by volunteer managers across the College.

**5. Presentations**

- 5.1 I was a keynote speaker at the recent "Be Inspired" DYW Forth Valley Conference held at the Inchyra Hotel in Grangemouth. A really good event with over 200 attendees including businesses and schools from the Forth valley area.
- 5.2 I was also a speaker at the EduTech national conference at the Strathclyde Technology and Innovation Centre on "Digital Transformation at Forth Valley College" and was a key note speaker at the Jisc Cybersecurity Conference in London on "Why Management should Implement a Robust Cyber Security Policy".

**6. Key Meetings**

I undertook the following key meetings in the period 21 September to 30 November 2018:

- 6.1 Over the period of this report, I have had three scheduled meetings with Ross Martin, Chair of the Board of Management and a joint meeting with Ross and Mike Cantley, Chair SFC looking at future governance and sector development. In addition, I have hosted four meetings of the Student Association, attended Class Rep Training on all three campuses and attended one meeting of the Student Council held at the Stirling Council.
- 6.2 I have met twice with Michael Matheson, MSP and Minister for Transport and Infrastructure, once on a photo opportunity tour of the new Falkirk Estate organised by SFC and then again at my usual annual meeting. Over the summer, I also met with Keith brown MSP, Bruce Crawford MSP, Luke Graham MP and Stephen Kerr MP. I have also had successful meetings with the three new Chief Executives of the three councils, Kenneth Laurie, Falkirk; Carol Booth, Stirling and Nikki Bridle, Clackmannanshire.
- 6.3 David Allison, VP Information Systems and Communications, Fiona brown, VP Learning and Quality, and I met with SFC staff to discuss and comment on their recent Demographic Model. We also met with Education Scotland as part of the Evaluation Review and Enhancement Plan (EREP) process. We are awaiting confirmation of our plan and confirmation or otherwise of the grades we proposed. In addition, Fiona Brown and I met with Neville Prentice and Diane Greenlees from SDS to see how we are managing our successful Foundation Apprentice to identify lessons learned. They recognised strong leadership and trusted partnership as key to future success. Fiona and I also met with Julie Anderson from Scottish Government to advise on the Learner Journey project
-

6.4 [REDACTED]

6.5 Professor Gerry McCormac, Principal and Vice Chancellor and Eileen Schofield, University Secretary and Chief Operating Officer had a successful tour of the new Falkirk campus followed by a discussion on future opportunities. Alison Stewart and I will be following up on proposals.

6.6 I have also attended two SQA Board meetings and chaired two of their Qualifications Committee. I attended two HES Board meetings and chaired one meeting of their Staff Governance Committee and I have attended one meeting of the Jisc Board.

**7. Colleges Scotland (CS)**

7.1 There has been one meeting of the Colleges Principals Group (CPG), which now meets quarterly but has interspersed "Informal Strategic Dialogue" meetings. To date there have been two of these and another on the 3<sup>rd</sup> December. I am a member of both the Finance Group and the Innovation Group. The Finance Group meet on a monthly basis immediately followed by the SFC Finance and Funding Committee and since September, I have attended two Finance Groups meetings. I am also a lead Principal on the Innovation Group with Edinburgh and Dundee and Angus College Principals and in October we held a frank discussion with SFC to understand the future of innovation and strategic funding for colleges.

7.2 Andrew Lawson, Depute Principal and Chief Operating Officer and Ross Martin, Chair of the Board, continue to represent the College on the Employers Association.

**8. Community Planning Partnership**

8.1 There were two meetings of the Leadership Group for Community Partnership Planning in Stirling and two meetings of the Strategic Board meetings in Falkirk. Our Director of Business and Communities, Jacqui MacArthur now has a senior manager role in Communities and sits on the Falkirk Executive Group. In March, I had indicated we would bring a paper on CPP to the December Board however, I am now suggesting late-year 2019 for a position paper on our strategic relationship with CPP's in Forth valley. This is as a consequence of all three Local Authorities having new Chief Executives and Audit Scotland undertaking a review of CPP's and the effectiveness of the Community Empowerment Act 2015. We will provide an analysis of value added for the College and a recommendation for the College's strategic involvement in CPP across the region aligned with our own Strategic Plan and the developing Local Outcome Improvement Plans.

**9. Financial Implications**

None

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10. Equalities

Assessment in Place? – Yes  No

If No, please explain why – This paper is an overview report only, there are no changes to College policy or practice involved.

Please summarise any positive/negative impacts (noting mitigating actions) – N/A

11. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low		
Very Low	X	X

Please describe any risks associated with this paper and associated mitigating actions – None

Risk Owner – Ken Thomson

Action Owner – Ken Thomson

12. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes  No

Health and Safety – Yes  No

Please provide a summary of these implications – N/A

Paper Author – Ken Thomson

SMT Owner – Ken Thomson

**1. Purpose**

To inform members of Forth Valley Student Association (FVSA) activity for 2018/19.

**2. Recommendation**

That members note the recent activity undertaken by the FVSA.

**3. Background**

FVSA have benefited from the work we are doing around student awareness/engagement over the past few months, we have been running multiple events and activities throughout the college to help ensure that we remain as visible and engaged with the students as we can be and naturally it has been a really busy time period for us in the SA, some of these activities are detailed in section 5 of the report.

**4. ALF Fund/ Operation Budget**

FVSA applied for a grant of £172K from the above to fund salary costs for both the academic years 2018-19 and 2019-20. This has now been granted for the two years.

FVSA applied for a £18,000 operational budget for 2018-19, which has been approved by the College Finance committee.

**5. FVSA Update**

**Volunteer election**

Our Volunteer officers have been elected for 2018/19,  
Claire Green – Disabled Officer, Aidan Brewins - Executive Officer,  
Shannon Easton - Executive Officer

Vacancy's that remain are,  
3x Executive Officers, LGBT Officer, BME Officer, Mature Officer, Women's Officer

The SA are to hold a bi-election in February to advertise these vacancy, several students have already expressed an interest in filling these roles. The marketing for this will be circulated at the start of January.

**Class Representative Training**

We have successfully trained 122 Class Reps out of 243 Reps that we have this academic year. The training took place in late October and early November. The Figures we have for this do not take into account the representatives who have completed the online training that we also have available to those who can't make the sessions.

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### Refreshers Fair

The theme this year was selected by students through a survey, students were giving the choice between, Wild Wild West, Valentines and A Day at the Races. The students voted for Wild Wild West and we look forward to theming the upcoming refreshers around that.

The date for our Refresher fair's are (10am-2pm),  
Stirling 5th Feb 2019  
Alloa 6th Feb 2019  
Falkirk 7th Feb 2019

### Safety Campaigns

FVSA are working hard this quarter of the year running multiple interconnected events around student safety, the first of these being a 6 week long "FVsafe Campaign" were throughout that time we promote the safety theme through stalls, social media and other appropriate methods to really push students to think about their safety, from no knife better life's to the white ribbon events (GBV Allies) we've got student engagement covered over these cold winter months.

The second campaign is called "16 days of action" this is run over 2 weeks and focuses on GBV in a more specific theme, again were we try and get the important information across to student around this area and this topic we also see NUS Scotland having an interest in this year.

FVsafe Campaign (19th November – 21st December 2018)  
16 days of action (26th November - 7th of December 2018)

### Women's Aid (Gift appeal)

FVSA are doing a Christmas appeal this year for Clackmannanshire Women's Aid, this year we are asking the staff and students to donate washbags and toiletries (travel size) and place them in one of our 3 donation stations which are located in the Falkirk, Alloa and Stirling Campus from the 26th November – 14th December. We are also donating any money raise through our participation at this years "Fairtrade Christmas Fair's" to items suitable for donation.

### Mental Health

The Vice president has been working with the College's Wellbeing and Support Officer and a draft SMHA has been produced as well as presented to SMT for approval and they are now working towards the final drafting of this document, with an aim of February for publication. They are now putting in place a working group to oversee the SMHA in which at the last count had 5 college staff members signed up to be part of, not including Lindsay and Alice who are also members of the group.

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## 6. Student Partnership Agreement

The purpose of the above agreement between FVSA and FVC was to identify ideas on joint projects to work on together collaboratively over a 4 year plan. From the above meeting the key headlines were drawn up:

- Mental Health
- Department Reps
- Liberation Officers (Underrepresented groups)
- Apprentice Engagement

We are still putting together the final touches to this document (SPA) and I hope to have it present at the next Board of Management meeting in February for everyone to view.

## 7. Constitutional Changes

Changes were made to the Constitution due to recent growth within clubs and societies and willingness from the staff community. All FVSA clubs and societies will still be student led, however more of a range of experience will now come forward such as Staff and community participation in these. The title of SLO has been changed to Student association coordinator to match current structure in place and also another small change being that clubs and societies will no longer have to wait until Student Council for approval for affiliation, this can now be done at any executive meeting held by the SA.

The updated Constitution will be brought to the February 2019 meeting for Board of Management approval.

## 8. Financial Implications

FVSA carries out all activities within our operational budget. As the Strategic Plan progresses there may be requirement to review the budget of FVSA, however FVSA will not implement any plans/activities that require additional funding before seeking the support of the College SMT and Board of Management.

## 9. Equalities

Assessment in Place? – Yes  No

Some of the planned activities will require to be impact assessed, however this will be done on an individual basis.

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**10. Risk**

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low	x	x
Very Low		

Please describe any risks associated with this paper and associated mitigating actions –n/a

Risk Owner –Liam Williams

Action Owner – Liam Williams

**11. Other Implications**

Please indicate whether there are implications for the areas below.

Communications – Yes  No

Health and Safety – Yes  No

Paper Author – Liam Williams

SMT Owner – Andrew Lawson

## 1. Purpose

To present members with an overview of the key College areas of development for the forthcoming period of the project through to transition and occupancy.

## 2. Recommendation

That members note the key areas of focus and arrangements to progress.

## 3. Introduction

The College construction programme has been developed by Balfour Beatty and completion is targeted for 27<sup>th</sup> September 2019. Thereafter, the college will complete a fit out of the FFE, up to our occupancy, scheduled for 11<sup>th</sup> November 2019.

This report was presented to the Falkirk Campus Project Board on 27 November 2018.

## 4. Background

The Decision Point 4 document highlighted the College Development Budget and specifically the budget costs below, for Furniture Fixtures and Equipment (FFE). Work is progressing with APUC<sup>1</sup> to develop tender packages for the procurement of the FFE.

<b>Forth Valley College, Falkirk Campus</b>	<b>DP4</b>
Total FFE Budget for Groups 2,3,4,5 ( Not IT)	£2,031,961
Total ICT Budget for Group 2 and Group 6	£1,093,103
	<b><u>£3,125,064</u></b>

## 5. Key Considerations

- 5.1 **Classroom Pilots** – The College adopted a pilot which commenced in August 2018, involving 3 classrooms at our Falkirk Campus. The purpose was to provide different themes and furniture types, to encourage development towards a more inspiring, collaborative learning approach. Our efocus (Issue 255), on 18<sup>th</sup> October 2018, communicated the pilot in rooms 73, 209 and 308 at our Falkirk Campus and staff and students have been encouraged to complete a short survey, to feedback their views. The survey will be open until 7<sup>th</sup> December 2018. The findings of the pilot will be discussed with the Leadership Team in December and decisions will link to the procurement of furniture for the new campus classrooms.

<sup>1</sup> Association of Procurement for Universities and Colleges

Room 209



Room 308



Room 73 – (below) shows the segment tables which easily separate and enable a change of layouts for maximum flexibility. This is currently the most popular.



5.2 **FFE procurement** – an exercise has taken place to review all items to be procured by the College. The intention is to provide new equipment, in the main, however, some items will transfer from the existing campus if the lifecycle and cost/benefit analysis supports this. A team has been set up to oversee this as a leadership/development project opportunity.

APUC will be leading the FFE Procurement tenders, using the existing Frameworks available to ensure compliance and value for money for the College.

5.3 **Westfield Plant and Distillation Lab moves** – an exercise has taken place on the most effective approach to transferring this equipment. In addition, budget costs have been identified for this project.

The current proposals are as follows:

- Appoint an 0.4 FTE Project Manager to oversee these moves, including confirming the design, aligning the programme with the curriculum to minimise risk, develop a programme and manage the contractor(s) undertaking the moves.
- Appoint a contractor to undertake these works. The proposed approach is to appoint via Balfour Beatty, to minimise the risk to the college and to enable early entry for these works to commence over summer 2019.

#### 5.4 College Development Plan

A college development plan is being prepared (using a Microsoft project template) and this will form the basis of progressing the college elements of the project. The plan will be approved by the EEG and presented to future Falkirk Campus Project Board meetings. The key areas of the plan include FFE procurement, appointment of a moves contractor, scheduling, decanting and transitioning from our current Falkirk Campus to the new Falkirk Campus, storage project and Communication Plans for the project and college occupancy.

#### 6. Financial Implications

Financial information has been circulated through the DP4 report and the costs remain on budget. Further cost information will follow in conjunction with the College FFE procurement progress.

#### 7. Equalities

Assessment in Place? – No (Not applicable)

#### 8. Risk

Risk will be calculated and shown against the key areas on the College Development Plan document, and monitored through the EEG (Estates Executive Group) fortnightly meetings.

	Likelihood	Impact
Very High		
High		X
Medium		
Low	X	
Very Low		

Risk Owner – David Logue

Action Owner – Claire Shiels

9. Other Implications –

Please indicate whether there are implications for the areas below.

**Communications – No**

**Health and Safety – No**

**Paper Author – Claire Shiels**

**SMT Owner – Ken Thomson**

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**1. Purpose**

To update members on the progress of the 2017/18 Board Development Plan and present members with a draft Board Development Plan for 2018/19.

**2. Recommendation**

That Members

- consider the progress in relation to the 2017/18 Board Development Plan
- consider the draft Board Development Plan 2018/19 and subject to any amendments approve the plan and its publication on the College website
- approve the submission of both Plans to the Scottish Funding Council (SFC).

**3. Background**

The Financial Memorandum with the SFC requires governing bodies to comply with the principles of good governance set out in the Code of Good Governance for Scotland's Colleges. Section D.23 states "... There should also be an externally facilitated evaluation of its effectiveness at least every three years. The board must send its self-evaluation (including an externally facilitated evaluation) and board development plan (including progress on previous year's plan) to its funding body and publish them online."

**4. 2017/18 Board Development Plan (Appendix 1)**

Good progress has made against the 2017/18 Board Development Plan with the Board completing a full review of our governance structures. This included the implementation of a revised Board Committee structure and committee remits, revised Standing Orders, revised Scheme of Delegation and revised Board meeting structure to allow for more strategic discussion.

Further work is planned in relation to Board Member engagement and collating views from staff and students. These items have been carried forward into the 2018/19 Board Development Plan.

**5. 2018/19 Board Development Plan**

A full review of compliance with the Code of Good Governance for Scotland's Colleges was completed to identify areas of non compliance/room for improvement. This coupled with feedback from the Board Members annual appraisal reviews and the Board residential session in September has formed the basis of the plan.

Key themes identified were Board members engagement, board members training and the monitoring of key performance indicators.

**6. Financial Implications**

There are no financial implications.

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**7. Equalities**

N/A

**8. Risk**

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		x
Low		
Very Low	x	

If the College does not have a Board Development Plan and submit it to SFC it would not be complying with the Code of Good Governance for Scotland's Colleges and would therefore also breach the requirements of the Financial Memorandum.

**Risk Owner** – Alison Stewart

**Action Owner** – Alison Stewart

**9. Other Implications –**

**Communications** – Yes - Publication on website and submission to SFC.

**Paper Author** - Alison Stewart

**SMT Owner** – Alison Stewart

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**APPENDIX 1 - FORTH VALLEY COLLEGE – 2017/18 BOARD DEVELOPMENT PLAN**

No	Recommendation	Action	Responsibility	Date
<b>Leadership and Strategy</b>				
1	Use board meetings for more substantive discussions of strategic issues including those related to the core business of learning and teaching.	Review structure of Board meetings	Chair	December 2017 Completed
<b>Quality of Student Experience</b>				
2	Examine the remit and membership of the Strategic Development Committee to ensure it supports the Board and its role is more in line with that of other committees	Sub group of Board of Management set up to review committee structures, remits, delegated authority & membership	Chair and Chairs of Committees	June 2018 Completed
3	Agree with each board member, as part of their ongoing annual development, how they will engage directly with students for 1-2 days per year in support of their governance role	To be incorporated into board member reviews	Chair	June 2018 Partially Complete c/fwd to 2018/19
<b>Accountability</b>				
4	Review the agendas and purpose/content of board and committee papers to ensure that they make best use of the expertise of board members.	Sub group of Board of Management set up to review committee structures, remits, delegated authority & membership	Chair and Chairs of Committees	June 2018 Completed
5	Ensure all members of the Remuneration Committee complete the obligatory national on-line training.	All members to complete training	Remuneration Committee members	December 2017 Completed
6	Take stock of and ensure board members have a range of sources of information on staff views	Linked to No 3	Chair	June 18 Partially Completed
<b>Effectiveness</b>				
7	Review board member, including Chair and Principal, appraisal, training and development plan processes to ensure there are clear procedures and systems, with everyone taking part in the appraisal and training required by the sector, and the Board demonstrating leadership of the College's continuous improvement culture.	Sub group of Board of Management set up to review appraisal processes and development plans	Chair , Board members: AM, BH, FC	June 2018 Completed

**APPENDIX 2 - FORTH VALLEY COLLEGE – 2018/19 BOARD DEVELOPMENT PLAN**

No	Recommendation	Action	Responsibility	Date
<b>Leadership and Strategy</b>				
1	A7 Ensure the board scrutinizes performance measures and reports these on the College website	Performance Measures to be agreed and monitored by Board or relevant sub committee	Board	June 2019
<b>Quality of Student Experience</b>				
2	A8 Ensure effective engagement with all relevant stakeholders in the development of the outcome agreement	Development of Board Engagement Calendar	Board Secretary / Chair	February 2019
3	Agree with each board member, as part of their ongoing annual development, how they will engage directly with students for 1-2 days per year in support of their governance role (c/fwd from 2017/18)	Development of Board Engagement Calendar (to be incorporated into board member reviews)	Board Secretary / Chair	February 2019
<b>Accountability</b>				
4	Take stock of and ensure board members have a range of sources of information on staff views (c/fwd from 2017/18)	Development of Board Engagement Calendar	Chair	June 2019
<b>Effectiveness</b>				
5	D20 All members undertake appropriate training	Board Members Responsibilities / Charity Trustees Equalities	Board Secretary	December 2018 February 2019
6	D21 Committee members have committee specific training	CDN - Audit Committee Training CDN - Remuneration Committee Training	Committee Members Committee Members	June 2019 June 2019

**1. Purpose**

To present to members the draft Annual Report and Financial Statements for the year to 31 July 2018.

**2. Recommendation**

Members discuss the financial position of the College for the year ended 31 July 2018 and approve the Annual Report and Financial Statements for the year ended 31 July 2018.

**3. Background**

The Office for National Statistics (ONS) reclassification of FE Colleges came into effect from 1 April 2014. There are a number of significant implications resulting from this reclassification not least the inability to retain surplus cash without this in effect being frozen due to government resource budgeting restrictions.

The Annual Report and Financial Statements have been prepared in accordance with the Accounts Direction issued by the Scottish Funding Council in August 2015 which requires the College to comply with the Statement of Recommended Practice: Accounting for Further and Higher Education issued in July 2015 (2015 SORP), the Scottish Public Finance Manual (SPFM) and the Scottish governments Financial Reporting Manual (FRM).

The SPFM and FRM both require additional disclosures.

The financial statements are noted as draft as we are waiting for final partner comments from the auditors, Ernst & Young.

**4. Key Considerations**

The adoption of the Financial Reporting standard (FRS) 102 and the 2015 SORP, combined with the government accounting restrictions on the ability to retain cash surpluses due to resource budgeting restrictions, means it is difficult to present the College's financial position in a way which informs readers of the true underlying financial sustainability of the College.

The key consideration for members is the long term financial sustainability of the College. This is referred to within the Annual Report and Financial Statements as the College continuing to operate on a "going concern" basis. Under the current reporting regime previous indicators such as reporting an operating surplus and having a strong Balance Sheet with net assets are no longer achievable. This does not however mean that the College is financially unsustainable.

The key measures going forward is the College's ability to generate cash from its day to day operational activities, and evidence that it can meet its liabilities as they fall due. The impact of non-cash technical accounting adjustments, while they are relevant to some extent, should be excluded when assessing the College's financial strength.

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The Financial Performance section of the Performance Report provides a detailed review of the College's financial performance for the year ended 31 July 2018 and its financial position at 31 July 2018. The key points to note are:

- The College generated an underlying operational surplus of £652k excluding non-cash adjustments, funding from the Forth Valley College Foundation, the estates development costs and the loan repayments. This surplus demonstrates that the College is operating sustainably within its funding allocation.
- The net liability position in the Balance Sheet is distorted due to the technical accounting adjustments in relation to the treatment of government capital grants and pension liabilities. Also, the impact of reclassification where surplus cash has been donated to an arm's length foundation or spent to support the estates development programme impacts on the net liabilities.
- The sale of land at Middlefield generated cash of £2.1m and an accounting surplus of £700k. This cash was used towards the New Falkirk main contract build costs.
- £146k is receivable within 2017/18 from the Forth Valley College Foundation in relation to capital IT spend for the new Falkirk Campus.
- The external auditors are content there are no going concern issues as the underlying financial position has been clearly demonstrated.

The draft Annual Report and Financial statements will be considered by the Finance and Audit Committees on 4 December 2018. Should these Committees recommend any changes; updated papers will be tabled at the Board of Management meeting.

## 5. Financial Implications

SFC guidance states that for the financial period ended 31 July 2018 Colleges are permitted to report deficits equivalent to the spend on cash budget for priorities, FRS 17 pension charges and FRS 102 adjustments. The reported financial position falls within the guidelines.

Reporting a deficit does have implications however, and to counter any queries or concerns by the users of the Financial Statements, SFC have issued a statement of assurance for Colleges to incorporate into their Financial Statements for the financial period ended 31 July 2018. This statement stated the deficit should be viewed as a "technical" deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. The full Statement is on page 12 of the Accounts.

## 6. Banking Covenants

A covenant is in place with Barclays, which is linked to the resource outturn. The College has met this covenant for 2017/18. SFC have removed the requirement for resource returns for fiscal year 2018/19. Discussions are ongoing with Barclays as how to satisfy the covenant using the Cash flow information now provided to SFC and Alison Stewart will provide a further update at the meeting.

---

7. Equalities

Assessment in Place? – N/A

8. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		x
Low	x	
Very Low		

Due to the adoption of FRS 102 in terms of the accounting treatment of certain items and the associated presentational changes, the College's underlying financial health is being masked. There is a risk that those not familiar with the technical aspects of Financial Statements will misinterpret the state of the College's financial health. In mitigation of this, it needs to be stressed that both the Board of Management, SFC and the external auditors are in agreement that there is no going concern issue.

Risk Owner – Alison Stewart

Action Owner – Senga McKerr

Paper Author – Senga McKerr

SMT Owner – Alison Stewart

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**FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION**

**REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED**

**31 July 2018**

The financial statements were approved and authorised for issue on 6 December 2018.

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# PERFORMANCE REPORT

## OVERVIEW

### Principal and Chief Executive's statement

The purpose of this overview is to give a short summary of the College's performance during 2017/18.

In 2017/18, thanks to the dedication of our staff and students, the College has continued to deliver "Making Learning Work" to all.

The most significant development this year has been the commencement of the build of the new Falkirk Campus. This campus is the realisation of years of hard work and will enable the College to bring the same high quality and flexible learning spaces to students in Falkirk as are currently enjoyed by our Alloa and Stirling students. While the physical work is underway on the build, there has also been significant development work with our staff to embed new technologies through our Creative Learning and Technology Strategy to ensure they obtain the maximum benefit when they move into the new campus.

While this year has seen ongoing challenges in terms of funding levels, particularly around capital funding, there have been new opportunities such as the Flexible Workforce Development Fund which has enabled us to engage with existing and new employers across the Forth Valley area .

Our commercial activity, particularly the high number and quality of Modern Apprentices, has enabled the College to continue to support local and national industry and drive forward the development of new products and streamlined processes to ensure effective use of College resources. We are grateful for the continued support from existing stakeholders and welcome the opportunity to work with new partners locally and nationally as we continue to derive best value from funding streams, such as Foundation Apprenticeships.

Forth Valley College's approach to creativity in learning has continued to evolve to deliver the engaging, contextualised learning modern students have come to expect from a leading College. Working in a truly unique partnership with South East Regional College (SERC) in Belfast, we have integrated collaborative learning for staff and students in both Colleges. The links were further strengthened through a joint creative learning conference in August which saw staff from both College's attend and work at each other's campuses with their peers. Our partnership was celebrated in October 2018 when Forth Valley College and SERC won the prestigious Innovation category at the College Development Network awards.

The College also continued to demonstrate that it was the place to be for STEM, with our provision going from strength to strength over the years. I am justifiably proud of our outstanding success rates particularly in relation to our STEM provision. They demonstrate our passion for driving the STEM agenda forward and the vital role that Forth Valley College is playing in delivering the quality skills and training required for Scotland's future inclusive economic success.

This year has seen the College continue to gain national recognition through a number of awards from bodies such as College Development Network. I am particularly proud of our Student Association who were recognised as Union of the Year at the NUS UK awards, as well as winning an award for Representation and Campaigning. The value the Student Association delivers cannot be overstated and I am proud of the outstanding work they do.

Overall, 2017/18 has been a year of continued and new success and sets the bar for future College aspirations as we deliver "Making Learning Work".

**Dr Ken Thomson**

Principal and Chief Executive

6 December 2018

## Vision, purpose and activities

### Legal Status

Forth Valley College came into being on 1 August 2005 as a result of the merger of Clackmannan and Falkirk Colleges. The Office for National Statistics (ONS) reclassified all incorporated Further Education (FE) Colleges as central government entities, to be referred to as Arm's Length Public Bodies from 1 April 2014. The College is a registered charity (Scottish Charity number SCO21191) for the purposes of the Law Reform (Miscellaneous Provisions) (Scotland) Act 2005.

The Financial Statements cover all activities of the College.

### Mission Statement

The College Mission Statement is:

**Making Learning Work**

### College Vision

The College Vision is:

**Shaping the Future  
Delivering a World Class Service  
Driving Our Momentum**

### Strategic Themes

Forth Valley College of Further and Higher Education has 6 key strategic themes for the period 2017- 2022. These are:

- Creating a superb environment for learning
- Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly
- Instilling an energy and passion for our people, celebrating success and innovation
- Leading as a business that is a champion for governance, financial control and balanced risk taking
- Enhancing our position as the business and community partner of choice
- Delivering a whole system approach. Simply effective, efficient and consistent.

## Performance Summary

During 2017/18 the College continued to progress our vision of 'Making Learning Work'.

**Creating a superb environment for learning** – We have continued to invest in our estates ensuring we offer the best possible learning environment for our students. The College submitted a Decision Point 4 report in relation to a new Falkirk campus to the Scottish Funding Council and Scottish Government for the final approval to appoint a Main Contractor in September 2017. Approval was received on 4 October 2017 and the main contractor started on site on 23 October 2017.

The project remains on programme and within budget and extensive internal consultation has also occurred along with public events and meetings with key external stakeholders.

**Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly** – This theme is fundamental to ensuring we live up to our mission statement of "Making Learning Work".

In 2017/18 we continued to review our curriculum to ensure that our current and future portfolio meets the needs of the employers of Forth Valley and beyond. In doing so, we took full account of national priorities, such as the Scottish Government's Youth Employment Strategy and STEM Education Strategy, as well as the latest available information about regional skills needs. A particular focus this year was the creation of additional places on the

HNC Childhood Practice, in response to the national workforce development needs, created by the Scottish Government's commitment to increase entitlement to free early learning and childcare.

In 2017/18 the College delivered on the first year of its Creative Learning and Technologies Strategy. An audit of teaching staff digital skills to support technology enhanced learning was carried out and a range of technologies were showcased in the August Creative Learning Conference. A unique partnership with South East Regional College in Northern Ireland enabled groups of staff and students from seven curriculum areas to participate in vocationally relevant collaborative projects with their peers, using remote digital communication media. These created engaging value-added learning experiences for the students and developed their skills for future employment.

We continued to operate our successful "Listening to Learners" focus group process, through which over 3,000 students contributed their views and helped to shape learning within their programmes of study. Satisfaction levels remain very high across all of the factors included on the focus group agendas. In the 2017/18 National Student Satisfaction and Engagement Survey required by SFC, 95% of Forth Valley students reported that they were overall satisfied with their college experience.

**Instilling an energy and passion for our people, celebrating success and innovation** – Staff development continues to be successful in its innovative approach in engaging staff and creating a platform of ownership and pride in the delivery of learning and teaching, as well as increasing the knowledge base, skills and industrial experience of employees.

The theme of Creative Learning has moved into a more interactive collaboration with an FE college from Belfast with direct links across both organisations to provide a range of exciting learning and teaching training workshops. The Moodle Bar, the successful innovative idea from last year's Creative Learning Conference is now established and attracting large numbers of staff and students eager to develop their skills.

This year also saw the launch of our People Strategy. A strategy which identifies and supports talent development within the college and offers staff a real opportunity to influence and shape the future managers and leaders within the college.

A revised structure has resulted in four highly effective faculty areas being developed. This revision also gave us an opportunity to review posts within the areas and resulted in us creating a middle manager post to help support the faculties in their strategic development, whilst providing a clear progression route for staff.

Forth Valley College has officially been accredited as a UK Living Wage Employer and has also been awarded The Scottish Business Pledge. This year Forth Valley College was also awarded Engaged Carer Status. This is the first of three levels, from 'engaged' to 'established' through to 'exemplary'. This will enable us to progress from one stage to the next, building from an initial level of commitment to embedding a culture of support for carers within the College.

**Leading as a business that is a champion for governance, financial control and balanced risk taking** – The Board of Management approved the updated Code of Good Governance for Scotland's Colleges in December 2016 and continues to work within this framework. During the year in line with the Board's Development Plan a review of committee structures, remits, delegated authority & committee membership was undertaken. In September 2018 the Board of Management approved a revised Committee Structure and associated Remits and a revised Scheme of Delegation and Standing Orders. In addition, the format of the Board of Management meetings were amended to allow more time for Strategic discussion within these meetings.

The College follows an anti-bribery and corruption policy that demonstrates our commitment to ensuring the highest standards of financial probity, reliability and ethical behaviour.

A full report on the College's financial performance is included within the Performance Analysis section of this report. Overall the College's financial health continues to be strong which is demonstrated by the ability to generate significant levels of cash surplus on the day to day operational activities of the College. In 2017/18 this has been used to support our estates development programme for a new Falkirk campus. As an arms-length public

body the College is not expected to retain reserves for future investment and is required to balance its Resource Budget.

**Enhancing our position, as the business and community partner of choice** – Strong employer and stakeholder relationships have been key to maintaining our position as a partner of choice. The Scottish Government launched the Flexible Workforce Development Fund (FWDF) on 7th September 2017. This pilot was a £10m fund that provided the opportunity for employers operating in Scotland who pay into the UK Governments Apprenticeship Levy, to apply for up to £10,000 in training. The training was to be delivered by their local regional college and was intended to upskill and reskill their existing workforce to drive productivity.

The allocation to FVC for 2017/18 was £492k and we are pleased to report that we were one of only two Colleges to exceed their target. We engaged with 60 organisations, of which 38% were new companies to FVC and some have taken on apprentices for 2018/19 start. We are confident of performing well in the coming year as the fund has been offered again for 2018/19.

The SDS contract is now above £1m on an annual basis and has an achievement rate of 84%. We are continuing to maintain our position as a leading Modern Apprenticeship (MA) provider in the sector and continue to grow MA provision across nine specific disciplines to satisfy industry requirements. The SDS MA contract awarded to FVC in April 2018 was the second largest MA contract awarded to a college provider. Additionally, we have developed our Vocational Qualification (VQ) delivery direct to employers and are expanding this activity in a number of areas. The use of an electronic portfolio to gather evidence has been rolled out to all VQ candidates and the feedback from this has been positive. Towards the end of 2017/18, we have piloted an Employer portal that allows our employers to log into our system and access real time information on their employees. We are still trying to make an impact within IT MAs and find the right offering that competes with other private training providers in this market.

Overall, the College performed well commercially with strong performances in Electrical Safety and the FWDF. The Electrical Safety team brought new products to market CompEx Mechanical and Responsible Persons, which were well received by customers. Commercial income through International work has proved challenging in 2017/18. Whilst there have been a number of exciting possibilities, for various reasons, we have found it difficult to get them over the line. Towards the end of 2017/18, we decided to refocus our international effort on students and mobility and partnership working with Universities.

The College has also increased engagement in international mobility projects with Construction, Access & Progression, Care Health & Sport and Hospitality & Salon Services departments all engaging in European student mobility or Erasmus Plus 'key strategic partnership' projects. These include a number of European partner institutions from Spain, Netherlands, Sweden, China, Germany and Malta. At the end of the year, we hosted a group of MAs from VTC Hong Kong on a 3-week visit to look at how we deliver Modern Apprenticeships in Construction and Engineering. This visit was a success both in terms of delivery and financially, and in part was because of our strong relationships with our local employers and industry partners who supported us through this.

All the relationships and activities with our key employers and stakeholders have generated a tangible benefit to the College, supporting best practice and contributing towards the college's financial sustainability.

**Delivering a whole system approach. Simply effective, efficient and consistent** – We have continued to maximise the benefit from the significant investment in the College's ICT infrastructure over recent years. The amount of material available via our Moodle portal has increased, providing increased flexibility and allowing learners to take control of their own learning. This has been supported by increased use of the Eduroam service which enables students to bring in their own laptops and smartphones which can access College resources via the College wireless network.

We have continually improved our online application process, supported by the functionality for applicants to create a bespoke prospectus on our website, to provide a clear and supportive system to new and returning students. We have embedded our online student funding application which significantly improved the application process and helped to ensure faster decision making and communication to students. We have enhanced our processes, all record of interview information is now stored electronically, with processes in place to ensure our students are informed timeously of the outcome of their application interview. We have also developed a schools

portal in partnership with Falkirk Council, which allows local schools to see real-time information on school pupil applications to the College. We hope this will enable enhanced dialogue between all partners to enable students to successfully transition onto their correct course. Our portal has been extended to stakeholder employers to allow monitoring of progress by their employees while they progress through their Modern Apprenticeship (MA) at College. This will be rolled out to other MA employers during 2018/19 session.

Through the development of the College Data dashboard we expanded the amount and range of real-time information available to appropriate staff throughout our organisation, and we have continued to develop our HR systems to allow staff access to a self-service "My Staff Record" area. For students we have further developed "My Info" which provides real-time access to timetable and attendance information, with the ability to self-certificate absences, along with personal details for students and the functionality of informing the College of any additional support needs. The portal can be accessed from any mobile device.

As part of the implementation of our Creative Learning and Technologies Strategy during 2017/18 session we piloted the use of Microsoft Surface devices, predominantly within our Stirling campus. For the 2018/19 session the rollout of these devices is being extended to all teaching staff, with the vision to enable staff to work flexibly and have more control of the IT device that they are using for delivering learning, to enable the device to be more bespoke to the member of staff. Last session we also piloted the use of mobile screens in classrooms to replace the current fixed SmartBoards. The pilot will be extended in 2018/19 session, including being part of a group of rooms piloting different furniture with different layouts, and laptop trolleys in preparation for our new Campus in Falkirk.

## Principal Risks and Uncertainties

The College recognises the need to take informed and calculated risks to allow for the growth of the College. The College has comprehensive risk management systems in place to ensure that risks are fully analysed and receive the appropriate level of approval before activity commences. All risks identified within the College are monitored on an on-going basis and specialist registers are created for large individual projects such as estates developments.

The College has updated the strategic risk register to reflect the recent changes across the sector. The register provides details of individual risks, their potential consequences and the mitigating actions put in place to manage these risks.

The College has robust risk management processes in place to ensure relevant risks are captured, assessed and (where possible) mitigated against. The College maintains a register of strategic risks which is reported on at each meeting of the Audit Committee as well as being reported to the Board of Management. A review of the Strategic Risk Register was completed by the Board in September 2018.

At this time, the top risks on the Strategic Risk Register are:

- Financial sustainability due to insufficient funding from Scottish Government/SFC to support the core activities of the College
- Delays to completion and/or issues with the transition process to the new Falkirk Campus could impact on the student experience and project budget
- Employers pension contributions to the Scottish Teachers Pension Scheme could increase by 5.2% from April 2019
- National Bargaining process will negatively impact on the College

## Going concern

The net liability position reported in these Financial statements is due to deferred government capital grants being disclosed as creditors in accordance with FRS 102. They do not represent future cash outflows for the college.

The net liabilities also include a Pension Provision for early retirements of £6.8m and Pension Liability of £7.9m for the College's share of the Falkirk Council Local Government Pension Scheme (LGPS). To the extent that the pension deficit is not met from the College's other sources of income, it may only be met by future grants or Grant In Aid from the Scottish Funding Council. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need. The Board of Management of Forth Valley College has no reason to believe that future support will not be forthcoming. Given the above it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these annual financial statements.

## PERFORMANCE ANALYSIS

### Performance Indicators

The College delivered 86,976 Credits against a target of 86,877 which is 99 Credits (0.01%) above target for Academic Year 2017/18. This target includes 84,647 core activity Credits and 2,230 credits for the on-going SFC administered European Social Fund project.

To monitor performance the College uses a range of performance indicators which are reviewed regularly by members of the Senior Management Team, and Board members through the College's Strategic Development Committee. Furthermore, performance down to curriculum area and course level is monitored through curriculum teams through the College's quality processes and procedures. Through its Outcome Agreement with SFC, the college sets a range of national targets and ambitions which are monitored through the College's Evaluative Report and Enhancement Plan, which involves external scrutiny and moderation by Education Scotland and SFC.

In relation to risk, failure to meet our Outcome Agreement targets is listed within the College's Risk Register as a risk, with mitigation of regular monitoring through the Senior Management Team and Strategic Development Committee. The College has adopted the core set of performance indicators which were developed by the Colleges' Finance Community of Practice. The table below details performance in 2017/18 and 2016/17.

	Year Ended 31 July 2018	Year Ended 31 July 2017
<b>Operating deficit as % of total income:</b> deficit on continuing activities after depreciation of assets at valuation and loss of revaluation of land and buildings, and before disposal of assets and tax expressed as percentage of total income.	<b>(2.3%)</b>	(2.1%)
<b>Non SFC Income as % of total income:</b> total of non-SFC income expressed as a percentage of total income.	<b>26.6%</b>	32.0%
<b>Current assets : current liabilities:</b> ratio of total current assets to the total of creditors: amounts falling due within one year.	1.09:1	0.76:1
<b>Days cash:</b> cash and short-term investments divided by total expenditure less depreciation and expressed in days.	<b>60</b>	29
<b>Staff turnover:</b> FTE staff on a permanent contract of employment that leave for whatever reason during the year divided by the total FTE permanent staff at the college at the period end.	<b>5%</b>	6%
<b>Working days lost through sickness absence:</b> working days lost per staff FTE through sickness absence divided by the total FTEs employed at the institution at the period end (expressed as percentage).	<b>3%</b>	3%
<b>Credits per staff FTE:</b> actual Credits delivered in the year per FES return divided by total of FTEs involved in delivery of Credits.	<b>327</b>	323

		Year Ended 31 July 2018	Year Ended 31 July 2017
<b>Performance against Credits:</b> actual Credits delivered in-year divided by target Credits.		<b>100%</b>	100%
<b>Student outcomes:</b> total enrolments for students completing programme with a national qualification aim, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	<b>71%</b>	73%
	FE Part time	<b>91%</b>	92%
	HE Full time	<b>72%</b>	70%
	HE Part time	<b>87%</b>	85%
<b>Student retention:</b> measures number of enrolments for which the student has completed the programme, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	<b>77%</b>	77%
	FE Part time	<b>93%</b>	96%
	HE Full time	<b>81%</b>	82%
	HE Part time	<b>93%</b>	94%
<b>Early student retention:</b> measures the number of enrolments for which the student has reached the 25% date for funding purposes, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	<b>97%</b>	93%
	FE Part time	<b>99%</b>	99%
	HE Full time	<b>97%</b>	97%
	HE Part time	<b>99%</b>	99%

## Current & Future Developments

We continue to rigorously review our overall curriculum portfolio, in the light of local and national skills priorities and sustain an excellent reputation with our employers, delivering industry-relevant courses within our campuses and bespoke training on employers' premises. We value these close links and utilise employer input to maintain the vocational relevance of the training we offer, and to secure the future employability of our learners.

A continued specific focus for curriculum development during 2017/18 was the Developing the Young Workforce agenda and the associated Scottish Government Youth Employment Strategy, which set out seven year plans for schools, colleges, apprenticeships, employers and equality.

One target within the Strategy is to increase the percentage of school pupils achieving vocational qualifications at SCQF level 5 or above. In pursuit of this aim, the College continued to develop and expand its portfolio of qualifications at SCQF levels 5-7 for senior phase school pupils from our three partner local authorities. This included a range of newly developed Foundation Apprenticeships and we have been successful in recruiting 185 senior phase school pupils to these exciting new opportunities for August 2018 start.

In terms of learning and teaching, during 2018/19 we will maintain our strong focus on developing a culture of creativity in learning, using a lively and engaging Creative Learning Conference for staff in August 2018 as a catalyst for all staff to develop personal objectives for creative learning which will be formalised and monitored through our staff development process throughout the year. In 2018/19 we will deliver on the second year of the Creative Learning and Technology Strategy for 2018 - 2022, ensuring that we are fully prepared to maximise the benefits to learning and teaching that our new Falkirk Campus will bring.

As a key enabler of our new Creative Learning and Technology Strategy, during last session we piloted the use of Microsoft Surface devices, and these are now being fully rolled out to staff during 2018/19.

In terms of curriculum, we will continue to rigorously review our future portfolio to ensure that it fully reflects Skills Development Scotland's (SDS) regional skills plans, maximises employer engagement and delivers on our Outcome Agreement targets. This will include further development of vocational provision for senior phase school pupils, including further SDS funded Foundation Apprenticeships. We will also continue to work closely with our

Higher Education Institute (HEI) partners to maximise success and progression on our existing integrated degree programmes and to develop additional articulation agreements for Higher National (HN) graduates.

The Stirling City Deal and the Falkirk Investment Zone projects are both significant areas of potential future opportunity for FVC. In Stirling, we are seeking to collaborate with Historic and Environmental Scotland (HES) on a traditional skills academy that would see opportunities for local MAs to get skills and employment in their areas. In Falkirk, we would be actively supporting new businesses that come to the area with skilled employees.

The FWDF is underway for 2018/19 and although FVC has been allocated the same amount of funding from SFC of £492k, the amount that organisations can apply for has increased from £10,000 to £15,000. It is our aim to have the fund allocated by November 2018 so that we can take advantage of the SFC reallocation of any underspend in January 2019.

## Financial Performance

The finances of Forth Valley College are regulated by the Financial Memorandum between the Board of Management and the Scottish Funding Council (SFC) under which the Principal is designated as Accounting Officer, responsible to the Chief Executive of the SFC for the stewardship of the College's finances and assets.

The reclassification of the College as an arm's length public body, effective from 1 April 2014, means the College is also regulated by the Financial Reporting Memorandum (FRoM) and also by the Scottish Public Finance Manual (SPFM).

The financial statements have been prepared to comply with the Accounts Direction issued by SFC, the FRoM and the revised Statement of Recommended Practice: Accounting for Further and Higher Education which was issued in July 2015.

The College's financial objectives are:

- maintain a position of financial security in the context of significant internal and external demand upon resource
- optimise land and other assets in the interest of the College
- manage the impact of estates development upon financial security
- continue to seek increased allocations from SFC to meet demographic demand
- grow commercial activity rates and overall contribution to the College
- implement efficiencies and improvements identified through our business transformation activity
- embedded sustainability throughout College practices.

**Underlying Operating position**

The following table provides the adjusted operating position for Academic Year 2017/18:

	Actual Year Ended 31 July 2018 £000	Actual Year Ended 31 July 2017 £000
<b>Deficit before other gains and losses</b>	<b>(59)</b>	<b>(742)</b>
Add back:		
Depreciation (net of deferred capital grant release)	216	621
(Gain)/Loss on sale of Fixed Asset	(700)	0
Impairment	0	415
FRS 102 SWAP Rate valuation movement	(151)	(257)
Non-cash pension adjustments	915	1,089
Donation to Arms-length Foundation	0	579
Estates development costs	737	1,805
	<u>958</u>	<u>3,510</u>
Less:		
Government grant for estates development costs	0	497
Other Government grant from Glasgow Kelvin College	0	2,000
Non-Government capital grants (e.g. ALF capital grant)	146	131
Revenue funding allocated to loan repayments	160	151
	<u>306</u>	<u>2,779</u>
<b>Adjusted operating surplus</b>	<b><u>652</u></b>	<b><u>731</u></b>

The adjusted operating surplus of £652k demonstrates that the college is operating sustainably within its funding allocation.

In October 2014 the Scottish Government announced funding for a new Falkirk campus through Scottish Future's Trust NPD (Not for Profit Distribution) programme. In April 2016 the College received confirmation from Scottish Government that the funding route was being changed to Capital Grant. The estates development costs expensed through the Statement of Comprehensive Income have been identified separately and comprise professional advisors fees and staff time in relation to the project management for the new campus.

SFC issued assurance to the College that deficits which arise from non-cash transactions should not be interpreted as a challenge to the College's financial sustainability and these should be treated as a "technical" deficit. Audit Scotland accepts that a deficit arising from the use of the cash budget for priorities does not indicate an underlying financial sustainability concern.

**Balance Sheet**

As per FReM guidelines, and as a result of the formal Ministerial approval gained for the construction of the new Falkirk campus on the Middlefield site, a valuation was sought for the existing Falkirk campus on Grangemouth Road, which resulted in the buildings being impaired by £13.2m, £12.8m of which was covered by the revaluation reserve and £0.4m charged to the Statement of Comprehensive Income for 2016/17.

During 2017/18 £19.7m was incurred on Assets under construction relating to costs for the New Falkirk campus.

### Resource Outturn for the year ended 31 March 2018

A consequence of the college reclassification is that the College is required to report on its Resource Outturn to Scottish Government which is based on the government's financial year end of 31 March, therefore, the totals do not match the figures contained in this report for the year ended 31<sup>st</sup> July 2018.

A summary of the Resource Outturn reported to SFC and Scottish Government for the financial year to 31<sup>st</sup> March 2018 is noted below.

#### Resource Outturn 2017/18

	RDEL Year Ended 31 Mar 2018 £000	CDEL Year Ended 31 Mar 2018 £000
Total Income	(25,214)	(7,645)
Revenue Expenditure	25,058	9,742
<b>(Underspend)/Overspend on Resource Budget</b>	<b>(156)</b>	<b>2,097</b>
<b>Ringfenced RDEL</b>		
Depreciation	360	
<b>AME Expenditure</b>	<b>15,609</b>	

The RDEL underspend is equivalent to the annual loan repayment the College has to make in relation to existing borrowings entered into prior to the reclassification as an arm's length public body. Although the repayments utilise cash they do not score against the resource outturn.

During the year land at Branshill, Alloa was sold for £2.1m. This money was subsequently utilised towards the cost of the New Falkirk campus building works, and this resulted in an overspend on the CDEL budget.

There are differences between the government accounting rules used for the Resource Outturn and the financial reporting accounting requirements used for these Financial Statements. One significant difference is the treatment of non-cash costs. Adherence to central government rules leaves the College unable to access accumulated cash reserves without the appropriate budget cover having been authorised from the Scottish Government. Any under-utilisation of allocated budget cover results in cash effectively being frozen. In order to minimise frozen cash in the College sector during the financial period being reported, the SFC granted Colleges additional budget cover to be spent on Cash Budget for Priorities which was previously earmarked for depreciation. The Cash Budget for Priorities set for the College was £613k. SFC authorisation was received to utilise the cash for the loan repayment, part of the estates related revenue costs and the costs of the 2015/16 public sector pay award. This prevented that cash becoming inaccessible to the College.

Spend of the College's cash budget for priorities, and impact on the operating position, is detailed below:

### Table of cash budget for priorities spend

	31 July 2018	31 July 2017
	£000	£000
<b>Revenue</b>		
The 2015/16 Pay Award	65	0
Donation to ALF	0	457
Estates Related Revenue Costs	388	0
<b>Total impact on operating position</b>	<u>453</u>	<u>457</u>
<b>Capital</b>		
Loan payments	160	151
<b>Total Capital</b>	<u>160</u>	<u>151</u>
<b>Total cash budget for priorities spend</b>	<u>613</u>	<u>608</u>

### Creditor Payment Performance

The College has a policy of paying suppliers within agreed terms unless the invoice is contested. Disputes and complaints are handled as quickly as possible. Every effort is made to take advantage of additional discount where this is offered for prompt payment. The College did not make any late interest payments during the year.

Standard creditor terms are set on our finance system to be 30 days and can be amended to adhere to supplier terms if authorised by Finance Team Management. Invoices are paid on a weekly basis by the due date and only if they are authorised for payment on the finance system. The average number of days taken to pay suppliers in the financial period being reported was 28 days (2016/17 - 28 days).

### Sustainability Report

The College recognises that the changing climate will have far reaching effects on Scotland's economy, people and environment. Consequently, the commitment to carbon reduction remains a key strategic objective for the College, within the College mission statement of Making Learning Work.

Our vision is to lead by example in all our activities and to ensure that learners are aware of the impact their actions will have, on the environment. This commitment is supported by the College Green Sustainability Statement that is approved annually by the Chairman of the Board of Management and our College Principal.

The College has an established Sustainability Committee which performs a strategic function to set, and measure sustainability progress throughout the college. The Committee representatives agree a series of performance indicators annually, which are monitored and progressed. The Committee is currently led by the Vice Principal - Learning and Teaching.

A significant area of measurement is the College Carbon Management Plan (CMP) which was developed as a result of the College signing the Universities and Colleges Climate Commitment for Scotland (UCCCFs) in partnership with the EAUC (Environmental Association of Universities and Colleges). The CMP reflects all carbon associated with waste, fleet travel and utilities at each site. The College's estate has altered considerably since the CMP baseline year of 2008/09, with the opening of our new campus in Alloa (2011), which received an "Excellent" rating award for the (Building Research Establishment Environmental Assessment Method) BREEAM, and new campus in Stirling (2012) which was awarded a "Very Good" Rating. The College remains on target to reduce carbon dioxide (tCO<sub>2</sub>) levels by 25% from the baseline figure of 2,873.62 tCO<sub>2</sub> by the year 2020. The figures are calculated annually, each November, in line with the Public Sector Climate Change Duties (2016) submission to Sustainable Scotland Network (SSN). Our current progress (November 2017) illustrated a 21.24% reduction in carbon from our 2008 baseline.

The College has targeted the majority of projects that have a positive carbon reduction with the lowest capital investment, however it is becoming increasingly challenging to identify further reductions without significant capital expense. The most significant project with low carbon benefits will be the fruition of the new Falkirk Campus, planned for completion in October 2019. The new Campus has been designed with an Energy Performance Certificate rating of B and a target of Very Good for the BREEAM (2014) award. Co-ordinated with this, is the revision of our College Strategic Travel Plan 2017-2022 to progress an increase in active travel and health and wellbeing initiatives.

The College supports the mandatory reporting of targets made in the Climate Change (Scotland) Act 2009, required by the Scottish Government from 2016, using a specific template created by Sustainable Scotland Network (SSN) in association with the EAUC and Keep Scotland Beautiful. The College is committed to continually improve carbon reduction and monitors this annually with the review of the Carbon Management Plan, including the submission of the mandatory annual SSN reporting.

**Dr Ken Thomson**

Principal and Chief Executive

6 December 2018

## ACCOUNTABILITY REPORT

### CORPORATE GOVERNANCE REPORT

#### Board of Management

##### Membership of the Board of Management

The Post 16 Education (Scotland) Act 2013 requires that the board of a regional College should consist of no fewer than 15, nor more than 18 members. The Board of Management members who held office during the year and up to the date of signing these financial statements were as follows:

Mr Ross Martin	Regional Chair	
Mrs A Mearns	Vice Chair and non-executive member	
Dr K Thomson	Principal	
Mr C Alexander	Non-Executive member	
Mrs F Campbell	Non-Executive member/Senior Independent Member	
Mr A Carver	Non-Executive member	
Ms T Craggs	Non-Executive member	
Ms L Dougall	Non-Executive member	
Mr D Flynn	Non-Executive member	
Ms B Hamilton	Non- Executive member	
Mrs C Jack	Non-Executive member	
Mr L McCabe	Non-Executive member	
Mr K Richardson	Non-Executive member	
Mr S Tolson	Non-Executive member	
Mr A Buchan	Student	Term ended 29 June 2018
Ms Amy Scobbie	Student	Resigned 9 April 2018
Mr Liam Williams	Student	Appointed 1 July 2018
Mr Lindsay Graham	Student	Appointed 1 July 2018
Ms Pamela Duncan	Staff	
Mr S Harrison	Staff	

##### Membership of the Senior Management Team

The SMT is responsible for the day to day management of Forth Valley College's activities and operations and consists of:

Dr K Thomson	Principal
Mr A Lawson	Depute Principal and Chief Operating Officer
Mr D Allison	Vice Principal Information Systems and Communications
Mrs F Brown	Vice Principal Learning and Quality
Mr T Gorman (to September 2018)	Vice Principal Estates Development
Mrs A Stewart	Vice Principal Finance and Corporate Affairs

##### Conflicts of Interest procedures

Forth Valley College has comprehensive procedures for dealing with potential conflicts of interest. These include holding, and updating at least annually, a Register of Board Members Interests. The register is available to any member of the public who wishes to examine it and is available on the college website, <http://www.forthvalley.ac.uk>. Interests that must be registered, in terms of the name and nature of the organisation in which the interest is held, include: remuneration, related undertakings, contracts, houses, land

and buildings, shares and securities, and non-financial interests. Declarations by Board members of any conflicts of interest are recorded in the minutes of the appropriate Board meetings.

**Personal data related incidents**

Section 417 of the Companies Act 2006 requires that organisations report on personal data related incidents. In 2017/18, the College had no reported personal data incidents. (2016/17: no incidents).

**Dr Ken Thomson**  
Principal and Chief Executive  
6 December 2018

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## Statement of The Board of Management's Responsibilities

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

In accordance with the Further and Higher Education (Scotland) Act 1992 and 2005, the Board of Management is responsible for the administration and management of the College's affairs, including ensuring an effective system of internal control, and is required to present audited financial statements for each financial period.

The Board of Management 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 Further and Higher Education (Scotland) Act 1992, the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial period 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 period. These financial statements comply with the Accounts Direction issued by the Scottish Funding Council.

In preparing the financial statements, the Board of Management 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 Institution will continue in operation. The Board of Management 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.

The Board of Management has taken reasonable steps to:

- ensure that funds from the Scottish Funding Council are used only for the purposes for which they have been given and in accordance with the Financial Memorandum with the Funding Council and any other conditions which the Funding Council may from time to time prescribe
- ensure that there are appropriate financial and management controls in place to safeguard public funds and funds from other sources
- safeguard the assets of the College and prevent and detect fraud
- secure the economical, efficient and effective management of the College's resources and expenditure
- ensure sound corporate governance and proper conduct of the College's operations.

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

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

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

In October 2010, the UK Office for National Statistics (ONS) decided to reclassify incorporated further education colleges throughout the UK so that they would be treated as part of central government for financial budgeting and reporting purposes. The UK ONS's reclassification decision is the consequence of the current level of Ministerial control and does not relate to the plans for improved governance that feature in the Post-16 Education (Scotland) Act 2013.

The implications of this are material and impact upon the ability of the College to generate and retain income, to generate and retain surpluses (reserves), to protect and use existing reserves, and to access capital funding and commercial borrowing. The use of Arm's Length Foundations on a sector wide basis to shelter on-going College reserves was approved by Scottish Government Ministers. Forth Valley College Foundation was incorporated in December 2013 and has been awarded charitable status from the Office of the Scottish Charity Regulator (OSCR).

#### **Auditor**

The Auditor General for Scotland has appointed Ernst & Young to undertake the audit for the year ended 31 July 2018.

#### **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.

Approved by order of the members of the Board on 6 December 2018 and signed on its behalf by:

**Ross Martin**  
Chair

## Governance Statement

### Introduction

The College is committed to exhibiting best practice in all areas of corporate governance. This summary describes the manner in which the College has applied the principles in the 2016 Code of Good Governance for Scotland's Colleges.

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 Forth Valley College in the year to 31 July 2018 and reports the Board's assessment of the effectiveness of these arrangements.

### Governance Structure

The College has a robust and effective Board and Committee structure in place.



Additionally, in recognition of the significant developments as the Falkirk Campus Project Board progresses towards the realisation of the new Falkirk Headquarters Campus, an additional committee has been established. While the Falkirk Campus Project Board is separate from the main Board of Management structure, three non-executive Board Members serve on this Board to ensure adequate representation from the main Board of Management

### Board of Management Committees

#### Audit Committee

The committee met on three occasions. Its role is to contribute to good governance by providing assistance to the Board of Management on issues of compliance, risk, financial probity and the overall effectiveness of internal College control systems. The internal and external auditors normally attend meetings.

#### Finance Committee

The committee met on four occasions during the period. Its role is to contribute to good governance by providing independent advice to the Board of Management on the financial management of the College, providing a strategic overview of the College's financial direction while ensuring a position of financial security and that all relevant audit and legislative requirements are met.

#### HR Committee (Inc. Nomination Committee)

The committee met on three occasions and advises on HR strategy (including industrial relations matters), oversees the Board's health & safety responsibilities, monitors the Board's equal opportunities aspirations, and oversees the Board nominations process.

#### Remuneration Committee

The committee met twice during this period. Its role is to provide good governance advice and assistance to the Board of Management on the remuneration of senior College staff, considering sectoral guidance and maintaining comparability with relevant external bodies.

**Strategic Development Committee**

The committee met on three occasions. Its role is to contribute to good governance by providing assistance to the Board of Management on the strategic direction of the College, to act as the primary linkage between the Board of Management and the Student Association Executive, and to consider matters relating to the interests of learners in the College.

**Board of Management Members**

During 2017/18 the College maintained, for the non-executive positions available, a 50-50 gender balance.

Membership now consists of 18 members as follows:

- Chair
- 12 Independent Non-executive members
- 2 Student Members
- 2 Staff Members
- Principal

There is a clear differentiation in the roles of the Chair of the Board and that of the Principal. Matters reserved to the Board of Management are set out in the Standing Orders and Operating Guidelines, the Scheme of Delegation, and under the Financial Memorandum with the Scottish Funding Council. The Board of Management is responsible for the on-going strategic direction of the College, approval of major developments and the approval of annual budgets.

Members of the Board have a collective responsibility for the proper conduct of the College's affairs. Members have full and timely access to all relevant information to enable them to perform their roles effectively. Members' roles and responsibilities are described in the Code of Good Governance for Scotland's Colleges and the Guide for Board Members in the College Sector.

**Board Effectiveness**

The Board of Management has adopted the Code of Good Governance for Scotland's Colleges. The code outlines the activity to be undertaken by a Board. The Board of Management has an effective mix of skills in place, supplemented by a comprehensive induction process which is further enhanced by Board training activities such as the provision of equalities training.

There are self-evaluation processes, led by the Chair and an evaluation process for the activity of the Chair led by the Vice-Chair. These offer a mechanism for members to feedback on their perceptions of the Board, their contribution and any future training needs.

An externally conducted effectiveness review was undertaken in December 2016, with the outcome being considered by the Board and then the report was published on the College's website.

**Attendance**

The Board of Management normally meets formally four times per year and has a number of committees which are formally constituted with terms of reference. During 2017/18, to support the governance around the new Falkirk Campus development, an additional meeting was held in August 2017 to formally approve the final submission of the estates plan to the Scottish Funding Council and Scottish Government.

During 2017/18 one meeting of the Audit Committee and one meeting of the Strategic Development Committee were cancelled in March as a result of College closures arising from severe weather.

	Status	Date of Appointment/Re-Appointment	Date of Retirement/Resignation (If Applicable)	Board of Management	Audit Committee	Finance Committee	HR (Inc. Nomination) Committee	Remuneration Committee	Strategic Development Committee
Number of Meetings				5	3	4	3	2	3
Mr R Martin	Regional Chair	01/08/17		3				1	
Mrs A Mearns, Vice Chair	Non-Exec	26/03/17		4			3	1	3
Dr K Thomson	Principal	01/08/13		5					
Mr C Alexander	Non-Exec	26/03/17		2	1				
Mrs F Campbell	Non-Exec/ Senior Independent Member	26/03/17		4			3		2
Mr A Carver	Non-Exec	26/03/17		2		3			1
Mrs T Craggs	Non-Exec	06/12/16		1	3	4			
Ms L Dougall	Non-Exec	26/03/15		5	3			2	1
Mr D Flynn	Non-Exec	06/12/16		3			3		3
Ms B Hamilton	Non-Exec	26/03/17		4	2		3	2	
Mrs C Jack	Non-Exec	02/03/15		4		4			0
Mr L McCabe	Non-Exec	02/03/15		4		3		2	2
Mr K Richardson	Non-Exec	02/03/15		3		3			
Mr S Tolson	Non-Exec	26/03/15		3			1		
Mr A Buchan	Student	26/03/15	29/06/18	5					3
Ms A Scobbie	Student	08/12/16	09/04/18	3					2
Mr L Williams	Student	01/07/18							
Mr L Graham	Student	01/07/18							
Mrs P Duncan	Staff	05/09/16		2		2			
Mr S Harrison	Staff	05/09/16		4					3

### Assessment of corporate governance

The College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges with the exception of the role of Secretary to the Board.

The Code of Good Governance states; "The board secretary may be a member of the senior management team in their board secretary capacity, but they cannot hold any other senior management team position at the same time".

The Board of Management recognises the importance of the Board Secretary being able to report directly to the Chair independently of the Principal in order to prevent any conflicts of interests, however we believe that this can be achieved without the requirement to appoint a Board Secretary without other Senior Management Team responsibilities. The Board of Management have appointed the Vice Principal Finance & Corporate Affairs as

Secretary to the Board along with the Corporate Governance & Planning Officer as Deputy Secretary to the Board, both of whom will report directly to the Chair in relation to the Board Secretary duties. The Board of Management believes any risk of non-disclosure or non-compliance not being reported to the Board of Management due to a conflict of interest is mitigated by the appointment of two individuals with direct reporting to the Chair. The Board of Management considers that governance is strengthened rather than weakened by the Vice Principal Finance & Corporate Affairs having a dual role within the Senior Management Team. This arrangement is not unusual in either the public or the private sector. The Board of Management reviewed the existing arrangement in September 2018 and agreed that this should continue unchanged.

### **Estates Strategy**

The Forth Valley College agreed Estates strategy comprises a vision for three new campuses. The first in Alloa, the second in Stirling and a third in Falkirk. A significant investment has already taken place in phases 1 and 2 of this strategy with Alloa and Stirling successfully completing on programme and within budget in 2011 and 2012 respectively. The new Falkirk Campus is planned to open in November 2019.

Significant progress has been made toward the realisation of the new Falkirk campus, with the submission of the final Decision Point 4 report to the Scottish Funding Council and Scottish Government and approval received on 4 October 2017. Following this approval, the appointment of the main contractor Balfour Beatty occurred on 11 October 2017.

The new campus plans include servicing the current Falkirk Campus curriculum and will accommodate over 11,000 students of which almost 2,000 will be full time. The New Falkirk Campus will be 20,720 sqm and will incorporate state of the art and flexible teaching accommodation, as well as low carbon initiatives, such as Photovoltaics, a Ground Source Heat Pump system, Combined Heat and Power boilers, along with other sustainable functions required to meet the Building Research Establishment Environmental Assessment Method (BREEAM) standard.

### **Risk Management**

The Board of Management has overall responsibility for ensuring the effective identification, mitigation and monitoring of strategic risks within the College. The Audit Committee has delegated authority from the Board of Management to approve the Risk Management Policy and to review regular reports from the College Senior Management Team regarding risk.

The College operates a Strategic Risk register which identifies the most significant risks to the College. This register is taken to every meeting of the Audit Committee for comment and challenge. It is also provided annually to the Board of Management.

The Principal is responsible for the maintenance of the College strategic risk register and for ensuring appropriate risk mitigation actions are implemented to address significant risks to College operations and strategic objectives. Senior Management Team members are responsible for establishing controls to mitigate identified risks wherever possible. This information is included on the Strategic Risk Register in summary form.

Risk Management is embedded in the operations of the College. The identification and mitigation of risk is a component in all decision making and is a standing item at all Senior Management Team, Board Committee and Board of Management meetings. The College also operates a risk management system whereby areas of significant risk to the College have their own specific risk register. It is under this approach that an estates risk register was established to support the Falkirk campus project.

Delegation of responsibility for managing the key risks in the risk registers is essential if risk management is to be effective. The risk registers, therefore identify "owners" for each risk.

### **Internal Audit**

The College has an internal audit service, the work of which concentrates on areas of key activities determined by an analysis of the areas of greatest risk, input from Senior Management Team and areas of significant change to operational systems/practices and in accordance with the annual internal audit plan approved by the Audit Committee. The internal auditors report to the Principal and to the Audit Committee on a regular basis and have direct access to the Chair of the Audit Committee.

The internal auditors have issued an annual report which gives an opinion on the adequacy, reliability and effectiveness of the College's internal control systems. On the basis of the work undertaken during the period the auditors have expressed an opinion that the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks and proper arrangements are in place to promote value for money and deliver best value.

### **Internal Control**

The Board of Management is aware of the need for effective internal control and acknowledges its responsibility for such a control system to be in place. The system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected within a timely period.

The system of internal control is based on a framework of regular management information, financial regulations and administrative procedures.

In particular it includes:

- comprehensive budgeting systems with an annual budget approved by the Board of Management
- regular reviews by the Finance Committee of quarterly and annual financial reports which indicate financial performance against forecasts
- setting targets to measure financial and non-financial performance.

### **Assessment of the effectiveness of internal controls**

The Board of Management is of the view that there is an on-going process for identifying, evaluating and managing the College's significant risks. This process is reviewed by the Board of Management through the Audit Committee. A formal Business Continuity Plan is maintained within the College.

For the period to 31 July 2018, the Internal Auditors reported completion of all reviews in the Audit Plan. Internal Audit was of the opinion that the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks and proper arrangements are in place to promote value for money and deliver best value.

The external auditors have given an unqualified audit opinion on the financial statements for the period to 31 July 2018 and on the regularity of transactions reflected in the financial statements. No further significant issues have been identified as part of their audit process.

On the basis of the assurances provided from the sources of assurance outlined above, I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the period ended 31 July 2018 and up to the date of approval of the annual report and financial statements

**Going Concern**

The Board of Management believes that pension liabilities resulting in a net liability in the Balance Sheet can be met as these fall due from future funding. The Board of Management has no reason to believe that future support from Scottish Funding Council will not be forthcoming and on that basis these financial statements have been prepared on a going concern basis.

**Conclusion**

The Board of Management's opinion is that the College has an appropriate framework of internal controls, and these provide reasonable assurance regarding the effective and efficient deployment of resources to achieve the College aims.

Approved by order of the members of the Board on 6 December 2018 and signed on its behalf by:

**Ross Martin**

Chair

**Dr Ken Thomson**

Principal and Chief Executive

## REMUNERATION AND STAFF REPORT

### Remuneration Report

This report outlines the remuneration policy of Forth Valley College for the Board of Management and the Senior Management Team (SMT), and provides details of members remuneration for the year ended 31 July 2018.

#### Board of Management

Forth Valley College Board Members, with the exception of the Principal and Chief Executive Officer, are appointed for a fixed period, normally, four years. With the exception of the Principal and Chief Executive Officer and elected staff representatives, these members do not have contracts of service with Forth Valley College.

FVC Chair, Ross Martin, was appointed in August 2017 by Scottish Ministers. The level of remuneration for the Chair is set by Scottish Government who informs Forth Valley College on an annual basis of any increase to be awarded.

#### Senior Management Team

The SMT is responsible for the day to day management of Forth Valley College's activities and operations. The Principal and Chief Executive Officer, Ken Thomson, is a member of both the Board and the SMT.

The Principal and Chief Executive Officer and other SMT members are on standard Forth Valley College contracts of employment. Their contracts provide for a notice period of 3 months. For 2017/18 there was no bonus scheme in operation in Forth Valley College.

If an SMT member's employment with Forth Valley College is terminated on the grounds of redundancy or in the interests of the efficiency of the organisation, severance payments will apply based on age and on length of service and are subject to approval by the Scottish Funding Council. This basis is identical to that applied for all other employees.

#### Remuneration Committee

The Remuneration Committee determines the policy for the remuneration of the members of the SMT, including the Principal and Chief Executive Officer and other such members of the management team as it is designated by Forth Valley College to consider. This policy is set within the context of the applicable Government guidelines. With input from the Chair and Principal and Chief Executive Officer it determines the total individual remuneration package of members of the SMT.

The membership of the Remuneration Committee is made up of the Chair of the Board of Management plus the Chairs of each of the Board Sub Committees. All members have completed the mandatory online College Development Network Remuneration Committee training.

#### Senior Management Team Remuneration

As part of Forth Valley College's performance management system, each SMT member agrees with the Principal and Chief Executive Officer their personal performance objectives.

Forth Valley College aims to ensure that the remuneration packages offered to SMT:

- enable Forth Valley College to attract, retain and motivate high calibre leaders
- remunerate individuals fairly for individual responsibility and contribution
- take account of salary policy within the rest of Forth Valley College and the relationship that should exist between the remuneration of the Senior Management Team and that of other employees.

Basic salaries are reviewed annually from 1 August. Salary levels are established after taking into account external market levels and internal comparisons as well as individual responsibilities and performance. All senior posts are

evaluated as part of our job evaluation process to ensure they reflect the responsibility and accountability of the role and are graded appropriately. The College's Job Evaluation system and processes are externally audited on an annual basis. Salary payments are made monthly.

SMT members are all members of either the Scottish Teachers' Superannuation Scheme (STSS) or the Local Government Pension Scheme (LGPS). As ordinary members, they contribute a rate of pensionable salary dependant on salary. In the financial period being reported the rates were between 9.4% to 11.9%. Forth Valley College contributed 17.2% of the employees' pensionable salary to the STSS and for the LGPS 17.9% up to 31 March 2018 along with an additional flat fee for past pension costs and thereafter 21.4%. These schemes are defined benefit schemes. The LGPS scheme provides benefits at a normal retirement age of 65 for all LGPS benefits paid prior to 1 April 2015. For all LGPS benefits paid after 1 April 2015 and for STSS, benefits are provided at the state pension age. The pension benefits consist of an annual pension, based on a final pensionable salary calculation up to 31 March 2015 and a career average pensionable salary with effect from 1 April 2015. For members who joined before 1 April 2007 for STSS and 1 April 2009 for LGPS a tax free lump sum will be paid automatically.

Remuneration of the Principal and other Senior Management Team who served during the year to 31 July 2018, including salary, pension benefits and other allowances was:

	Year Ended 31 July 2018			Year Ended 31 July 2017		
	Salary	Pension Benefit	Total	Salary	Pension Benefit	Total
	£000	£000	£000	£000	£000	£000
Ken Thomson	135 - 140	35 - 40	175 - 180	120 - 125	80 - 85	205 - 210
Andy Lawson	105 - 110	35 - 40	140 - 145	100 - 105	55 - 60	160 - 165
Tom Gorman	105 - 110	70 - 75	175 - 180	95 - 100	50 - 55	145 - 150
Alison Stewart	90 - 95	30 - 35	120 - 125	85 - 90	50 - 55	135 - 140
David Allison	85 - 90	50 - 55	140 - 145	80 - 85	75 - 80	155 - 160
Fiona Brown	80 - 85	35 - 40	115 - 120	70 - 75	50 - 55	125 - 130

### Salary

Salary information includes gross salary, overtime and allowances to the extent that they are subject to UK taxation. This report is based on accrued payments made by the College and thus recorded in these financial statements.

As a result of reaching the HMRC Lifetime Allowance limit, Dr Ken Thomson left the STSS pension scheme on 31 March 2018. From this date the pension payments that Forth Valley College would have made to Dr Thomson's pension scheme, are paid as salary. This policy of paying pension contributions as salary for individuals who reach the HMRC Lifetime Allowance limit is in line with business practice, and was approved by the Remuneration Committee.

For the period 1 October 2017 to 31 July 2018, Mr Tom Gorman was seconded to Fife College for 50% of his time. The charge made to Fife College is included within Other income. The salary and pension benefits above are Mr Gorman's full salary and benefits.

### Chair Remuneration

For the year to July 2018 the Chairman was entitled to claim remuneration of £200 for every 7.5 hours up to a maximum total fee of £20,800. The Chair is not entitled to a pension in respect of their office. For the year to 31<sup>st</sup> July 2018 the chairman was paid remuneration of £7,600 (2016/17: £20,800).

### Median Pay Multiples

The relationship between the remuneration of the highest paid member of the Senior Management Team and the median remuneration of the employees of Forth Valley College is as follows:

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£	£
Annualised remuneration of the highest paid member of the Senior Management Team	<b>150,446</b>	123,792
Median Remuneration of Forth Valley College Employees	<b>33,987</b>	33,894
Remuneration Ratio	<b>1 : 4.43</b>	1 : 3.65

The median remuneration of Forth Valley College's employees is based upon the annualised full-time equivalent salary of the employees at 31 July. The change in ratio is due to an increase in the annualised remuneration of the highest paid member of the Senior Management Team. This relates to Dr Ken Thomson's pension contributions being paid as salary, as noted earlier.

Including severance payments, no employee (2017: no employee) received remuneration in excess of the highest paid member of the Senior Management Team.

### Pension Benefits

Forth Valley College operates two pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS).

Pension benefits are provided to the Senior Management Team on the same basis as all other staff and an explanation of how benefits accrue is detailed below. The accrued retirement benefits of the Senior Management Team for the year to 31 July 2018 are:

	Accrued Pension at pension age as at 31 July 2018 and related lump sum	Real increase in Pension and related lump sum at pension age	Cash Equivalent Transfer Value		
			At 31 July 2018	At 31 July 2017	Real increase in CETV
	£000	£000	£000	£000	£000
Ken Thomson	50 - 55	0 - 2.5	1,157	1,050	66
	plus lump sum of 155 - 160	plus lump sum of 5.0 - 7.5			
Andy Lawson	35 - 40	0 - 2.5	884	826	20
	plus lump sum of 110 - 115	plus lump sum of 5.0 - 7.5			
Tom Gorman	25 - 30	2.5 - 5.0	480	389	80
	plus lump sum of 25 - 30	plus lump sum of 0 - 2.5			
Alison Stewart	15 - 20	0 - 2.5	202	167	26
	plus lump sum of 0 - 5	plus lump sum of 0 - 2.5			
David Allison	30 - 35	2.5 - 5.0	492	439	45
	plus lump sum of 55 - 60	plus lump sum of 2.5 - 5.0			
Fiona Brown	20 - 25	0 - 2.5	553	477	52
	plus lump sum of 70 - 75	plus lump sum of 5.0 - 7.5			

The cash equivalent transfer value is the actuarially assessed value of the retirement scheme benefits accrued by a member at a 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 pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlements 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 figure the following contextual information should be taken into account:

- the figures for pension 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
- 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.

### Real Increases 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.

## Staff Report

As at 31 July 2018 there were 642 staff in post. The split across gender and business area is detailed in the table below.

Employees	Male	Female	Total
Senior Management Team	4	2	6
Heads of Teaching / Service	6	9	15
Academic Staff	151	161	312
Support Staff	110	199	309
	271	371	642

The following table shows the salary and related costs for all staff for the year ended 31<sup>st</sup> July 2018, identifying temporary, inward seconded and agency staff separately:

	2018	2018	2018	2017
	Directly employed staff on permanent UK contracts	Other staff including temporary, seconded and agency staff	Total	Total
Salaries and related costs	£000	£000	£000	£000
Wages and salaries	17,127	1,640	18,767	18,588
Social security costs	1,778	87	1,865	1,744
Other pension costs	3,837	145	3,982	3,712
<b>Total</b>	<b>22,742</b>	<b>1,872</b>	<b>24,614</b>	<b>24,044</b>
<b>Average number of FTE</b>	<b>489</b>	<b>84</b>	<b>573</b>	<b>622</b>

During the year 3 employees left under voluntary exit terms and 1 redundancy arrangement. The table below summarises the exit packages by cost band:

	Year Ended 31 July 2018	Year Ended 31 July 2018	Year Ended 31 July 2018	Period Ended 31 July 2017
<b>Compensation for loss of office</b>	<b>Number of voluntary redundancies</b>	<b>Number of other departures</b>	<b>Total</b>	<b>Total</b>
< £5k	0	1	1	0
£55k - £65k	3	0	3	0
<b>Total number of exit packages</b>	<b>3</b>	<b>1</b>	<b>4</b>	<b>0</b>
<b>Total cost</b>			<b>£179,587</b>	<b>£0</b>

### Attendance Management

Although the College recognises that employees need to be properly supported during absences, our priority is to meet our operational objectives. As a result, we take distinct steps to balance the needs of the individual with the needs of the organisation to effectively manage sickness absence. To achieve this balance, working with our Occupational Health advisors, we take a positive and pro-active approach to attendance management. We also offer a range of services that staff can access to help them with their own wellbeing.

These include:

- advising all employees and line managers of their roles and responsibilities in managing absence through appropriate training, guidance and support
- monitoring and analysing absence and providing useful Management Information
- supporting employees with regular short-term absence to improve their level of attendance
- assisting employees on long-term absence to return to work successfully via individually tailored return to work plans
- allowing staff to self-refer to our Occupational Health Advisor on a confidential basis
- offering sessions to staff to help them with their own wellbeing at work, including those on managing stress or mindfulness
- providing access to a confidential Employee Assistance scheme to provide advice or counselling when dealing with issues of a personal, financial or legal matter.

In 2017/18, an average of 7 days (including leavers) was lost per staff member compared to 8 days from 2016/17. The 2017/18 average equates to 3% overall absence rate for the year.

### Trade Union Facility Time – 1<sup>st</sup> April 2017 to 31<sup>st</sup> March 2018

Forth Valley College recognises 2 trade unions for the purpose of collective bargaining, Educational Institute of Scotland (EIS) and Unison. We recognise the benefits of a positive and open relationship with our recognised trade unions. As part of our commitment to working in partnership, and in accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, we offer paid facility time to our work place representatives to enable them to carry out union activities and duties.

There were 10 staff members who were trade union officials during 2017/18. The full time equivalent employee number was 9.3.

#### Percentage of time spent on facility time

##### Percentage of time

##### Number of representatives

1%-50%

10

The total cost of facility time amounted £38,282, 0.17% of the total pay bill of £22,364,030, including the gross amount spent on wages, pension contributions, and national insurance contributions. 2.4% of the total paid facility time hours was spent on trade union activities.

#### Equality, Diversity and Inclusion

FVC is committed to ensuring that all staff and students can work or study in an environment that is free from discrimination, harassment and victimisation and that everyone can progress equally.

We are guided by the Equality Act 2010 which sets out our responsibilities to:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity
- promote good relations

This is important for all staff and students. In particular, we ensure equality in regards to protected characteristics.

We comply with the Equality Act by demonstrating our activities through a range of reports and information: Equality Mainstreaming report; Equality Outcomes progress report; Equalities Policy and Gender Pay Gap & Equal Pay information. We are committed to achieving our Equality Outcomes and strive to embed actions for equality in our strategic and operational planning processes.

FVC is continuing to implement our Access and Inclusion Strategy and our Gender Action Plan both of which are part our current Regional Outcome Agreement with the Scottish Funding Council. These plans outline our broad range of support available for students; identifies areas for enhancement and our aims in relation to gender representation in College programmes.

The reports outlined above are at: <https://www.forthvalley.ac.uk/about-us/equality-diversity/>

#### Compensation for loss of office

Following the year end, 3 employees left under voluntary exit terms. The compensation payments made amounted to £177,301 and have been accrued in to the 2017/18 Statement of Comprehensive Income. All 3 employees received payments in the cost band of £55,000 - £65,000.

**Dr Ken Thomson**

Principal and Chief Executive

6 December 2018

## AUDIT REPORT

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

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 approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

### 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 Forth Valley College for the year ended 31 July 2018 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, 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 2018 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 in the UK (ISAs (UK)). 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 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. 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

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.

**Responsibilities of the Board of Management for the financial statements**

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

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

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to achieve 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.

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](http://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 auditor's report thereon. 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 in accordance with ISAs (UK), 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.

**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 Management 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 other 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 Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

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

We have nothing to report in respect of these matters.

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

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

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

## FINANCIAL STATEMENTS

### Statement of Comprehensive Income for the year ended 31 July 2018<sup>1</sup>

INCOME	Note	Year Ended	Year Ended
		31 July 2018	31 July 2017
		£000	£000
Scottish Funding Council grants	2	24,176	23,809
Tuition fees and education contracts	3	7,136	7,746
Other grant income	4	166	2,082
Other operating income	5	1,330	1,251
Investment income	6	0	6
Grant from FVC Foundation	4	146	131
<b>Total Income</b>		<b>32,954</b>	<b>35,025</b>
<b>EXPENDITURE</b>			
Staff costs	8	24,471	23,864
Pension provision charge	10	(92)	384
Other operating expenses	11	6,258	6,236
Estates Development Costs		737	1,805
Depreciation	15	1,788	2,566
Interest and other finance costs	12	551	333
Donation to FVC Foundation	13	0	579
<b>Total Expenditure</b>		<b>33,713</b>	<b>35,767</b>
<b>Deficit before other gains/losses</b>		<b>(759)</b>	<b>(742)</b>
Gain/(Loss) on disposal of Fixed Assets		700	0
<b>Deficit before other comprehensive income</b>		<b>(59)</b>	<b>(742)</b>
<b>Other comprehensive income</b>			
Actuarial gain/(loss) in respect of pension scheme		12,762	(1,322)
Unrealised deficit on revaluation of land and buildings	15	0	(12,768)
<b>Total comprehensive income for the year</b>		<b>12,703</b>	<b>(14,832)</b>
Represented by:			
Unrestricted comprehensive income for the year		12,739	(1,562)
Revaluation reserve comprehensive income for the year		(36)	(13,270)
		<b>12,703</b>	<b>(14,832)</b>

All items of income and expenditure are in respect of continuing activities.

<sup>1</sup> 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 32 provides details of the adjusted operating position on a Central Government accounting basis.

## Statement of Changes in Reserves for the year ended 31 July 2018

	Income and expenditure account Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000
<b>Balance at 1 August 2017</b>	(22,720)	5,293	(17,427)
Deficit from the income and expenditure statement	(59)	0	(59)
Other comprehensive income	12,762	0	12,762
Transfers between revaluation and income and expenditure reserve	36	(36)	0
<b>Total comprehensive income for the year</b>	<u>12,739</u>	<u>(36)</u>	<u>12,703</u>
<b>Balance at 31 July 2018</b>	<u>(9,981)</u>	<u>5,257</u>	<u>(4,724)</u>

## Balance Sheet as at 31 July 2018

The financial statements on pages 35 to 55 were approved by the Board of Management on 6 December 2018 and were signed on its behalf on that date by:

	Note	As at 31 July 2018 £000	As at 31 July 2017 £000
<b>Non Current Assets</b>			
Tangible fixed assets	15	60,720	43,722
<b>Current assets</b>			
Stocks		25	25
Trade debtors and other receivables	16	1,388	1,703
Cash at bank and in hand	21	5,249	2,610
<b>Total current assets</b>		<b>6,662</b>	<b>4,338</b>
Less: Creditors - amounts falling due within one year	17	6,133	5,735
<b>Net current assets/(liabilities)</b>		<b>529</b>	<b>(1,397)</b>
<b>Total assets less current liabilities</b>		<b>61,249</b>	<b>42,325</b>
Creditors - amounts falling due after more than one year	18	51,288	33,220
<b>Provisions</b>			
Early retirement provision	19	6,816	7,305
LGPS pension provision	19, 23	7,869	19,227
		<b>14,685</b>	<b>26,532</b>
<b>Total Net Liabilities</b>		<b>(4,724)</b>	<b>(17,427)</b>
<b>Unrestricted Reserves</b>			
Income and expenditure reserve - unrestricted		(9,981)	(22,720)
Revaluation reserve		5,257	5,293
<b>Total Reserves</b>		<b>(4,724)</b>	<b>(17,427)</b>

Ross Martin  
Chairman

Dr Ken Thomson  
Principal and Chief Executive

## Cash Flow Statement for the year ended 31 July 2018

		£000	£000
<b>Cash flow from operating activities</b>			
Deficit for the year		(59)	(742)
<b>Adjustment for non-cash items</b>			
Depreciation	15	1,788	2,566
Gain on disposal of fixed assets		(700)	0
Decrease in stock		0	5
Decrease/(Increase) in debtors	16	315	(83)
Increase in creditors	17, 18	386	1,748
Decrease in pension provision	19	(489)	(12)
Pension Costs	23	874	689
<b>Adjustment for investing or financing activities</b>			
Investment income	6	0	(6)
Interest payable	12	551	333
Capital grant income	2	(1,571)	(1,530)
<b>Net cash inflow from operating activities</b>		<u>1,095</u>	<u>2,968</u>
<b>Cash flows from investing activities</b>			
Proceeds from sale of fixed assets		2,100	0
Capital grants receipts		19,962	690
Investment income	6	0	6
Payments made to acquire fixed assets	15	(20,186)	(1,651)
		<u>1,876</u>	<u>(955)</u>
<b>Cash flows from financing activities</b>			
Interest paid	12	(172)	(178)
Repayments of amounts borrowed		(160)	(151)
		<u>(332)</u>	<u>(329)</u>
<b>Increase in cash and cash equivalents in the year</b>		<u>2,639</u>	<u>1,684</u>
Cash and cash equivalents at beginning of the year		2,610	926
Cash and cash equivalents at end of the year		5,249	2,610

## 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 Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2015/16 Government Financial Reporting Model (FRm) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

#### Basis of accounting

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

The financial statements do not include the income and expenditure of the Students' Union as the College does not exert control or dominant influence over policy decisions.

#### Going Concern

The Board of Forth Valley College has no reason to believe that future funding will not be forthcoming. It has accordingly been considered appropriate to adopt a going-concern basis for the preparation of these financial statements.

#### FRS 102

The accounts have been prepared incorporating the requirements of the accounting standard FRS 102.

#### Recognition of income

##### Income

Income from grants, contracts and other services rendered is included in proportion to the extent of completion of the contract or service concerned. All income from short-term deposits is credited to the income and expenditure account in the period in which it is earned.

Recurrent grants from the Scottish Funding Council (SFC) are recognised in the period in which they are receivable.

##### Grant Funding

Government revenue grants including Funding Council block grants 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.

### 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.

### 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 and accordingly, 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 land at Branshill, Alloa and the Middlefield site have been valued on the basis of Open Market value.

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 this will be supplemented by an interim professional valuation in year 3. 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 and 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 20 to 50 years as determined by professional opinion and valuation.

### Equipment

Equipment costing less than £10k per individual item or grouped items is written off to the Statement of Comprehensive Income in the year of acquisition. All other equipment and vehicles are capitalised and depreciated in accordance with the depreciation policy.

### Depreciation

Depreciation is provided to write off the cost or valuation of tangible fixed assets on a straight-line basis over the expected useful lives of the assets. New build campuses at Alloa and Stirling are depreciated using a component accounting approach.

i) Buildings	20 - 50 years
ii) Plant & Equipment	5 years
iii) Building improvements	10 years
iv) IT Equipment	4 years
v) Motor vehicles	7 years
vi) Equipment acquired for other projects	project life
vii) Specialist Equipment acquired for Oil and Gas teaching	10 years

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

### Leased assets

#### Finance Leases

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 Statement of Comprehensive Income in proportion to the reducing capital element outstanding.

#### Operating Leases

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.

### Revaluation reserve

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

### Stocks

Stock is held at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow-moving and defective stocks.

### Cash and cash equivalents

Cash and cash equivalents include sums on short-term deposits with recognised banks, building societies and government securities.

### Taxation

The College has been entered into the Scottish Charity Register and is entitled, in accordance with section 13(1) of the Charities and Trustee Investment (Scotland) Act 2005, to refer to itself as a Charity registered in Scotland. The College is recognised by HM Revenue & Customs as a charity for the purposes of section 505, Income and Corporation Taxes Act 1988 and is exempt from corporation tax on its charitable activities. The College receives no similar exemption in respect of Value Added Tax.

### Provisions, contingent liabilities and contingent assets

Provisions are recognised when the College has a present or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation and a reliable estimate can be made of the obligation.

The amount recognised as a provision is determined by discounting the expected future cash flows at a pre-tax rate that reflects risks specific to the liability.

A contingent liability arises from a past event that gives the College a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the College a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the College.

Contingent assets and liabilities are not recognised in the Balance Sheet but are disclosed in the notes.

### 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's Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College's Statement of Comprehensive Income.

### Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the year-end rates. The resulting exchange differences are dealt with in the determination of income and expenditure.

### 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

The two principal pension schemes for the College are the Local Government Pension Scheme (LGPS) and the Scottish Teachers' Superannuation Scheme (STSS).

#### Local Government Pension Scheme (LGPS)

The LGPS is a pension scheme providing benefits based on final pensionable pay, prior to 1 April 2015 and a career average scheme from 1 April 2015. 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 Projected Unit Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme, after making allowances for future withdrawals. The amount charged to the Statement of Comprehensive Income represents the service cost expected to arise from employee service in the current year.

### Scottish Teachers' Superannuation Scheme (STSS)

The College participates in the STSS 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, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the year.

### Pension Provision

The College has made provision for the enhanced pensions, payable to former employees who have taken early retirement, for which it is liable. This provision is calculated based on the actuarial tables which take account of the enhancement payable, the age, sex and marital status of the former employee. The annual cost of the enhancement is funded from the provision. The provision is made in accordance with FRS 102 and any movements are adjusted through the Statement of Comprehensive Income.

### Derivatives

Derivatives are held on the balance sheet at fair value with movements in fair value recorded in the Surplus or Deficit.

Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of interest rate swap contracts are determined by calculating the present value of the estimated future cash flows based on observable yield curves.

### Reserves

Reserves are classified as restricted or unrestricted. 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 2018	Year Ended 31 July 2017
	£000	£000
<b>2 Scottish Funding grants</b>		
FE recurrent grant (including fee waiver)	20,804	20,143
Childcare funds	530	552
SFC deferred income	1,571	1,530
Scottish Funding Council maintenance grant	432	961
Other Scottish Funding Council grants	839	623
<b>Total</b>	<u>24,176</u>	<u>23,809</u>
<b>3 Tuition fees and education contracts</b>		
Further education fees - UK & EU Students	127	114
Further education fees - non EU Students	0	0
Higher education fees	1,588	1,554
Skills Development Scotland Income	1,172	1,075
Education contracts	1,643	1,751
Other contracts	2,606	3,252
	<u>7,136</u>	<u>7,746</u>
<b>4 Other grant income</b>		
Forth Valley College Foundation	146	131
Other grants	166	2,082
<b>Total</b>	<u>312</u>	<u>2,213</u>
<b>5 Other operating income</b>		
Residences, catering and conferences	730	794
Other income	600	457
<b>Total</b>	<u>1,330</u>	<u>1,251</u>
<b>6 Investment income</b>		
Other interest receivable	<u>0</u>	<u>6</u>

**7 Donations**

There were no donations during 2017/18 (2016/17: nil)

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
<b>8 Staff costs</b>		
Salaries	18,624	18,408
Social security costs	1,865	1,744
Other pension costs (including FRS 102 adjustment of £874k); (2016/17: £689k)	3,982	3,712
<b>Total</b>	<b>24,471</b>	<b>23,864</b>
Academic/ Teaching Departments	15,035	14,420
Academic/ Teaching Services	3,477	3,252
Administration and Central Services	3,859	3,870
Premises	730	668
Other expenditure	456	443
Catering and Residences	317	356
Modern Apprentice Trainees	420	855
<b>Sub-total</b>	<b>24,294</b>	<b>23,864</b>
Restructuring costs	177	0
<b>Total</b>	<b>24,471</b>	<b>23,864</b>

**Compensation for loss of office payable to a senior post-holder:**

No senior post holder left office during the year.

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

	No.	No.
Senior management	6	7
Academic/ Teaching Departments	259	267
Academic/ Teaching services, Admin and central services	241	246
Premises	12	12
Catering	15	18
Modern Apprentice Trainees	25	56
<b>Total</b>	<b>558</b>	<b>606</b>
<b>Analysed as:</b>		
Staff on permanent contracts	489	571
Staff on temporary contracts	69	35
	<b>558</b>	<b>606</b>

The number of staff, including senior post-holders and the Principal, having responsibility for planning, directing and controlling the activities of the College, and who received emoluments including benefits in kind where appropriate, excluding pension contributions, were as follows:

	2018	2018	2017	2017
	Senior post-holder No.	Other members of staff No.	Senior post-holder No.	Other members of staff No.
£50,001 to £60,000 per annum	0	7	0	8
£60,001 to £70,000 per annum	0	2	1	2
£70,001 to £80,000 per annum	0	0	1	0
£80,001 to £90,000 per annum	2	0	2	0
£90,001 to £100,000 per annum	1	0	1	0
£100,001 to £110,000 per annum	2	0	1	0
£120,001 to £130,000 per annum	0	0	1	0
£130,001 to £140,000 per annum	1	0	0	0

	Year Ended 31 July 2018	Year Ended 31 July 2017
	No.	No.

### 9 Senior post-holders' emoluments

The number of senior post-holders that form the senior management team, including the Principal

6

7

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries and benefits	615	634
Employer's Pension contributions	103	111
<b>Total emoluments</b>	<b>718</b>	<b>745</b>

The above emoluments include amounts payable to the Principal, the highest paid senior post-holder, of:

Salary	138	124
Benefits in kind	0	0
	<b>138</b>	<b>124</b>
Pension contributions	<b>15</b>	<b>21</b>

The Principal and two other senior post-holders were members of the Scottish Teachers' Superannuation Scheme and the other three senior post-holders were members of the Local Government Pension Scheme. All pension contributions were paid at the same rate as for other members of staff.

As a result of reaching the HMRC Lifetime Allowance limit, the Principal left the STSS pension scheme on 31 March 2018. From this date the pension payments that Forth Valley College would have made to the Principal's pension scheme, are paid as salary.

The Chair of the Board of Management claimed remuneration of £7,600 in the financial period (2016/17: £20,800). Other members of the Board of Management, other than the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
<b>10 Pension Provision Charge</b>		
(Decrease)/increase due to revaluation of pension liability	(284)	214
Interest	192	170
	<b>(92)</b>	<b>384</b>

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
<b>11 Other operating expenses</b>		
Teaching departments	1,623	1,518
Administration and central services	1,315	1,368
Premises costs	1,513	1,356
Planned maintenance	321	325
Other employee related costs	397	388
Agency staff costs	63	89
Other expenses	218	229
Residences, catering and conferences	278	412
Childcare	530	551
<b>Total</b>	<b>6,258</b>	<b>6,236</b>

Other operating costs include:

Auditors' remuneration		
- external audit of the financial statements	23	32
- internal audit services	20	14
- external auditors other services	0	0
Hire machinery - operating leases	86	81
Hire of premises - operating leases	23	56
	<b>152</b>	<b>183</b>

#### 12 Interest and other finance costs

Loan interest	172	178
Increase in fair value of derivatives	(151)	(257)
Pension finance costs (note 23)	530	412
<b>Total</b>	<b>551</b>	<b>333</b>

#### 13 Forth Valley College Foundation

Donation to Forth Valley College Foundation	0	579
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#### 14 Taxation

The Board does not consider that the College was liable for any corporation tax arising out of its activities during the period.

#### 15 Tangible Fixed Assets

Land and buildings were revalued at 31 July 2015 by DM Hall, Chartered Surveyors, in the capacity of independent valuer and in accordance with the Royal Institution of Chartered Surveyors' Appraisal and Valuation Manual. As the majority of the College's buildings are specialised buildings, open market value is not an appropriate basis of valuation. Accordingly, Land and buildings are valued on the basis of depreciated replacement cost with the exception of the Middlefield site at Falkirk, which is valued on the basis of Open Market value. Land is not depreciated and buildings are depreciated over their estimated life as identified by the valuer.

On 4 October 2017, final Ministerial approval was granted for the construction of the new Falkirk campus on the Middlefield site. In advance of this a valuation was sought for the existing Falkirk campus on Grangemouth Road, which resulted in the buildings being impaired by £13.2m, £12.8m of which was covered by the revaluation reserve and £0.4m charged to the Statement of Comprehensive Income for 2016/17.

	Land and Buildings	Plant and Equipment	Assets Under Construction	Total
	£000	£000	£000	£000
<b>Cost or valuation</b>				
<b>At 1 August 2017</b>	46,845	5,322	0	52,167
Additions	0	516	19,670	20,186
Disposals	(1,400)	0	0	(1,400)
<b>At 31 July 2018</b>	<b>45,445</b>	<b>5,838</b>	<b>19,670</b>	<b>70,953</b>
<b>Depreciation</b>				
<b>At 1 August 2017</b>	3,946	4,499	0	8,445
Charge for the year	1,386	402	0	1,788
Disposals	0	0	0	0
<b>At 31 July 2018</b>	<b>5,332</b>	<b>4,901</b>	<b>0</b>	<b>10,233</b>
Net Book Value at 31 July 2017	42,899	823	0	43,722
<b>Net Book Value at 31 July 2018</b>	<b>40,113</b>	<b>937</b>	<b>19,670</b>	<b>60,720</b>

Land and buildings with a net book value of £40m have been funded from either local authority sources or from Scottish Funding Council capital grants. These assets may not be disposed of without the prior approval of the Scottish Funding Council and the College may have to return all or part of the sale proceeds to the Scottish Funding Council.

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

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
<b>16 Trade debtors and other receivables</b>		
<b>Amounts falling due within one year:</b>		
Trade debtors - net of provision for doubtful debts	363	572
Prepayments and accrued income	981	1,131
Other debtors	44	0
	<b>1,388</b>	<b>1,703</b>
<b>17 Creditors: Amounts falling due within one year</b>		
Trade creditors	419	633
Other taxation and social security	458	521
Accruals and deferred income	3,356	2,440
Loan Repayment	167	160
Other creditors	267	520
Deferred capital grant	1,466	1,461
	<b>6,133</b>	<b>5,735</b>
<b>Deferred income</b>		
Included with accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:		
Grant income	319	115
Other income	259	214
Donation Income	20	0
	<b>598</b>	<b>329</b>

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
<b>18 Creditors: Amounts falling due after one year</b>		
<b>Deferred Income</b>		
Secured/Unsecured Loan	3,737	3,904
Deferred capital grant	47,116	28,730
Interest rate swap	435	586
	<u>51,288</u>	<u>33,220</u>
<b>Analysis of secured and unsecured loans</b>		
Repayable within one year	167	160
Repayable between one and two years	175	167
Repayable between two and five years	579	553
Repayable over five years	2,983	3,184
	<u>3,904</u>	<u>4,064</u>

The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011/12. The College has an interest rates swap at 31 July 2018 of £3.9m (July 17: £4.1m) at a fixed rate of 4.3% which terminates on 30 July 2029. In the 12 month period to 31 July 2018, the College repaid £160k (2017: £151k) of the loan principal.

	Early Retirement	LGPS Pension	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000	£000	£000
<b>19 Provisions for liabilities and charges</b>				
<b>At 1 August 2017</b>	7,305	19,227	26,532	24,121
Utilised in year	(397)	(1,529)	(1,926)	(1,875)
Additions in year	0	2,403	2,403	2,168
Revaluation adjustment	(284)	(12,762)	(13,046)	1,536
Interest charged	192	530	722	582
<b>At 31 July 2018</b>	<u>6,816</u>	<u>7,869</u>	<u>14,685</u>	<u>26,532</u>

The early retirement provision above is in respect of future pension liabilities arising from early retirals. The value of the provision is based on a valuation at 31 July 2018 performed by Hymans Robertson, an independent firm of actuaries. The LGPS pension provision relates to the liability under the College's membership of the Local Government Pension Scheme. Further details are provided at note 23.

## 20 Restricted Reserves

The college has no restricted reserves as at 31 July 2018 (2016/17: nil)

	As at 31 July 2017	Cash Movement	As at 31 July 2018
	£000	£000	£000
<b>21 Cash and cash equivalents</b>			
Cash and cash equivalents	<u>2,610</u>	<u>2,639</u>	<u>5,249</u>

	Equipment	Property	Year Ended 31 July 2018 Total	Year Ended 31 July 2017 Total
	£000	£000	£000	£000
<b>22 Lease commitments</b>				
Payable during the year	86	23	109	137
Future minimum lease payments due:				
Not later than 1 year	82	23	105	108
Later than 1 year and not later than 5 years	164	0	164	247
Later than 5 years	0	0	0	0
<b>Total lease payments due</b>	<b>246</b>	<b>23</b>	<b>269</b>	<b>355</b>

### 23 Pensions and similar obligations

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

	Year Ended 31 July 2018 Total	Year Ended 31 July 2017 Total
	£000	£000
The total pension costs for the institution was :		
Contribution to STSS	1,607	1,572
Contribution to LGPS	1,501	1,451
Pension costs (as a result of FRS 102)	874	689
Total pension cost (Note 8)	<b>3,982</b>	<b>3,712</b>
Employer contribution rates		
STSS	17.2%	17.2%
LGPS	21.4%	17.9%

#### The Scottish Teachers' Superannuation Scheme

Forth Valley College participates in the Scottish Teachers' Superannuation Scheme. The scheme is an unfunded statutory public service pension scheme with benefits underwritten by the UK Government. The scheme is financed by payments from employers and from those current employees who are members of the scheme and paying contributions at progressively higher marginal rates based on pensionable pay, as specified in the regulations. The rate of employer contributions is set with reference to a funding valuation undertaken by the scheme actuary. The last four-yearly valuation was undertaken as at 31 March 2012. The valuation as at 31 March 2016 will set contribution rates from 1 April 2019.

Forth Valley College has no liability for other employer's obligations to the multi-employer scheme. As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme. The scheme is an unfunded multi-employer defined benefit scheme. It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Forth Valley College is unable to identify its share of the underlying assets and liabilities of the scheme.

The employer contribution rate from 1 April 2015 was 14.9% of pensionable pay. This increased to 17.2% from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay. At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employer's pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employer's contribution rate.

The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2017 were £409.8m as per the Scottish Public Pensions Agency website. Forth Valley College's level of participation in the scheme is 0.4% based on the proportion of the employer contributions paid in 2017/18.

### The Local Government Pension Scheme

The Falkirk Council Pension Fund for non-academic employees is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period ended 31 July 2018 was £1,942k of which employer's contributions totalled £1,501k and employee's contributions totalled £441k. The agreed contribution rates are 17.9% for employers for the period to 31 March 2018, and 21.4% from 1 April 2018, 21.9% from 1 April 2019 and 22.4% from 1 April 2020. Employees pay between 5.5% and 12%.

The following information is based upon a full actuarial valuation of the fund at 31 March 2017 by a qualified independent actuary, rolled forward to 31 July 2018 using approximation methods which allow for changes in financial assumptions, additional benefits, cash flows and actual pension increase orders.

### Principal Actuarial assumptions

Life expectancy is based on the Vita Curves mortality tables with some adjustments. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Male years	Female years
Current pensioners	21.2 years	23.7 years
Future pensioners	22.7 years	25.5 years
	<b>As at 31 July 2018</b>	<b>As at 31 July 2017</b>
Pension increase rate	2.4%	2.5%
Salary increase rate	2.9%	4.0%
Discount rate	2.8%	2.7%

The assets of the scheme and the expected rates of return were:

	Split of investments 31 July 2018	Split of investments 31 July 2017
Equities	66%	65%
Bonds	23%	23%
Property	6%	6%
Cash	5%	6%

The following information is in relation to the Statement of Comprehensive Income:

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
<b>Comprehensive Income and Expenditure Statement</b>		
Current service cost	2,403	2,168
Interest cost	1,551	1,216
Interest income on plan assets	(1,021)	(804)
<b>Total</b>	<b>2,933</b>	<b>2,580</b>
<b>Reconciliation of present value of defined benefit obligations</b>		
Opening defined benefit obligations	56,522	49,874
Current service cost	2,403	2,168
Interest cost	1,551	1,216
Contributions by members	441	435
Remeasurements		
- change in demographic assumptions	322	0
- change in financial assumptions	(4,352)	3,782
- other experience	(6,803)	9
Benefits paid	(873)	(934)
Unfunded benefits paid	(28)	(28)
<b>Closing defined benefits obligation</b>	<b>49,183</b>	<b>56,522</b>
<b>Reconciliation of the movements in the fair value of the plan assets</b>		
Opening fair value of the plan assets	37,295	33,070
Interest income on plan assets	1,021	804
Remeasurements		
- return on plan assets excluding the amount included in the net interest	1,929	2,469
Contributions by members	441	435
Contributions by employer	1,501	1,451
Contributions in respect of unfunded benefits	28	28
Benefits paid	(873)	(934)
Unfunded benefits paid	(28)	(28)
<b>Closing fair value of the plan assets</b>	<b>41,314</b>	<b>37,295</b>
The underlying net liability for retirement benefits attributable to the College at 31 July	<b>7,869</b>	<b>19,227</b>

#### Analysis of projected amount to be charged to operating result for the year to 31 July 2019

	Year Ended 31 July 2019
	£000
Projected current service cost	2,588
Interest on obligation	1,592
Interest income on plan assets	(1,172)
<b>Total</b>	<b>3,008</b>

As a result of a High Court decision on 26 October 2018, pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997. The College considers it is likely that this ruling will impact the defined benefit scheme in which it is a participating employer and may result in the recognition of additional liabilities. As a consequence of this ruling, trustees of pension schemes will need to consider the integrity of their pension scheme data, the adjustments to benefits that may be necessary and any implications for scheme liabilities and funding. The High Court ruling on 26 October 2018 creates an obligation on that date for the Trustees to amend the scheme rules to reflect the consequences of the ruling. Therefore this is considered to be a non-adjusting event after the reporting period. The calculation of any additional liabilities will be a complex and lengthy process and as such the financial effect of any adjustment that may arise cannot be estimated at this stage. Any adjustment will be reflected in the financial statements for the year ended 31 July 2019.

## 24 Related Party Transactions

The College's board members are the trustees for charitable law purposes. Due to the nature of the College's operations and the composition of its Board of Management being drawn from local public and private sector organisations, it is inevitable that transactions will take place with organisations in which a member of the Board of Management may have an interest. All transactions involving organisations in which a member of the Board of Management may have a material interest are

conducted at arm's length and in accordance with normal project and procurement procedures.

During the period under review, transactions with bodies in which a member of the Board of Management has an interest and which, in aggregate, exceeded £5k are noted below:

Member	Organisation	Contract	College Income	College Purchases
			£000	£000
Mr K Thomson	SQA	Educational	24	322
Mr K Thomson	Historic Environment Scotland	Educational	39	9
Mr K Thomson	Ceteris	Educational	0	10
Mr C Alexander	BP Oil Exploration Ltd	Educational	60	0
Ms T Craggs	Historic Environment Scotland	Educational	39	9
Miss L Dougall	University of Strathclyde	Educational	64	0
Mr L McCabe	University of Stirling	Educational	1,128	4
Mr L McCabe	APUC	Educational	0	80

At 31 July 2018 the following balances existed which were greater than £5k, for the organisations noted above:

Organisation	Due to the College	Due from the College
	£000	£000
SQA	2	18
University of Stirling	94	0
	<u>96</u>	<u>18</u>

The College had transactions during the year, or worked in partnership with, the following bodies in which members of the Board of Management hold, or held, official positions.

Member	Organisation	Post
Mr K Thomson	SQA	Board Member
Mr K Thomson	Historic Environment Scotland	Board Member
Mr K Thomson	Ceteris	Board Member
Mr C Alexander	BP Oil Exploration Ltd	Reliability and Maintenance Manager
Ms T Craggs	Historic Environment Scotland	Board Member
Miss L Dougall	University of Strathclyde	Faculty Manager
Mrs C Jack	Scottish Power Energy Networks	Head of Delivery (Central & Fife)
Mr L McCabe	University of Stirling	Director of Finance
Mr L McCabe	APUC	Director of APUC Ltd

## 25 Financial Instruments

Financial assets and liabilities are carried in the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the assumption that the fair value of trade and other receivables (note 16) and trade creditors (note 17) is taken to be the invoiced or billed amount.

Liquidity risk – The College uses an interest rate swap to adjust interest rate exposure in order to guarantee fixed interest payments for a bank loan (note where payments are variable and hence exposed to interest rate movements). The swap has a fixed rate of 4.3% and the fair value as at July 2018 was £435K (2017: £586k). The swap is due to terminate on 30 July 2029. The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011/12. In the year to 31 July 2018 the college repaid £160k of the loan principal. A covenant was arranged as part of the original loan agreement.

	FE Bursary	EMA's	Other	Year Ended 31 July 2018	Year Ended 31 July 2017
<b>26 FE Bursary and other Student Support Funds</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Balance brought forward	242	0	13	255	0
Allocation received in year	2,533	186	264	2,983	3,662
	<u>2,775</u>	<u>186</u>	<u>277</u>	<u>3,238</u>	<u>3,662</u>
Expenditure	(2,683)	(186)	(271)	(3,140)	(3,407)
Repayable to Funding Council as Clawback	0	0	0	0	0
Balance carried forward	<u>92</u>	<u>0</u>	<u>6</u>	<u>98</u>	<u>255</u>
Represented by:					
Repayable to Funding Council as Clawback	92	0	6	98	255
	<u>92</u>	<u>0</u>	<u>6</u>	<u>98</u>	<u>255</u>

FE Bursary and Student Support Fund 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.

	Year Ended 31 July 2018	Year Ended 31 July 2017
<b>27 Childcare Funds</b>	<b>£000</b>	<b>£000</b>
Balance brought forward	74	0
Allocation received in year	472	625
	<u>546</u>	<u>625</u>
Expenditure	(530)	(551)
Balance carried forward	<u>16</u>	<u>74</u>
Represented by:		
Repayable to Funding Council as Clawback	16	74
	<u>16</u>	<u>74</u>

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

	Year Ended 31 July 2018	Year Ended 31 July 2017
<b>28 HE Discretionary</b>	<b>£000</b>	<b>£000</b>
Balance brought forward	5	1
Allocation received in year	149	157
	<u>154</u>	<u>158</u>
Expenditure	(148)	(153)
Repayable to SAAS as Clawback	(5)	0
Balance carried forward	<u>1</u>	<u>5</u>
Represented by:		
Repayable to SAAS as Clawback	1	5
	<u>1</u>	<u>5</u>

### 29 Capital Commitments

As a result of the approval of the New Falkirk Campus, there is a contracted capital commitment of £45.3m for the construction works for the New Campus for which no provision has been made.

### 30 Contingent Liabilities

The College has no contingent liabilities at 31 July 2018.

### 31 Post Balance Sheet Events

The College has received offers for the sale of the existing land at the Falkirk campus. These will be considered at the Board meeting on 6 December 2018.

### 32 Non-cash allocation

	31 July 2018	31 July 2017
	£000	£000
Deficit before other gains and losses	(759)	(742)
Depreciation budget for government funded assets (net of deferred capital grant) for academic year	613	608
<b>Operating deficit on Central Government accounting basis</b>	<b>(146)</b>	<b>(134)</b>

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 £759k for the year ended 31 July 2018. After taking account of the Government non-cash budget, the college shows an "adjusted" deficit of £146k on a Central Government accounting basis. The deficit is attributable to other factors reflected in the adjusted operating table and the college is therefore operating sustainably within its funding allocation.

### 33 Accounting estimates and judgements

During financial year 2018/19 there will be formal revaluations obtained for the following areas which may cause material adjustments to the carrying values, but which are non-cash items:

- Interest rate risk - the College is exposed to interest rate movements on the loan and as a result entered into a swap arrangement when the loan was agreed. As a complex financial instrument the swap is being accounted for at fair value at each year end. In the current market environment the fair value of the swap agreement is a liability to the College, as assessed by the bank and confirmed as reasonable through an independent assessment. The interest rate swap fair value was a liability at 31 July 2018 but if the LIBOR interest rates and other market factors change going forward there is the potential for the fair value of the swap to be assessed as an asset for the College rather than a liability, or for the liability to increase
- LGPS Pension liability - the College's participation in the Local Government Pension Scheme requires the funding of liabilities that may stretch out 60-70 years based on the working lives of active members and period during which pensions are in payment. During these periods there will be diverse economic cycles, varying levels of investment return and changes in mortality rates. The key assumptions that impact on the net pension liability in future are set out within note 23
- Early Retirement provision. The College has a provision for staff who had early retirement. The amount of this liability varies based on a number of factors, but most significantly on the discount rate applied by the actuary. The key assumptions used in the valuation are the same as for the LGPS (as set out in note 23).

The following are other areas where there is significant estimates or judgements which affect the financial statements:

- Depreciation - depreciation rates have been set for the Falkirk, Alloa and Stirling campuses based on the recommendations of estimated useful lives by valuers.
- LGPS - Cash payments - all of the factors set out above regarding the LGPS could impact on the College's Cash flow position as they could require the actuary to set a revised employer contribution rate having undertaken the three yearly valuation of the pension fund. Whilst there is always an element of uncertainty as to the extent of any change in the contribution rate, the actuary is obliged to have regard to the Fund's Funding Strategy which is to take a prudent long term view of liabilities and maintain as constant an employer contribution rate as possible.

## Appendix 1 Accounts Direction from Scottish Funding Council

1. It is the Scottish Funding Council's direction that colleges comply with the 2015 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
2. Colleges 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 (for assigned colleges).
3. Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2017/18 (FRM) where applicable.
4. Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2018.
5. The annual report and accounts should be signed by the chief executive officer and by the chair, or one other member of the governing body
6. Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council  
13 July 2018

# Forth Valley College Annual Audit Report

Year ended 31 July 2018

**DRAFT**

4 December 2018

Uncontrolled Copy

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Executive summary		1-5
Financial statements accounting and audit matters	Provide an opinion on audited bodies' financial statements Review and report on, as appropriate, other information such as the Performance Report, the Accountability Report, and the Remuneration and Staff Report	6-8 9
Wider scope audit	Demonstrate compliance with the wider public audit scope by reviewing and providing judgements and conclusions on the audited bodies: <ul style="list-style-type: none"> <li>financial position and arrangements for securing financial sustainability</li> <li>suitability and effectiveness of corporate governance arrangements</li> <li>effectiveness of performance management arrangements in driving economy, efficiency and effectiveness in the use of public money and assets</li> </ul>	15-19 20-21 22-23
Appendices	Undertake statutory duties, and comply with professional engagement and ethical standards: <ul style="list-style-type: none"> <li>Appendix A: audited bodies' responsibilities</li> <li>Appendix B: independence and audit quality</li> <li>Appendix C: required auditor communications</li> <li>Appendix D: action plan</li> </ul>	25 26-27 28-29 30

## About this report

This report has been prepared in accordance with Terms of Appointment Letter from Audit Scotland dated 31 May 2016 through which the Auditor General for Scotland has appointed us as external auditor of Forth Valley College (the College) for financial years 2016/17 to 2020/21. We undertake our audit in accordance with the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustees Investment (Scotland) Act 2005 and our responsibilities as set out within Audit Scotland's Code of Audit Practice (the Code), issued on 26 May 2016.

This report is for the benefit of the College and is made available to the Auditor General and Audit Scotland (together the Recipients). This report has not been designed to be of benefit to anyone except the Recipients. In preparing this report we have not taken into account the interests, needs or circumstances of anyone apart from the Recipients, even though we may have been aware that others might read this report.

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

## Complaints

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

**1. Executive  
Summary**

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### Purpose of this report

In accordance with the section 21 of the Public Finance and Accountability (Scotland) Act 2000, the Auditor General for Scotland appointed EY as the external auditor of Forth Valley College (the College) for the five year period 2016/17 to 2020/21. We undertake our audit in accordance with the Code of Audit Practice (the Code), issued by Audit Scotland in May 2016; Auditing Standards and guidance issued by the Financial Reporting Council; relevant legislation; and other guidance issued by Audit Scotland.

This Annual Audit Report is designed to summarise our key findings and conclusions from our audit work. It is addressed to both members of the College and the Auditor General for Scotland, and presented to both College management and those charged with governance, identified as being the Board and the College's Audit Committee. After consideration by the College, this report is provided to Audit Scotland and published on their website.

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

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

### Scope and responsibilities

The Code sets out the responsibilities of both the College and the auditor. We provided details of these in our Annual Audit Plan, which was presented to the Audit Committee on 27 June 2018. We summarise these responsibilities in Appendix A.

Our Annual Audit Plan set out an overview of our audit scope and approach for the audit of the 2017/18 financial statements. We carried out our audit in accordance with the plan. We applied the materiality levels below to our audit, as outlined in our audit plan and based on our consideration of the key risks and issues facing the College and its financial statements. We reassessed materiality on receipt of the draft financial statements and at the conclusion of our audit work, and concluded the levels identified during our planning work remained appropriate.

- |   |          |
|---|----------|
| • Materiality for our audit – no change to that reported in our Annual Audit Plan         | £560,000 |
| • Tolerable Error is our materiality applied at an individual account balance – no change | £420,000 |
| • Reporting threshold, set in line with the requirements of the Code – no change          | £28,000  |

### Financial statement audit

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

- they 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 affairs of the College as at 31 July 2018 and its deficit for the year then ended;
- they have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

We also review and report on other information prepared and published by the College along with its financial statements.

# Executive summary – key messages

## Wider scope audit

Our responsibilities extend beyond the audit of the financial statements. The Code requires auditors to provide judgements and conclusions on the four dimensions of wider-scope public audit. Our audit work over the wider scope audit dimensions, as appropriate, compliments our financial statements audit.

## Key contacts

Stephen Reid, Partner  
sreid2@uk.ey.com

Sarah Croft, Manager  
scroft@uk.ey.com

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

## Independence

We confirm that we have undertaken client and engagement continuance procedures, included in which is our assessment of our continuing assessment of our independence to act as your external auditor.

## Financial statements audit

We [have issued] an unqualified audit opinion on the College’s financial statements. We have concluded satisfactorily in respect of each of the significant risks and audit focus areas identified in our Annual Audit Plan. The financial statements, including the Performance Report, Accountability Report and Remuneration and Staff Report were received at the start of the audit, in line with agreed timetable. These were of a good quality. We made some suggestions to enhance the presentation and readability, and to ensure compliance with disclosure requirements. Management responded positively to audit comments and addressed all material matters in the finalised version of the financial statements.

## Wider scope audit – key messages

We set out below our key messages in respect of each of the dimensions of public sector audit, along with our overall assessment of each of these in terms of red / amber / green. Our assessment is built on our overall consideration of the risks facing the College in each area, the extent to which these are mitigated by the College’s processes and controls, and our assessment of management’s process in implementing recommendations from the 2016/17 audit, where appropriate.

<p>Financial management</p>	<ul style="list-style-type: none"> <li>We have reviewed the College’s financial regulations and are satisfied that these are comprehensive and are subject to regular update. The Vice Principal Finance and Corporate Affairs reports to the Principal, attends Board meetings and provides strategic input on financial matters.</li> <li>Financial performance is scrutinised by the senior management team, the Finance Committee and the Board. This monitoring includes expenditure against budget and the forecast outturn for the year.</li> <li>There is scope for greater focus and consideration on the specific risks in respect of EU Withdrawal on people, financial and rules and regulations and the College’s plans for responding to these risks.</li> </ul>	<p>Green</p>
<p>Financial sustainability</p>	<ul style="list-style-type: none"> <li>The College reported a deficit of £59,000 and an adjusted operating surplus after removal of non-cash accounting adjustments of £652,000. Capital expenditure was in line with budget.</li> <li>The College has prepared its five-year financial forecasts 2018 to 2023 in the form of the SFC’s template financial forecast return. The forecasts have been prepared on the basis of the Board’s strategic plans and supporting aims and objectives. The financial environment in which the College operates continues to be challenging, but the College is developing corrective actions to ensure ongoing financial sustainability.</li> </ul>	<p>Amber</p>

# Executive summary – key messages

## Wider scope audit – key messages (continued)

<p>Governance &amp; transparency</p>	<ul style="list-style-type: none"> <li>The College has in place the key requirements for good governance. We concluded that the Governance Statement materially complies with the SFC’s 2017/18 Accounts Direction.</li> <li>There is an established risk management process with the Board and the Audit Committee regularly considering risks to the College.</li> <li>The College publicises Board and standing committee agendas, minutes and papers on their website on a timely basis and information, including financial performance, is generally clear and concise.</li> </ul>	<p>Green</p>
<p>Value for money</p>	<ul style="list-style-type: none"> <li>A revised strategic plan was introduced from the start of the 2017/18 academic year. Performance indicators have been developed to measure delivery and form part of the Colleges operational planning and staff performance reviews on an annual basis.</li> <li>There is clear and timely reporting against performance indicators. Annual performance reports are published on the College’s website.</li> <li>The College has a procurement framework that requires to be utilised by all employees and is subject to regular updates.</li> </ul>	<p>Green</p>

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**2. 2017/18 financial  
statements audit**

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## 2. Summary of 2017/18 audit opinion

The detailed form and content of our audit report, and the requirements underpinning the report, are set out in guidance issued by Audit Scotland. This covers our reporting requirements in accordance with International Standards on Auditing (UK), plus those matters prescribed by the Code.

Element of Audit opinion	Nature of opinion and basis for that
Opinion on financial statements	Unqualified opinion
<ul style="list-style-type: none"> <li>Truth and fairness of the state of affairs of the College at 31 July 2018 and of the deficit for the year then ended</li> <li>Preparation of the financial statements in accordance with the relevant financial reporting framework</li> </ul>	<ul style="list-style-type: none"> <li>Performance of audit procedures to respond to our assessed risk of misstatement, including significant risks</li> <li>Accounting policies are appropriate and estimates are reasonable</li> <li>Completion of financial statement disclosure checklists / consideration of relevant guidance issued by Audit Scotland</li> </ul>
Conclusions relating to the going concern basis of accounting	No matters to report
<ul style="list-style-type: none"> <li>The use of the going concern basis of accounting used in the preparation of the financial statements is not appropriate</li> </ul>	<ul style="list-style-type: none"> <li>Supported by our core financial statements audit work, supplemented by our wider scope audit procedures in respect of financial sustainability</li> </ul>
Other information in the financial statements	No matters to report
<ul style="list-style-type: none"> <li>We are required to consider whether the other information in the financial statements is materially inconsistent with the annual accounts or our knowledge obtained in the audit</li> </ul>	<ul style="list-style-type: none"> <li>Review of committee minutes and papers / discussions with management / understanding of the business</li> </ul>
Opinions on matters prescribed by Audit Scotland	Unqualified opinions
<ul style="list-style-type: none"> <li>The audited part of the Remuneration and Staff Report has been properly prepared in accordance with applicable regulations</li> <li>Information in the Accountability Report / Annual Governance Statement is consistent with the financial statements, and prepared in accordance with the relevant guidance</li> </ul>	<ul style="list-style-type: none"> <li>We agreed the form of the report to the regulations and agreed the disclosures to underlying accounting records and supporting schedules</li> <li>We reviewed the content of the narrative statements to the information known to us in the audit, and against the requirements of the guidance</li> </ul>
Matters on which we are required to report by exception	No matters to report by exception
<ul style="list-style-type: none"> <li>Whether adequate accounting records have been kept</li> <li>Whether financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records</li> <li>Whether we have not received the information we require for our audit</li> </ul>	<ul style="list-style-type: none"> <li>We were provided with all the information we required</li> <li>We have been able to agree information to the accounting records</li> </ul>

## 2. 2017/18 financial statements audit

The annual financial statements enables the College to demonstrate its accountability for the resources at its disposal, and its overall performance in the application of those resources during the year. They also enable the College to demonstrate openness and transparency in its governance and remuneration arrangements.

### Financial Statement preparation 2017/18

#### Compliance with requirements

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

The financial statements were prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder issued by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

#### Presentation and quality of financial statements

Management provided draft financial statements at the start of the audit, in line with agreed timetable. The financial statements were complete and of a good quality. We made some suggestions to enhance the presentation and readability, and to ensure compliance with disclosure requirements. Management responded positively to audit comments and addressed all material matters in the finalised version of the financial statements.

#### Audit differences

There are no unadjusted or adjusted audit differences arising from our audit.

## 2. 2017/18 financial statements audit

The annual financial statements enables the College to demonstrate its accountability for the resources at its disposal, and its overall performance in the application of those resources during the year. They also enable the College to demonstrate openness and transparency in its governance and remuneration arrangements.

### Financial Statement preparation 2017/18: Other areas

#### Arms Length Foundation (ALF)

As a result of the reclassification of Scotland's Colleges from 1 April 2014, Arm's Length Foundations (ALF) were set up in order that any reserves were not required to be returned to the Scottish Government.

A total of £6 million has been donated to the ALF by the College since it was established in 2014. At 31 July 2018, approximately £5.4 million remained in the ALF (£850,000 uncommitted) to be awarded in line with the ALF's charitable objectives (2016/17: c. £5.4 million). No applications were made by the College for funding from the ALF in the year.

The governance arrangements between colleges and ALFs across the sector is an area of increased focus in 2017/18, in particular around the independence of the ALF and influence colleges can extend over their operations. We have re-assessed the independence of the ALF at the yearend to consider the requirement for consolidation of the ALF into the College's financial statements. We have concluded that the ALF is independent of the College based on a number of factors:

- The ALF has a board of three trustees which is independent of the College. There are no college appointed trustees
- All applications for funding are reviewed against the ALF's grant awarding policy and applications from the College are treated in the same way as external applications
- Day to day management of the ALF is not delegated to, and does not involve, management of the College

## 2. 2017/18 financial statements audit

The annual financial statements enables the College to demonstrate its accountability for the resources at its disposal, and its overall performance in the application of those resources during the year. They also enable the College to demonstrate openness and transparency in its governance and remuneration arrangements.

### Opinions on matters prescribed by the Audit Scotland

**Performance Report:** In accordance with the Code, we review the information contained within the Performance Report and confirm that this is consistent with the information reported within the financial statements. Audit Scotland requires us to also express an opinion on whether the Performance Report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We are satisfied that the information within the Performance Report is consistent with the financial statements and has been prepared in accordance with applicable requirements.

**Accountability Report, including the Governance Statement:** Audit Scotland requires us to read the information in the Governance Statement and express an opinion on whether it is consistent with the financial statements and that it has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

We have reviewed the Governance Statement and are satisfied that the information within the Accountability Report is consistent with the financial statements and has been materially prepared in accordance with applicable requirements. See further commentary within governance and transparency section of wider-scope.

**Remuneration and Staff Report:** Auditors are required by the Code to audit the disclosures of remuneration and pension benefit, pay bands, and exit packages and express a separate opinion within their independent auditor's report on whether they have been properly prepared in accordance with the regulations.

We are satisfied that auditable part of the Remuneration and Staff Report has been properly prepared in accordance with regulations.

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

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.

## 2. Significant audit risks

**Significant risk - risk of fraud in income and expenditure recognition:** ISA (UK) 240 requires us to make a rebuttable presumption that the fraud risk from income recognition is a significant risk. In the public sector, we extend that to consider the risk of material misstatements by manipulation of expenditure.

### Our overall approach

As set out in our Annual Audit Plan, given the nature of funding to the College from the Scottish Funding Council (SFC), we rebutted the assumed fraud risk in respect of this income stream. However we recognised a revenue recognition risk for tuition income and other material income in respect of possible manipulation of cut-off around the financial year end.

We also recognised the same risk around incorrect recognition of non-pay expenditure in line with Practice Note 10.

### What did we do in response to the significant risk?

We undertook the following procedures as part of our audit:

- Reviewed and tested revenue and expenditure recognition policies against the relevant accounting standards and the SORP
- Reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias
- Developed a testing strategy in respect of material revenue and expenditure streams:
  - For tuition fees, we utilised our revenue and accounts receivable analytics programme to identify and analyse unusual transactions to ensure appropriate recognition
  - For SFC and other funding body grant income we reviewed all material grant funding recognised in the year for any indicators of either claw-back or that the terms and conditions of the financial memorandum have not been complied with in all material respects
  - For other income and expenditure, we utilised the analytics programme combined with selected key item and representative samples and obtained the grant award agreements along with confirmation of the balance received / receivable by the College
- We performed focused additional testing around income and expenditure transactions posted near the year end to gain comfort that key items are recorded in the correct accounting period. In particular we focused on material transactions incurred after 31 July, but included in the 2017/18 financial ledger
- Reviewed and tested a sample of debtor balances at the year end, including any material balances. We undertook an assessment of aged balances held on the balance sheet at year end including investigation of unusual items, such as those past payment due date
- We tested an extended sample of year end income and expenditure accruals held on the balance sheet at 31 July. We obtained evidence to support management's conclusion that balances related to transactions in respect of the financial year in question

### What are our conclusions?

Our testing has not identified any material misstatements relating to revenue and expenditure recognition. We did not identify any areas of significant estimation or judgement as part of our audit work in these areas.

## 2. Significant audit risks (cont.)

**Significant risk – management override:** As identified in ISA 240, management is in a unique position to perpetrate fraud in its financial reporting because of its ability to manipulate accounting records directly or indirectly by overriding controls that otherwise appear to be operating effectively.

### We respond to this risk on every engagement

Audit procedures performed	What did we find?
<p>We gave consideration to the risk of fraud, inquiring of management about their assessment of the risks of fraud and the controls put in place to address those risks. We also updated and developed our understanding of the oversight of those charged with governance over management’s processes over fraud.</p>	<p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>As part of the audit process we wrote to the Chair of the Audit Committee to make inquiries around both the governance arrangements at the College and any instances or possible non-compliance identified in the year. Those charged with governance identified through their response no instances of non-compliance. They also did not draw to out attention any significant matters or material weaknesses or concerns in respect of the College’s governance arrangements.</p>
<p>Test the appropriateness of manual journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements</p>	<p>We obtained a full list of journals posted to the general ledger during the year, and used our bespoke data analysers to identify any unusual journal types or amounts based on our identified risk areas for the audit. We then tested a sample of these journals, understood their purpose and agreed and corroborated them to supporting documentation.</p>
<p>Review accounting estimates for evidence of management bias, including management’s retrospective consideration of prior year estimates.</p>	<p>We identified and considered the appropriateness of key accounting estimates, including provisions, and their susceptibility to bias. Management has disclosed their consideration of the critical accounting judgements and key estimates in the financial statements. We have reviewed these and agree with the detail of the assessment performed.</p>
<p>Evaluate the business rationale for any significant unusual transactions</p>	<p>We did not identify any significant unusual transactions outside the normal course of business.</p>
<p>Consistency and application of accounting policies / overall presentation of financial information</p>	<p>We consider the accounting policies adopted by the College to be appropriate. There are no significant accounting practices which materially depart from what is acceptable under FRS 102 or the SORP.</p>
<p><b>What are our conclusions?</b></p>	
<p>We are have not identified any material weaknesses in the design and implementation of controls around journal processing. We did not identify any instances of evidence of management override of controls.</p> <p>There was no disagreement during the course of the audit over any accounting treatment or disclosure. We encountered no difficulties in the audit.</p>	

## 2. Other inherent risks

### Valuation of property, plant and equipment: Our overall approach

The value of property, plant and equipment ("PPE") represents a significant balance on the College's balance sheet and is subject to valuation changes, depreciation charges and possible impairment. The total value of the College estate at 31 July 2018 was £60 million. The estate was last subject to full revaluation as at 31 July 2015 (the Falkirk campus revalued during 2016/17 in anticipation of new campus build being approved).

As set out in our Annual Audit Plan, given that a number of assumptions are used in valuing property, plant and equipment, we assigned a higher inherent risk to the valuation of PPE at 31 July 2018.

### What did we do in response to the risk?

We undertook the following procedures as part of our audit:

- Analysed the source data and made inquiries as to the procedures used by management's specialist to establish the source data as complete
- Assessed the reasonableness of the assumptions and methods used, including their compliance with the SORP and FREM
- Considered the appropriateness of the timing of when the specialist carried out the work
- Challenged management's experts around the key assumptions used in the report, as well as their expertise and process in determining the valuation of the College estate at the balance sheet date
- Considered management's assessment of the estate valuation at the yearend and any indications of impairment
- Assessed that the substance of the specialist's findings are properly reflected in the financial statements
- Reviewed the College's backlog maintenance plans, including consideration of possible indicators of impairment of the existing estate, and whether backlog maintenance expenditure in the year had been correctly accounted for as capital or revenue expenditure
- Tested a sample of additions and disposals in the year, considering the appropriateness of capitalisation in line with the College's accounting policies and to ensure the corresponding replaced assets had been appropriately disposed

### What are our conclusions?

We reviewed the assumptions used in the valuation of land and buildings and have challenged the accuracy and appropriateness of the assumptions, and agreed the workings back to underlying asset information.

Our testing has not identified any material misstatements relating to property, plant and equipment.

## 2. Other inherent risks (cont.)

### Accounting for retirement benefits: Our overall approach

In line with accounting standards, the College recognises the cost of retirement benefits provided to its staff in the reported cost of service when they are earned by the employee and not when the pension benefits are actually paid.

The College's employees belong to two principal pension schemes, the Scottish Teachers Superannuation Scheme (STSS) and the Falkirk Council Pension Fund (LGPS). The present value of Unfunded Obligations in relation to early retirements agreed in previous years is £6.8 million (2016/17: £7.3 million). As at 31 July 2018, the College's share of the pension scheme net liability is £7.8 million (2016/17: £19.2 million).

The information disclosed is based on the FRS 102 report issued to the College by the actuary appointed by the Falkirk Council Pension Fund. Accounting for this scheme involves significant estimation and judgement and therefore management engages an actuary to undertake the calculations on their behalf. ISAs 500 and 540 require us to undertake procedures on the use of management experts and the assumptions underlying fair value estimates.

### What did we do in response to the risk?

As a result of the thematic review performed by the Financial Reporting Council, there has been an increase in focus in accounting for retirement benefits and, as such, we have responded by performing more extensive audit procedures in the current year. We undertook the following procedures as part of our audit:

- Obtained the actuarial report at the year end date for the scheme and utilised our in-house experts to assess both the robustness of the methodology used to derive the key actuarial assumptions, and the reasonableness and consistency of the assumptions underpinning such reports, using guidance available
- We wrote to the actuaries of the pension scheme to confirm their independence and expertise to ensure this was appropriate and sufficient for the purposes of preparing their FRS 102 report
- We wrote to the auditor of the Falkirk Council Pension Fund to gain assurance over the completeness, and valuation of the assets at 31 March 2018, as well as the processes and controls to ensure accurate information is obtained in respect of the College's share of fund assets
- We performed additional testing on the College's share of the Fund pension assets at 31 July, performing roll forward procedures on its share of assets from 31 March to the College balance sheet date
- We reviewed the calculation of the College's valuation of future early retirement liabilities at 31 July

### What are our conclusions?

We concluded that we were able to rely on the work of management's specialists – the pension fund actuaries – and were satisfied that the actuarial assumptions used in the preparation of the FRS 102 report were appropriate.

We obtained relevant assurances from the pension fund auditor to support our conclusions.

Our testing has not identified any material misstatements relating to future early retirement liabilities.

**3. Wider scope  
audit**

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# 3.1 Financial management

Financial management is concerned with financial capacity, sound budgetary processes and whether the control environment and internal controls are operating effectively.

Green

- We have reviewed the College’s financial regulations and are satisfied that these are comprehensive and are subject to regular update. The Vice Principal Finance and Corporate Affairs reports to the Principal, attends Board meetings and provides strategic input on financial matters.
- Financial performance is scrutinised by the senior management team, the Finance Committee and the Board. This monitoring includes expenditure against budget and the forecast outturn for the year.
- There is scope for greater focus and consideration on the specific risks in respect of EU Withdrawal on people, financial and rules and regulations and the College’s plans for responding to these risks.

## Elements of financial management, and our assessment of the College’s arrangements

We consider whether:

- Are standing financial regulations comprehensive, current and promoted across the College?
- The financial control environment and internal controls are operating effectively?
- Are there suitably qualified and experienced staff leading the College’s finance team?
- Are arrangements for monitoring and scrutinising the College’s financial position appropriate?

We have reviewed the College’s financial regulations and are satisfied that these are comprehensive and are subject to regular update. The financial regulations are available on the College’s intranet.

It is also the responsibility of the College to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. Although our audit was not designed to express an opinion on the effectiveness of internal financial control we are required to communicate to you significant deficiencies which we identify. We have not identified any such matters.

The finance team comprises 11.5 FTE and is led by the Vice Principal Finance and Corporate Affairs, who is professionally qualified. The Vice Principal Finance and Corporate Affairs reports to the Principal and participates fully as a member of the senior management team, including attending Board meetings and providing senior management and the Board with strategic input on financial matters.

An important part of financial assurance is regular updates to the Board and monitoring of revenue and capital expenditure against budget, including the overall forecast outturn for the financial year. Financial performance is monitored through quarterly management accounts. Financial performance is monitored by the Principal and the senior management team. Performance is also monitored and scrutinised by the Finance Committee, with periodic reporting to the Board.

We reviewed the financial information monitored by the Finance Committee and the Board and we are satisfied that the information is sufficiently detailed, including explanation of material variances to provide meaningful information to allow scrutiny and challenge of performance.

## 3.1 Financial management (cont.)

### Focus on EU Withdrawal

Withdrawing from the European Union will have implications for the college sector. In October 2018 Audit Scotland published a paper setting out the key issues for the public sector. The issues were identified around three themes of people, financial and rules and regulations.

The risks and opportunities presented by EU withdrawal will vary markedly between organisations. Some parts of the public sector are already experiencing an impact. Audit Scotland expects all public bodies to be assessing the potential impact of EU withdrawal on their organisation, and identifying any specific risks and how they will respond to them.

Colleges Scotland research suggest around 3% of teaching staff are from the EU, and it expects that figure to be higher for support staff. Colleges Scotland and the SFC are working to analyse and model the impact of Brexit on the college sector.

Discussions with management and review of Board papers has confirmed that there has been limited consideration of the impact of EU Withdrawal thus far. We recommend the College consider the impact of EU Withdrawal and, in particular, specific risks in respect of people, financial and rules & regulations, on the College and their response to these risks.

Recommendation 1

EY view: There is scope for greater focus and consideration by the Board on the particular and specific risks in respect of people, financial and rules and regulations and the College's plans for responding to these risks

## 3.2 Financial sustainability

Financial sustainability looks forward to the medium and longer term to consider whether the body is planning effectively to continue to deliver its services or the way in which they should be delivered.

Amber

- The College reported a deficit of £59,000 and an adjusted operating surplus after removal of non-cash accounting adjustments of £652,000. Capital expenditure was in line with budget.
- The College has prepared its five-year financial forecasts 2018 to 2023 in the form of the SFC's template financial forecast return. The forecasts have been prepared on the basis of the Board's strategic plans and supporting aims and objectives. The financial environment in which the College operates continues to be challenging, but the College is developing corrective actions to ensure ongoing financial sustainability.

### Elements of financial sustainability, and our assessment of the College's arrangements

We consider whether:

- The College's revenue and capital outturn for 2017/18 was in line with the approved budgets, with material changes to budgets identified and reported?
- The College has a medium term financial strategy and plan which takes into account risks and uncertainties?
- The College has arrangements to address any identified funding gaps?

The context for financial sustainability

In June 2018, Audit Scotland published their report Scotland's colleges 2018. This report provides an overview of the college sector and, amongst other things, gives an update on college finances. The report highlighted that while the college sector's underlying financial position improved in 2016-17, several colleges face significant financial challenges. Scotland's 20 incorporated colleges reported an overall underlying financial surplus for 2016-17 of £0.3 million. This compares to an underlying deficit of £8 million in 2015-16. Across the sector, the cash held by colleges increased by 13 per cent in 2016-17 and the net value of their assets – such as land and property, compared against financial liabilities such as pension costs – grew by ten per cent. However, these sector-wide increases mask significant variations between colleges.

The report noted that several factors pose a risk to colleges' financial sustainability, including: the future impact of national bargaining for support staff; uncertainties around long-term funding of improved employment terms; the cost of maintaining buildings and land; and the potential impact of leaving the European Union.

The Scottish Funding Council's 2017 estates condition survey indicates that college buildings require urgent and significant investment. The survey estimates a backlog of repairs and maintenance over the next five years of up to £360 million. The SFC is providing £27 million of capital funding to colleges in 2018/19 to cover the very high priority needs identified in the condition survey.

2017/18 financial position

The 2017/18 budget was approved in June 2017. The College budgeted for an accounting deficit of £216,000. Reforecasting was performed in quarter two and quarter three. Significant changes made to the budget were:

- Q2 - increase SFC income in forecast due to introduction of the flexible workforce development fund (FWDF), offset by a loss of commercial income
- Q3 - decrease in SFC income as having difficulty scheduling delivery of FWDF courses in the academic year. Removal of more international income and salary reduction as delay in filling vacancies

## 3.2 Financial sustainability (cont.)

### Elements of financial sustainability, and our assessment of the College's arrangements (cont.)

The College reported a deficit of £59,000 for the year (2016/17: £742,000). Following actuarial gains of £12.7 million, the College reported total comprehensive income of £12.7 million (2016/17: £14.8 million deficit). The College had an adjusted operating surplus after removal of non-cash accounting adjustments (relating to pension and capital accounting adjustments) of £652,000 (2016/17: £731,000).

The College delivered above its credit target of 86,877 by 99 credits.

#### Resource outturn

Colleges are classified as central government bodies and are also required to operate within a resource limit which is measured annually at 31 March. The resource budgets and final outturn for 2017-18 are outlined below:

Spend against Resource Budget	Revenue £'000	Capital £'000
Resource budget for year ended 31 March 2018	25,214	(7,645)
Expenditure against resource budget	25,058	9,742
Net (under)/overspend against budget	(156)	2,097

Source: Forth Valley College financial statements 2017/18

The revenue underspend is equivalent to the annual loan repayment the College has to make in relation to existing borrowings entered into prior to the reclassification as an arm's length public body.

During 2017/18 land at Branshill, Alloa was sold for £2.1 million. This money was subsequently utilised towards the cost of the New Falkirk Campus building works, and this resulted in an overspend on the capital budget.

#### Capital expenditure

During 2017/18 the College budgeted to spend £18.8 million on capital additions. This was primarily in relation to new the Falkirk Campus. By 31 July 2018, reported capital expenditure was broadly in line with budget with only minor delays on progress of the build project. The College's estimated value of backlog maintenance is £56,000.

## 3.2 Financial sustainability (cont.)

### Elements of financial sustainability, and our assessment of the College's arrangements (cont.)

#### Medium-term financial strategy and plan

The College has prepared its five-year financial forecasts 2018 to 2023 and submitted these to the SFC in the form of the template financial forecast return ("FFR"). The forecasts have been prepared on the basis of the Board's strategic plans and supporting aims and objectives. We have outlined the forecast position through to 2023 from the FFR, along with required changes in workforce planning.

Year	17/18	18/19	19/20	20/21	21/22	22/23
Accounting Surplus/(Deficit) (£000)	(59)	16	1,118	(1,258)	(1,255)	(1,214)
Underlying surplus / (deficit) (£000)	652	65	(26)	(119)	(125)	(196)

Source: Forth Valley College

The FFR shows accounting and underlying deficits from 2020/21 onwards. As part of the FFR, corrective actions and associated risks were discussed. This discussion was at Board level and is ongoing. The corrective actions presented are detailed and show potential cost savings for each action. These actions range from short term actions, including: reviewing delivery of modern apprentices; reviewing teaching hours to reduce lecturer FTE; and cutting all financially non-viable courses from the curriculum; to longer term actions such as potential mergers.

Management has noted in its preparation of these forecasts a number of assumptions including:

- Assumed income of £500,000 for the FWDF for 2019/20 and beyond, which is equivalent to the allocation, received and utilised in 2017/18
- Academic salaries are based on the new National Bargaining pay award with 2.5% per annum increments from April 2019. The College has included within their corrective actions, restricting pay awards to 1% below the current public sector pay increases, for the years 2021/22 and 2022/23
- Assumptions also include compulsory redundancy costs in 2020/21 for restructuring

We have reviewed the College's FFR submitted to the SFC for 2018/19 through 2022/23, as well as the underlying assumptions underpinning the return. The forecast submitted represent management's best estimate of the future position for the five year period. It is clear there are constructive discussions ongoing at the Board level about measures to be taken in order to ensure ongoing financial sustainability.

# 3.3 Governance and transparency

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

Green

- The College has in place the key requirements for good governance. We concluded that the Governance Statement materially complies with the SFC’s 2017/18 Accounts Direction.
- There is an established risk management process with the Board and the Audit Committee regularly considering risks to the College.
- The College publicises Board and standing committee agendas, minutes and papers on their website on a timely basis and information, including financial performance, is generally clear and concise.

## Elements of governance and transparency, and our assessment of the College’s arrangements

We consider whether:

- The governance framework is sound and arrangements are operating effectively?
- Is there effective scrutiny, challenge and transparency on decision making?
- Is the Governance Statement complete and does it reflect key findings from audit, scrutiny and inspection?

### Governance and transparency

While we have not identified any significant risks in relation to the College’s governance arrangements through our audit planning, we consider the adequacy and effectiveness of the College’s governance arrangements as part of our audit work. The Board is responsible for establishing robust governance arrangements. This includes ensuring effective systems of internal control, including arrangements to safeguard public money, and compliance with applicable laws and regulations.

The College has in place the key requirements for good governance. We have reviewed Board minutes and papers and found these to set out clearly the matters considered and discussed. The College publicises Board and committee agendas, minutes and papers on their website on a timely basis and information, including financial performance, is generally clear and concise.

### Risk management

The risk management policy outlines the approach to risk management, the roles and responsibilities of the Board, the senior management team and other key parties. It also outlines the key risk management processes and identifies the main reporting arrangements. Throughout 2017/18 the key strategic risks were reported to and monitored by the Audit Committee at each of their meetings and the Board discusses risk, as a standing agenda item, at each meeting.

### Internal audit

The College’s internal audit service provides an important source of assurance to inform management and the Board’s assessment of the College’s governance arrangements. Internal audit’s opinion for the year was based on its agreed audit plan for the year, as approved by the Audit and Risk Committee.

For 2017/18 the Internal Auditor’s annual statement of assurance notes “In our opinion Forth Valley College has a framework of 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. ”

## 3.3 Governance and transparency

### Elements of governance and transparency, and our assessment of the College's arrangements (cont.)

#### Enquiries of those charged with governance

During 2017/18 we formally wrote to the chair of the Audit Committee to make inquiries around the College's governance arrangements, including consideration by those charged with governance in respect of compliance with laws and regulations; identification of fraud, error and breaches of internal control; and material litigation and claims. No matters were brought to our attention. [No matters were brought to our attention – TBC]

#### Governance Statement

We reviewed the Governance Statement within the financial statements against the requirements outlined in the SFC's 2017/18 Accounts Direction. This includes the requirement to conclude on the College's compliance with the Scottish Code of Good Governance, or to explain any areas of non-compliance. We also considered management's arrangements for its own self-assessment over compliance with the Code.

We made some recommendations to management to enhance the presentation and disclosures in the Governance Statement to ensure compliance with the core requirements. While the final financial statements are now materially compliant with the requirements, there are areas where the Governance Statement, and other disclosures, can continue to be further enhanced to improve the readability to users.

#### Severance payments

During 2017/18 the College made payments of £179,000 to three employees who left the College under a voluntary severance agreement. These payments were approved by the College's Remuneration Committee. We confirmed a sample of payments to evidence of approval from the committee, in line with the College's approved policy and SFC guidance.

#### Audit Scotland national reports

It is important that the College has embedded arrangements to ensure that consideration is appropriately given to national reports published by Audit Scotland. This should include ensuring that management has evaluated the implications for the College and that the reports and assessment are shared with the Board.

Discussions with management highlighted that currently no review is performed of these reports and therefore the potential impact of national reports on the College are currently not being considered. We recommend the senior management team review the reports on a timely basis and present an assessment to the Board, as appropriate.

Recommendation 2

#### National Fraud Initiative

The College did not take part in the 2016/17 NFI exercise but is participating in the 2018/19 exercise. Data matches will be made available to the College for investigation and reporting in January 2019.

## 3.4 Value for money

Value for money is concerned with using resources effectively and continually improving services.

Green

- A revised strategic plan was introduced from the start of the 2017/18 academic year. Performance indicators have been developed to measure delivery and form part of the Colleges operational planning and staff performance reviews on an annual basis.
- There is clear and timely reporting against performance indicators. Annual performance reports are published on the College's website.
- The College has a procurement framework that requires to be utilised by all employees and is subject to regular updates.

### Elements of Value for money and our assessment of the College's arrangements

We consider whether:

- The College has a strategic plan that supports the delivery of services and achievement of key performance indicators?
- The College has visible performance reporting against measurable indicators?
- There is an adequate procurement process and is it followed by the College?

#### Strategic plan

The College has a strategic plan in place for the period 2017-2022. The plan identifies the key strategic priorities for the College in order to build on its prior successes and remain at the forefront of college provision in Scotland. The plan notes six strategic themes:

- Create a superb environment for learning
- Cultivate a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly
- Instilling an energy and passion for our people celebrating success and innovation
- Leading as a business that is a champion for governance, financial control and balanced risk taking
- Enhancing our position as the business and community partner of choice
- Delivering a whole system approach. Simple, effective, efficient and consistent

Each theme has individual objectives along with a plan on how to achieve each one. To deliver these strategic themes, individual strategic plans have been developed including an: Estates Strategy, Creative Learning & Technologies Strategy, People Strategy, Financial Strategy, and a Commercial Strategy. These flow into the annual operational planning and staff performance reviews.

#### Performance reporting

The College publishes its performance indicators annually on its website as well as including key measures within the financial statements and Board and committee papers published on the website. The Evaluative Report and Enhancement Plan is also presented to the Board and available on the College's website.

## 3.4 Value for money (cont.)

### Elements of Value for money and our assessment of the College's arrangements (cont.)

#### Procurement framework

The College has a procurement policy which is reviewed on an annual basis (last reviewed June 2018) and published on the College website. It is aligned with the College's strategic objectives. The policy applies to all purchases of goods, services or works made by/on behalf of the College. The policy must be adhered to by all College employees and is compliant with the requirements of the EU Procurement Directives (as set out in the Public Contracts(Scotland) Regulations 2015), the Procurement Reform (Scotland) Act 2014, and the Procurement (Scotland) Regulations 2016.

The policy is prescriptive and notes the procurement procedures required to be followed from defining and approving the business need through to contract management. This is available to all College employees on the intranet. Based on the scope of our work, we have concluded that there is an appropriate framework in relation to procurement.

## Appendices

- A – Code of Audit Practice: responsibilities
- B – Independence and audit quality
- C – Required communications
- D – Action plan

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# A - Code of Audit Practice: responsibilities

In our Annual Audit Plan, we provided a summary of the responsibilities on audited bodies falling within the public sector audit framework, as set out in the Code of Audit Practice (the Code).

## Responsibilities of audited bodies

Corporate governance	Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.
Financial statements and related reports	<p>Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:</p> <ul style="list-style-type: none"> <li>• preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation.</li> <li>• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and support their financial statements and related reports disclosures.</li> <li>• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority.</li> <li>• maintaining proper accounting records.</li> <li>• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.</li> </ul> <p>Management, with the oversight of those charged with governance, should communicate clearly and concisely relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework.</p> <p>Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate Internal Audit and risk-management functions.</p>
Standards of conduct / prevention and detection of fraud and error	Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.
Financial position	<p>Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:</p> <ul style="list-style-type: none"> <li>• such financial monitoring and reporting arrangements as may be specified</li> <li>• compliance with any statutory financial requirements and achievement of financial targets</li> <li>• balances and reserves, including strategies about levels and their future use</li> <li>• how they plan to deal with uncertainty in the medium and longer term</li> <li>• the impact of planned future policies and foreseeable developments on their financial position.</li> </ul>
Best Value	The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

## B. Independence and audit quality

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

### What we are required to communicate

The FRC Ethical Standard requires that we provide details of all relationships between Ernst & Young (EY), its directors and senior management and affiliates, and you, including all services provided by us and our network to you, and other services provided to other known connected parties that we consider may reasonably be thought to bear on our integrity or objectivity, including those that could compromise independence and the related safeguards that are in place and why they address the threats.

There are no relationships from 1 August 2017 to the date of this report, which we consider may reasonably be thought to bear on our independence and objectivity.

### Confirmations

We confirm that there are no changes in our assessment of independence since our confirmation in our Annual Audit Plan, dated June 2018.

We complied with the Financial Reporting Council's Ethical Standards and the requirements of Audit Scotland's Terms of Appointment. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning of regulatory and professional requirements.

We consider that our independence in this context is a matter which you should review, as well as us. It is important that management and members of the Board consider the facts known collectively to you and come to a view. If you would like to discuss any matters concerning our independence, we will be pleased to do this at the meeting of the Audit Committee on 4 December 2018.

### Audit fees – payable in the respect of the year ended 31 July 2018

Component of fee:	2017/18	2016/17
Auditor Remuneration	£20,630	£20,430
Pooled Costs	£1,320	£1,280
Contribution to Audit Scotland costs	£1,150	£1,160
Total fee	£23,100	£22,870

### Audit Quality

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

The EY 2018 UK Transparency Report can be accessed on our website at [www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018](http://www.ey.com/uk/en/about-us/ey-uk-transparency-report-2018). This material is published to provide a timely and relevant source of information about EY in general, and our audit business in particular.

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

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

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

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

### Audit Scotland – Audit Quality Framework / Annual Audit Quality Report

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

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

The most recent audit quality report which covers our work at the College since appointment can be found at: [www.audit-scotland.gov.uk/uploads/docs/report/2018/as\\_audit\\_quality\\_1718.pdf](http://www.audit-scotland.gov.uk/uploads/docs/report/2018/as_audit_quality_1718.pdf).

# C - Required communications

Required communication	Our reporting to you
<p>Terms of engagement / Our responsibilities</p> <p>Confirmation by the Audit Committee of acceptance of terms of engagement as written in the engagement letter signed by both parties.</p> <p>Our responsibilities are as set out in our engagement letter.</p>	<p>Audit Scotland Terms of Appointment letter – audit to be undertaken in accordance with the Code of Audit Practice</p>
<p>Planning and audit approach</p> <p>Communication of the planned scope and timing of the audit, any limitations and the significant risks identified.</p>	<p>Annual Audit Plan – June 2018</p>
<p>Significant findings from the audit</p> <ul style="list-style-type: none"> <li>• Our view about the significant qualitative aspects of accounting practices including accounting policies, accounting estimates and financial statement disclosures</li> <li>• Significant difficulties, if any, encountered during the audit</li> <li>• Significant matters, if any, arising from the audit that were discussed with management</li> <li>• Written representations that we are seeking</li> <li>• Expected modifications to the audit report</li> <li>• Other matters if any, significant to the oversight of the financial reporting process</li> </ul>	<p>This Annual Audit Report</p> <p>We request written representation from you in respect of key matters arising during the course of our audit, and in accordance with auditing standards. A copy of this letter is provided for your consideration and signature at the time of approval of the financial statements.</p>
<p>Going concern</p> <p>Events or conditions identified that may cast significant doubt on the College's ability to continue as a going concern, including:</p> <ul style="list-style-type: none"> <li>• Whether the events or conditions constitute a material uncertainty</li> <li>• Whether the use of the going concern assumption is appropriate in the preparation and presentation of the financial statements</li> <li>• The adequacy of related disclosures in the financial statements</li> </ul>	<p>No conditions or events were identified, either individually or together to raise any doubt about the College's ability to continue for the 12 months from the date of our report.</p>
<p>Misstatements</p> <ul style="list-style-type: none"> <li>• Uncorrected misstatements and their effect on our audit opinion, unless prohibited by law or regulation</li> <li>• The effect of uncorrected misstatements related to prior periods</li> <li>• A request that any uncorrected misstatement be corrected</li> <li>• Corrected misstatements that are significant</li> <li>• Material misstatements corrected by management</li> </ul>	<p>This Annual Audit Report.</p> <p>No significant corrected or uncorrected misstatements noted.</p>
<p>Fraud</p> <ul style="list-style-type: none"> <li>• Enquiries of the Audit &amp; Risk Committee to determine whether they have knowledge of any actual, suspected or alleged fraud affecting the College</li> <li>• Any fraud that we have identified or information we have obtained that indicates that a fraud may exist</li> <li>• A discussion of any other matters related to fraud, relevant to the Audit &amp; Risk Committee</li> </ul>	<p>This Annual Audit Report.</p> <p>We have made enquiries of the audit and risk committee. We have not identified any actual, suspected or alleged fraud affecting the College.</p>
<p>Consideration of laws and regulations</p> <ul style="list-style-type: none"> <li>▶ Audit findings regarding non-compliance where the non-compliance is material and believed to be intentional. This communication is subject to compliance with legislation on tipping off</li> <li>▶ Enquiry of the Audit &amp; Risk Committee into possible instances of non-compliance with laws and regulations that may have a material effect on the financial statements and that the Audit &amp; Risk Committee may be aware of</li> </ul>	<p>This Annual Audit Report</p> <p>We have asked management and those charged with governance. We have not identified any material instances or non-compliance with laws and regulations.</p>

# C - Required communications (cont.)

Required communication	Reference
<p>Related parties</p> <p>Significant matters arising during the audit in connection with the College's related parties including, when applicable:</p> <ul style="list-style-type: none"> <li>• Non-disclosure by management</li> <li>• Inappropriate authorisation and approval of transactions</li> <li>• Disagreement over disclosures</li> <li>• Non-compliance with laws and regulations</li> <li>• Difficulty in identifying the party that ultimately controls the College</li> </ul>	<p>No significant matters have been identified.</p>
<p>Independence</p> <p>Communication of all significant facts and matters that bear on EY's, and all individuals involved in the audit, objectivity and independence</p> <p>Communication of key elements of the audit engagement partner's consideration of independence and objectivity such as:</p> <ul style="list-style-type: none"> <li>• The principal threats</li> <li>• Safeguards adopted and their effectiveness</li> <li>• An overall assessment of threats and safeguards</li> <li>• Information about the general policies and process within the firm to maintain objectivity and independence</li> </ul>	<p>Annual Audit Plan</p> <p>This Annual Audit Report – Appendix B</p>
<p>Internal controls</p> <p>Significant deficiencies in internal controls identified during the audit</p>	<p>This Annual Audit Report – no significant deficiencies reported</p>
<p>Subsequent events</p> <ul style="list-style-type: none"> <li>• Where appropriate, asking the Audit &amp; Risk Committee whether any subsequent events have occurred that might affect the financial statements.</li> </ul>	<p>We have asked management and those charged with governance. We have no matters to report.</p>
<p>Material inconsistencies</p> <p>Material inconsistencies or misstatements of fact identified in other information which management has refused to revise</p>	<p>This Annual Audit Report</p>

# D – Action plan

This action plan summarises specific recommendations included elsewhere within this Annual Audit Report. We have graded these findings according to our consideration of their priority for the College or management to action.

## Classification of recommendations

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

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

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

No.	Findings and / or risk	Recommendation / grading	Management response / Implementation timeframe
1	There is scope for greater focus and consideration on the specific risks in respect of EU Withdrawal on people, financial and rules and regulations and the College's plans for responding to these risks.	In line with Audit Scotland guidance, the College should assess the potential impact of EU Withdrawal, identifying any specific risks and how it plans to respond to them.  Grade 2	The Audit Scotland Withdrawal from the European Union Report has been included in the December Board papers for information. A paper will be taken to the February Board meeting by which time there might a clearer understanding of the terms of the exit and how this impacts on the College.  Responsible officer: Vice Principal Finance and Corporate Affairs  Timeframe: February 2019
2	No review is currently performed of Audit Scotland national reports and the impact on the College.	The senior management team should review Audit Scotland national reports, together with other relevant publications on a timely basis, analyse the content, together with the impact on the College and any resultant action plan. These analyses should be share with those charged with governance for consideration and scrutiny.  Grade 2	The Audit Scotland Scotland's Colleges 2018 Report has been included in the Audit Committee papers for information. Going forward relevant Audit Scotland reports will be included in audit committee papers.  Responsible officer: Vice Principal Finance and Corporate Affairs  Timeframe: December 2019

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[To be prepared on the entity's letterhead]

[Date]

Ernst & Young  
144 Morrison Street  
Edinburgh  
EH6 6EX

Dear Sirs

This letter of representations is provided in connection with your audit of the financial statements of Forth Valley College ("the College") for the year ended 31<sup>st</sup> of July 2018. We recognise that obtaining representations from us concerning the information contained in this letter is a significant procedure in enabling you to form an opinion as to whether the financial statements give a true and fair view of the College financial position of Forth Valley College as of 31<sup>st</sup> of July 2018 and of its financial performance (or operations) and its cash flows for the year then ended in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum.

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

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

#### **A. Financial Statements and Financial Records**

1. We have fulfilled our responsibilities, under the relevant statutory authorities for the preparation of the financial statements in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum.
2. We acknowledge, as members of management of the College, our responsibility for the fair presentation of the financial statements. We believe the financial statements referred to above give a true and fair view of (or 'present fairly, in all material respects') the financial position, financial performance (or results of operations) and cash flows of the College in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum, and are free of material misstatements, including omissions. We have approved the financial statements.
3. The significant accounting policies adopted in the preparation of the financial statements are appropriately described in the financial statements.

4. As members of management of the College, we believe that the College have a system of internal controls adequate to enable the preparation of accurate financial statements in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable in the UK and Republic of Ireland" and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum for the College that are free from material misstatement, whether due to fraud or error.
5. There are no unadjusted audit differences identified during the current audit and pertaining to the latest period presented.

#### **Non-compliance with laws and regulations, including fraud**

1. We acknowledge that we are responsible to determine that the College's business activities are conducted in accordance with laws and regulations and that we are responsible to identify and address any non-compliance with applicable laws or regulations, including fraud.
2. We acknowledge that we are responsible for the design, implementation and maintenance of internal controls to prevent and detect fraud.
3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

We have no knowledge of any identified or suspected non-compliance with laws or regulations, including fraud that may have affected the College (regardless of the source or form and including without limitation, any allegations by "whistleblowers"), including non-compliance matters:

- Involving financial improprieties
- Related to laws or regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements
- Related to laws or regulations that have an indirect effect on amounts and disclosures in the financial statements, but compliance with which may be fundamental to the operations of the College's business, its ability to continue in business, or to avoid material penalties
- Involving management, or employees who have significant roles in internal control, or others
- In relation to any allegations of fraud, suspected fraud or other non-compliance with laws and regulations communicated by employees, former employees, analysts, regulators or others.

#### **B. Information Provided and Completeness of Information and Transactions**

1. We have provided you with:
  - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - Additional information that you have requested from us for the purpose of the audit; and

- Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
2. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
  3. We have made available to you all minutes of the meetings of Board of Management and all standing committees (or summaries of actions of recent meetings for which minutes have not yet been prepared) held through the period to the most recent meeting on the following date: **[list date]**.
  4. We confirm the completeness of information provided regarding the identification of related parties. We have disclosed to you the identity of the College's related parties and all related party relationships and transactions of which we are aware, including sales, purchases, loans, transfers of assets, liabilities and services, leasing arrangements, guarantees, non-monetary transactions and transactions for no consideration for the period ended, as well as related balances due to or from such parties at the year end. These transactions have been appropriately accounted for and disclosed in the financial statements.
  5. We believe that the significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
  6. We have disclosed to you, and the College has complied with, all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.

#### **C. Liabilities and Contingencies**

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

#### **D. Subsequent Events**

1. Other than the events described in Note 31 to the financial statements, there have been no events subsequent to period end which require adjustment of or disclosure in the financial statements or notes thereto.

#### **E. Other information**

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

#### **F. I. Local Government Pension Scheme liability**

1. We believe that the measurement processes, including related assumptions and models, used to determine the accounting estimate(s) have been consistently applied and are appropriate in the context of applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 "The Financial Reporting standard applicable

in the UK and Republic of Ireland” and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum.

2. We confirm that the significant assumptions used in making the accounting estimates appropriately reflect our intent and ability to carry out specific courses of action on behalf of the entity.
3. We confirm that the disclosures made in the financial statements with respect to the accounting estimates are complete and made in accordance with applicable law, United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) including FRS 102 “The Financial Reporting standard applicable in the UK and Republic of Ireland” and with the Statement of Recommended Practice: Accounting for Further and Higher Education, relevant legislation and the Scottish Funding Council Financial Memorandum.
4. We confirm that no adjustments are required to the accounting estimate(s) and disclosures in the financial statements due to subsequent events.

#### **G. Retirement benefits**

1. On the basis of the process established by us and having made appropriate enquiries, we are satisfied that the actuarial assumptions underlying the scheme liabilities are consistent with our knowledge of the business. All significant retirement benefits and all settlements and curtailments have been identified and properly accounted for.

#### **H. Regulatory Compliance**

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

#### **I. Use of funds**

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

#### **J. Senior officer emoluments**

1. We confirm that we have complied with all requirements regarding senior officer emoluments set out within the 2017-18 Accounts Direction.
2. We have included disclosure of all emoluments provided to the head of the institution, which included all amounts paid as well as taxable and non-taxable benefits. We confirm that the disclosure is complete.

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

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

**L. Relationship and transactions with Arm`s Length Foundations (ALF)**

1. Management has considered the College's relationship with the Forth Valley College Foundation ALF, and concluded it is an independent body on the basis of there is no evidence of significant influence by the College and therefore there is no basis for consolidation in the College financial statements.

*Yours faithfully,*

\_\_\_\_\_  
Principal

\_\_\_\_\_  
Chairman of the Board of Management of the College

**1. Purpose**

To present to members the annual report from the Chair of the Audit Committee to the Board of Management for approval.

**2. Recommendation**

That members approve the attached report.

**3. Background**

The Chair of the Audit Committee presents a report of the Committee's activities on an annual basis.

As this report is linked directly to the associated financial year, the information within this paper covers the 12 month period from 1 August 2017 to 31 July 2018 period.

This report will be considered at the Audit Committee meeting on 4 December 2018. If there are any changes made, an updated paper will be tabled at the meeting of the Board of Management.

**4. Financial Implications**

**Please detail the financial implications of this item** – None. All audit activity is fully budgeted and progress against agreed activity is monitored.

**5. Equalities**

**Assessment in Place?** – Yes  No

**If No, please explain why** – Not applicable

**Please summarise any positive/negative impacts (noting mitigating actions)** – Not Applicable

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**6. Risk**

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

**Please describe any risks associated with this paper and associated mitigating actions** – Failure to adequately check internal systems via the internal audit service could lead to systemic errors or inefficiencies. The Internal Audit function, overseen by the Audit Committee, ensures that adequate assurances are received.

**Risk Owner** – Ken Thomson

**Action Owner** – Alison Stewart

**7. Other Implications –**

Please indicate whether there are implications for the areas below.

**Communications** – Yes  No

**Health and Safety** – Yes  No

**Please provide a summary of these implications** – Not Applicable

**Paper Author** – Stephen Jarvie

**SMT Owner** – Alison Stewart

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ANNUAL REPORT OF THE AUDIT COMMITTEE TO THE BOARD OF MANAGEMENT

1. Introduction

This report covers the 12 month period from 1 August 2017 to 31 July 2018. Membership of the Committee during that period was as follows:

Name	Attendance Record
Colin Alexander	1 of 3 meetings
Lorna Dougall (Chair)	3 of 3 meetings
Beth Hamilton	2 of 3 meetings
Trudi Craggs	3 of 3 meetings

The Committee met on the following dates:

14 September 2017  
23 November 2017  
31 May 2018

2. Internal Audit

Internal Audit is governed by the Code of Audit Practice, as published by the Scottish Funding Council (SFC). The Code requires the Internal Auditors to adopt a risk-based approach to the programme, and to undertake follow-up work to ensure that all recommendations accepted by College management have been implemented.

**Audit Provider:** Scott Moncrieff. Their charge for the period was £19,978. (Fees are based upon the degree of responsibility and skill of staff, and the time involved in the work. Fees for additional services or assignments are agreed separately in advance).

**Annual Report on Audit Activities:** The Internal Auditor's report on audit activities carried out during the year 2017–2018 was considered by the Audit Committee at its 6 September 2018 meeting. Internal Audit assignments for this period were carried out broadly in accordance with the Audit Plan agreed by the Audit Committee in November 2017.

**Achievements:** The audit assignments were identified based upon a review of the College risk register, the identification of new systems being implemented within the College and those audits (i.e. credits) required on a rolling basis.

The specific audit reports produced for each assignment made recommendations for the improvement of internal procedures and controls, and each recommendation was given an agreed target date for implementation. The monitoring of internal audit recommendations is a standing agenda item on Audit Committee agendas.

**Effectiveness:** On the basis of the work undertaken during the year the auditors have expressed an opinion that the College has –  
“a framework of 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.”

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### 3. External Audit

**Audit Provider:** Ernst & Young LLP.

**Auditors Report:** The External Auditor's report on the Financial Statements for the year 2017-2018 is included in the papers. The audit was carried out during October/November 2018.

**Management Letter:** During the course of the audit the Auditors performed overviews of the key financial systems of the College to assess their adequacy for the purposes of ensuring that accurate, timely and complete accounting records were being maintained. The recommendations resulting from this exercise are set out in the report of the External Auditor.

### 4. Other Matters

During the past 12 month period, in addition to receiving reports from the Internal and External Auditors, the Committee also considered the Risk Register and treatment of significant risks.

The Audit Committee will also meet with the Internal and External Auditors without College staff in attendance at their meeting of 4 December 2018.

### 5. Adequacy and Effectiveness

The Committee accepts the views of the internal and external auditors that Forth Valley College's internal financial and management systems are adequate and that the Board of Management's responsibilities have been satisfactorily discharged.

Lorna Dougall  
Chair  
4 December 2018

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**1. Purpose**

To present members with the new Strategic Risk Register for the College.

**2. Recommendation**

That members note the content of the register attached to this paper and the actions taken to date.

**3. Background**

In line with the College's Risk Management Policy and Procedure, the College maintains a strategic risk register document. This register is presented to each meeting of the Audit Committee to highlight those risks which have been identified as having a strategic impact on the College.

Risks can be added to the register either by members of the Senior Management Team or by any Committee of the Board or the full Board of Management.

Audit Committee members review the register and, for items of particular concern, the Chair can raise these with the full Board of Management. The register is also presented to the full Board of Management on an annual basis.

**4. Changes to the Risk Register**

At the Board Strategic Session in September 2018, Board members identified a number of areas which they considered to be the key risks to the College. SMT met to discuss these areas, noting the mitigating actions that were in place for each of the risks and scoring each of the risks in the attached register.

**5. Financial Implications**

Financial implications for relevant risks are outlined in the attached Strategic Risk Register.

**6. Equalities**

Assessment in Place? – Yes  No

If No, please explain why – The Strategic Risk Register document does not require equalities impact assessment. Individual risks may result in Equalities assessments being completed for new/revised College policies and procedures.

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7. Risk

Please indicate on the matrix below the risk score. Risk is scored against Impact and Likelihood as Very Low through to Very High.

	Likelihood	Impact
Very High		
High		
Medium		
Low	X	X
Very Low		

Risk continues to be comprehensively managed and reviewed across the College on an ongoing basis.

Risk Owner – Ken Thomson

Action Owner – Ken Thomson

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes  No

Health and Safety – Yes  No

Please provide a summary of these implications – Not Applicable

Paper Author – Stephen Jarvie

SMT Owner – Ken Thomson

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Forth Valley College Strategic Risk Register

Risk Management and Mitigation				Owners			Initial Risk Score			Score After Mitigation			Change to score since last meeting	Date Added and Date Score Updated	
No	There is a real or perceived risk that...	Potential Consequences	Mitigating Actions	Actions/Progress to Date	Board Committee	SMT Risk Owner	Action Owner	Likelihood	Impact	Risk Score	Likelihood	Impact			Risk Score
1	There is insufficient funding from Scottish Government/SFC to support the core activities of the College	<ul style="list-style-type: none"> <li>- Inability to deliver high quality learning</li> <li>- Inability to react to changing economic and local environment</li> <li>- Inability to maintain College infrastructure</li> <li>- Impact on College performance indicators</li> </ul>	<ul style="list-style-type: none"> <li>- Principal and Chair represented on sector groups to lobby SFC/Scottish Government</li> <li>- Vice Principal Finance and Corporate Affairs member of SFC new funding model group</li> <li>- Business Development strategy to increase commercial income being developed by Director of Business Development</li> </ul>	Nov 18 - work ongoing	B	P	VPFACA	VH	VH	25	VH	VH	25		
2	Employers pension contributions to the Scottish Teachers Pension Scheme could increase by 5.2% from April 2019	<ul style="list-style-type: none"> <li>- Additional cost of approx £500k per annum</li> </ul>	<ul style="list-style-type: none"> <li>- Scottish Government in discussion with UK Treasury</li> <li>- Working with Colleges Scotland to lobby Scottish Government for additional funding</li> </ul>	Nov 18 - awaiting outcome of discussions with Scottish Government	F	P	VPFACA	VH	M	15	VH	M	15		
3	Delays to completion and/or issues with the transition process to the new Falkirk Campus (e.g. as a result of adverse weather/impact of Brexit on supply chain)	<ul style="list-style-type: none"> <li>- Impact on student experience and success</li> <li>- Potential increase in costs</li> <li>- Reputational damage</li> </ul>	<ul style="list-style-type: none"> <li>- EEG and FCPB monitoring progress</li> <li>- Development of migration strategy</li> <li>- Communications with stakeholders to manage expectations</li> </ul>	Nov 18 - Actions being planned as per mitigating actions	FCPB	P	DPCOO	H	H	16	M	H	12		
4	National Bargaining process will negatively impact on the College	<ul style="list-style-type: none"> <li>- Unaffordable pay awards</li> <li>- Potential strike action which could impact on the Student experience and meeting commercial contracts</li> <li>- 'No Detriment' restricts options for FVC compared to sector</li> </ul>	<ul style="list-style-type: none"> <li>- Chair and DPCOO represent the College on the Employers Association</li> <li>- Communication with staff, students and other users</li> <li>- Force Majeure clauses in commercial contracts to mitigate impact of strike action</li> </ul>	Nov 18 - We continue to be actively involved in this process which allows us to keep on track with potential changes and able to work through the implication quickly and effectively	B	P	DPCOO	H	H	16	H	M	12		
6	The College will fail to deliver the Outcome Agreement	<ul style="list-style-type: none"> <li>- Reputational damage</li> <li>- Potential clawback of funding and risk of reduction in credits allocated to the College</li> </ul>	<ul style="list-style-type: none"> <li>- Ongoing monitoring of performance against targets by new Leadership Team</li> <li>- Targets cascaded to Directors with accountability</li> </ul>	Nov 18 - Additional monitoring reports being built for Department teams to allow granular monitoring of targets.	LSE	P	VPISC	M	VH	15	L	VH	10		
7	The student experience fails to meet student expectations	<ul style="list-style-type: none"> <li>- Reputational risk</li> <li>- Current/Potential students choose another College/Learning provider</li> <li>- Impact on College meeting credit and PI targets</li> </ul>	<ul style="list-style-type: none"> <li>- Listening to Learners</li> <li>- Ensuring relevance of courses through robust curriculum review</li> <li>- Robust evaluation processes at all levels</li> <li>- Student support systems in place and effective</li> <li>- Deliver on Creative Learning and Technologies Strategy</li> </ul>	Nov 18 - Actions in Evaluative Report and Enhancement Plan 2017-2018 to address areas where student success PIs are lower than target and to review and enhance student support arrangements; objectives and targets for delivery of year 2 of CLT Strategy in College Operational Plan 2018-2019.	LSE	P	VPLQ	M	VH	15	L	VH	10		
8	The College is adversely impacted by a cyber attack.	<ul style="list-style-type: none"> <li>- Reputational risk</li> <li>- Impact on learning &amp; teaching</li> <li>- Impact on key services</li> </ul>	<ul style="list-style-type: none"> <li>- Up to date firewall, and cyber protection through Jisc</li> <li>- Regular security patching</li> <li>- Full nightly backups and hourly snapshots to minimise disruption in the event of the need to restore data</li> <li>- Up to date anti-virus and malware software</li> <li>- Scanning and monitoring of all external drives</li> <li>- Resilience through additional connections to outside world</li> <li>- Documented and tested business continuity plan</li> </ul>	Nov 18 - Cyber Essentials accreditation secured, Member of National Cyber Security Information Sharing Partnership	A	P	VPISC	M	VH	15	L	VH	10		
9	Loss of key staff will impact on College operations	<ul style="list-style-type: none"> <li>- Loss of knowledge, experience and links within the Sector and to employers etc</li> </ul>	<ul style="list-style-type: none"> <li>- People Strategy</li> <li>- Succession Planning</li> <li>- Talent Management Programme in place</li> <li>- Directors in post</li> </ul>	Nov 18 - First cohort of staff now on Talent Management programme. Effective TNA in place in all departments. Talent Management programme for first time managers ready to roll out	HR	DPCOO	DPCOO	H	M	12	H	L	8		
5	International activity will not meet operational/financial targets	<ul style="list-style-type: none"> <li>- Shortfall in College budget</li> <li>- Consideration of future of International Strategy</li> </ul>	<ul style="list-style-type: none"> <li>- Review of activity levels and international strategy</li> <li>- Look at potential of delivering international activity at a sector level</li> </ul>	Nov 18 - International team has now been disbanded. Full year target will be met due to savings in salary cost. New international opportunity currently being explored.	F	VPFACA	DBD	H	M	12	L	M	6		



# **WORKING COLLABORATIVELY FOR A BETTER SCOTLAND**

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Strategic plan

**ENTERPRISE & SKILLS  
STRATEGIC BOARD**

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# CHAIR'S FOREWORD

The Enterprise and Skills Strategic Board exists to improve the enterprise and skills system in Scotland. This Strategic Plan provides clarity around strategic direction to our agencies and a blueprint to Government to turn up the dial on productivity and drive inclusive and sustainable economic growth.

To build a picture of what Scotland needs from its enterprise and skills system, the starting point for the Board was to look at Scotland's assets, examine the current and future needs of business and learners, consider the plans and policies already in place through Government and look at where other partners – local authorities, public and private sector organisations, social enterprises and others – are already delivering great work.

This Strategic Plan is not just about looking at new areas or initiatives. It is also about doing what we do better – with business and learners at the heart – to create a system which is simpler and easier to navigate. The approach has been to look at how public and private sector partners, local, regional and national, can provide place-centric, industry-focused assistance that will drive inclusive growth.

The goal has to be greater collaboration not just between the enterprise and skills agencies themselves, but right across the system. The Board has made some recommendations around how we can collectively strengthen outputs and outcomes with partners, while retaining clear roles and responsibilities about delivery.

The focus is on productivity, but also equality, wellbeing and sustainability. The Board has considered how programmes and activities can be delivered more cohesively to make Scottish companies more resilient in the face of a changing global landscape: how they can scale up, grow and globalise and prepare for future opportunities such as automation and digitalisation, and challenges such as climate change.

Profound demographic change will alter the character of the country and the nature of the economy. In 25 years, there will be around a quarter of a million more Scots, but there will be far fewer people of traditional working age and a drop in the numbers who would typically be in school, apprenticeship, college and university. We will need and buy different types of goods and services, and in turn that will affect the demand for and supply of workers.

The Board has considered how our colleges, universities and training providers can ensure that our skills provision is even more agile, responsive and flexible, and better matches the needs of both industry and learners, now and in the future, acknowledging this changing demographic.

The customer will be at the centre. Advice will be easier to access. A main online entry portal will be in place in 2019 to signpost business to where support can be best sourced across the system. Information and help will be delivered more cohesively through the establishment of 'agency-fluid teams' with bespoke support drawn from across the agencies, and able to act more responsively and proactively to help companies reach their potential, regardless of where they are based in Scotland.

The agencies have already begun to align their activities, coordinating how and when they plan, allowing them to spot opportunities for collaboration and to remove overlaps. The Board and agencies will measure progress towards more effective collaboration.

The Strategic Plan goes beyond securing alignment and greater collaboration among the agencies. Over the summer, the Board examined evidence around a number of areas with the potential to drive economic growth. As a result, four initial, interconnected 'missions' were pursued: deep dives into themes that, supported by detailed evidence presented by the newly established Analytical Unit, demonstrated that, by concentrating efforts in these areas, a positive shift in productivity can be achieved.

The Board has developed actions and recommendations around the four missions, covering Business Models and Workplace Innovation; Future Skills; Business Creation and Growth; and Exporting. Improving productivity and growth were central considerations but other economic and social objectives around business, citizens and society were equally critical.

For instance, we know that technology, Brexit and automation are disrupting traditional business models and working environments. To respond to these challenges, there needs to be increased resilience at workforce, sectoral and economy level.

The Board reviewed compelling evidence that those investing in high performance workplace practices show productivity premiums of up to 30%, yet these approaches are not common across most Scottish businesses and organisations. There is a clear need to create interventions that improve management quality and leadership skills.

The widespread adoption of innovative business models and best practice in the workplace will increase resilience by creating a business culture in Scotland that is open to change, agile, and focused on continuous improvement. More importantly, developing more entrepreneurial and ambitious leadership will create more diverse and socially inclusive workplaces which deliver on Fair Work, increased employee engagement, better paid jobs, and improve the overall performance of Scottish workplaces.

The identified action for the agencies is to deliver an 'Innovating Workplaces' campaign to promote and deliver more progressive business models and innovation for all sizes of enterprise at whatever stage of growth. This action will include increased Fair Work conditionality for business support.

Other key outputs include:

- Developing a suite of programmes designed to focus on the potential of mid-sized companies to scale up and internationalise, alongside private partners such as CAN DO Scale and other private sector groups/bodies.
- Embedding a culture of lifelong learning at all stages of an individual's career, including a stronger emphasis on work-based learning, to enable Scotland to better respond to the current and future skills needs of industry and learners. This includes a recommendation to Government to re-design and expand interventions in this area such as the Individual Training Account and the Flexible Workforce Development Fund.
- Helping companies to export through a 'national exporting service' – a one Scotland approach to export delivery organisations and services, strengthening national and regional partnerships and enhanced digital support services to engage more companies and address knowledge barriers to exporting, including sales skills.
- Ensuring that we have a demand led skills system that is flexible and highly responsive to industry and learner needs. This must be underpinned by robust evidence on employer demand, predictive analytics on future skills needs and access to lifelong careers advice that addresses the future realities of constant change, ever evolving occupations and the critical requirement for lifelong learning. From primary schools, through secondary schools, in colleges, universities and within the workplace, pupils, learners, employees and those seeking work should be able to access high quality, well informed, independent careers advice on demand.

Supporting all of that is a focus on the potential of digitalisation and new technologies, including those that support the transition to a carbon-neutral economy. Digital literacy has to be embedded in enterprise and education across Scotland. The Board and agencies will make use of new data sources and predictive analytics to improve our own understanding, as well as to encourage greater uptake of digital skills and technologies

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## CHAIR'S FOREWORD

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The Strategic Plan is a plan for the longer term, with a 20-year horizon, but given the fluidity of geopolitical and economic circumstances, it will be updated regularly to ensure it is fit-for-purpose and able to flex in response to ever changing global conditions.

This is a time for our businesses and learners to co-invest in the system. In particular, the business community cannot sit on the sidelines, but must engage to ensure the relevance and effectiveness of the interventions delivered by the agencies

It goes without saying that I am grateful to all those who have already engaged with this work and provided input. Members of the Board have spoken to a great many people over recent months, and the views received have proved valuable in helping shape our thoughts. A key strength of the Board is its ability to pull together a 'coalition of the willing' across traditional partisan lines, allowing us to shine light on the big social and economic challenges we all face, and to develop creative solutions to address them.

Success will, of course, be shown through the outcomes that we now deliver. However, the process of developing this Plan, and the value of the challenging discussions between the collective of Board Members and the agencies has, in itself, been a catalyst for change. A culture of collaboration, support and open dialogue has been clearly developing. I am certain that this will lead to transformational change in the way the agencies approach the design of interventions, their engagement with industry, and the way they work together.

It is not the Board that sets policy, it is the Government. It is not the Board that 'does', it is the agencies. Shifting the dial on productivity and inclusive growth will require everybody stepping forward and continuing to play their part, with clarity of purpose and role. The prize is significant, achievable and important – and we must be ambitious as we reach out and work with others to claim it.



**Nora Senior**  
Strategic Board Chair

# EXECUTIVE SUMMARY

This plan gives clarity around strategic direction to the enterprise and skills agencies – Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council, as well as the new South of Scotland Economic Partnership – so that they can collectively help Scotland move towards the top of the Organisation for Economic Cooperation and Development (OECD) rankings for productivity and for equality, wellbeing and sustainability.

Among the 36 OECD members, Scotland currently sits in mid-table for productivity. Closing this gap would mean more money for individuals to spend, improved business competitiveness and profits, and would deliver higher tax revenues to help fund better public services. **It is a prize worth winning.**

This plan therefore has two overarching features aimed at out-competing other countries:

- a clear sense of what matters most, what will make the biggest difference to economic growth and where priorities should lie; and
- agility to adjust course as the world changes, and to respond quickly to new opportunities as they arise.

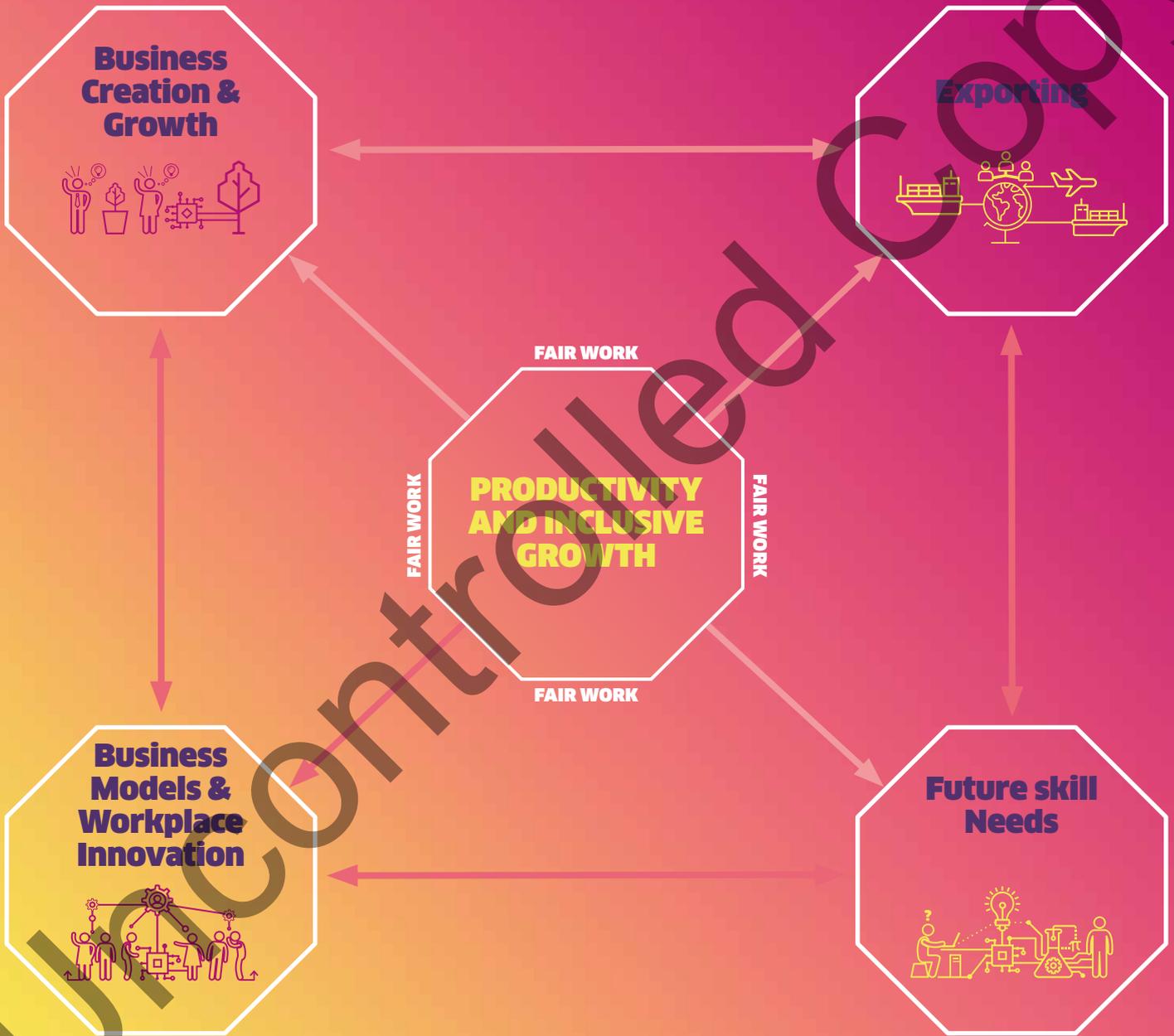
It sets out four interconnected 'missions' that link directly to the work of the agencies and through which economic performance could be improved both rapidly and substantially. There are additional drivers of productivity, including investment and innovation, which either lie out with the Board's remit or will be a focus of the Board in future work.

While driving inclusive growth through increasing productivity has been the primary focus of the four chosen missions, they have also been developed with attention to:

1. Impacts on equality, wellbeing and sustainability – fostering an inclusive society where more individuals and communities benefit from the value created by growth, and ensuring that growth is complementary to environmental sustainability.
2. The importance of place, including national, regional and local implications.

The Board is consciously building on valuable existing Scottish Government policies such as: the Scotland Can Do Action Framework, which is focused on making Scotland the most entrepreneurial and innovative nation in the world; the Labour Market Strategy; and the new Trade and Investment Strategy, which aims to inspire, enable and support more businesses to sell more goods and services to a wider range of international markets.

It embeds the Government's commitment to Fair Work and inclusive economic growth that combines increased prosperity with greater equality, creates opportunities for all and distributes the benefits of increased prosperity fairly. Fair Work is increasingly recognised as a crucial component in delivering high performing and innovative workplaces.



The Strategic Plan sets out how to further drive productivity and inclusive growth in all parts of Scotland and for all Scotland's people, by:

1. Harnessing the full potential of progressive **business models, work place innovation and Fair Work** to enhance productivity, equality, wellbeing and sustainability. This will be achieved by promoting and supporting the development of highly capable businesses with long-term strategic orientations who utilise progressive workplace practices, technology, skilled resources and innovation to remain competitive.
2. Encouraging and enabling a shift to a more demand-led skills system that better responds to the current and **future skills needs** of employers and individuals, including expanding work-based learning, and increasingly supports individuals to upskill and reskill. This requires building on our existing strength of a highly qualified workforce to address the under-utilisation of skills, graduate under-employment and growing and persistent skills shortages.
3. Promoting **business creation and growth** through helping to create a nation of dynamic and high achieving entrepreneurs, with a focus on inclusivity (women, rural, minority ethnic groups and others) and providing a new structure of support for business scale up, as well as targeting global market opportunities, capitalising on Scotland's unique assets, and using innovation as a key driver of productivity growth.
4. Increasing **export growth** through both the number of exporting businesses and the value of exports – sustaining and growing the value of Scotland's trade with new and emerging markets by better understanding product, services and in-country demand, and increase the number of exporters through broader and deeper reach at regional levels.

**This plan sets out an initial 14 actions that the Board will provide clarity and strategic direction to the agencies to undertake and support them in progressing these aims. It also highlights 18 recommendations to Scottish Ministers where it believes there is additional potential that sits outside the Board's immediate remit to approve.**

The Plan looks at how the system will operate. It commits to improving the experience of the customers of the system – businesses and learners – in everything that it does. It will champion the development of a truly digitally-enabled business support environment across Scotland, collectively reaching many more businesses and opening up new routes to stimulate growth. A main online entry point will help businesses identify what support is available and how to access it. An initial version of this will be delivered in April 2019.

A new concept of 'agency-fluid' teams will be established to deliver a more cohesive approach to programme delivery for the customer.

The Board will ensure that Scotland has a group of organisations – all of whom serve to grow Scotland's economy – where collaboration and working differently is 'business as usual'. This collaboration, in combination with better use of data and clarity around the national, regional and local conditions, will be critical to future success.

A performance framework has been established to monitor the impact and outcomes of agency activities, as well as how the agencies themselves work together. The framework will also take account of the importance of regional differences, differences between equalities groups and sustainability.

The Board will use feedback from this framework to adapt its approach where necessary. In doing so, it will promote a system that is agile and has the flexibility required to adjust course as the world changes and to respond quickly to new opportunities as they arise.

The plan sets out a clear direction for the agencies, as well as a set of guiding principles which should be instrumental as attention turns to delivery. The Board will promote the development of processes and culture to ensure delivery of commitments, to improve performance and to deepen collaboration, and it will continue to look ahead to future opportunities.

Engagement will be ongoing with the agencies, government (national and local), partners and, in particular, customers including businesses and learners. as we move into this next phase.

**Summary Actions (More detail in the main document)**

BCG (A1)	Establish a campaign to foster entrepreneurship and ambition across society, with particular focus on inclusivity (incl women, minority ethnic groups, rural considerations etc).
BCG (A2)	Create a main online entry point as part of a wider transformation to a truly digitally-enabled business support service providing rapid, tailored support.
Exp (A1)	Co-ordinate a national exporting service – a one Scotland approach to export delivery organisations and services.
Exp (A2)	Explore a new public/private sector partnerships which will provide support to scale-up, and refresh export support resources.
Exp (A3)	Develop digital, sales and international language training programmes for exporters.
BMW (A1)	Deliver an ‘Innovating Workplaces’ campaign to create awareness of productivity issues of business models, workplace innovation and Fair Work
BMW (A2)	Utilise data-led approaches to proactively identify and support sectors and firms who can exploit opportunities for growth or to enhance their resilience
BMW (A3)	Co-ordinate a programme of business models and workplace innovation activity that is driven by agency-fluid teams.
BCG (A3)	Boost overseas acquisitions through specialist support for scale up from a new public/private/SNIB collaboration.
FS (A1)	Implement the 5-stage skills alignment model <sup>1</sup> and a one system approach for learners and employers.
FS (A2)	Define the meta-skills <sup>2</sup> for use in future skills provision.
AU (A1)	Analytical Unit to lead on work to develop the performance framework.
AU (A2)	Analytical Unit to lead on an evaluation and research programme to better determine the impact from significant agency activities.
Del (A1)	Develop ‘big data’ systems that robustly inform agency planning and shared information.

1 1: Agree skills demand assessment, 2: Joint provision planning, 3: Integrated Processes For Progressing Institutional Outcome Agreements & Commissioning With Training Providers, 4: Co-Ordinated Outcome Agreement Execution & Training Provider Contract Management, and 5: Joint review and evaluation.

2 Meta-skills are higher-order skills – self-management, social and emotional intelligence innovation skills – that enable others skills to be developed.

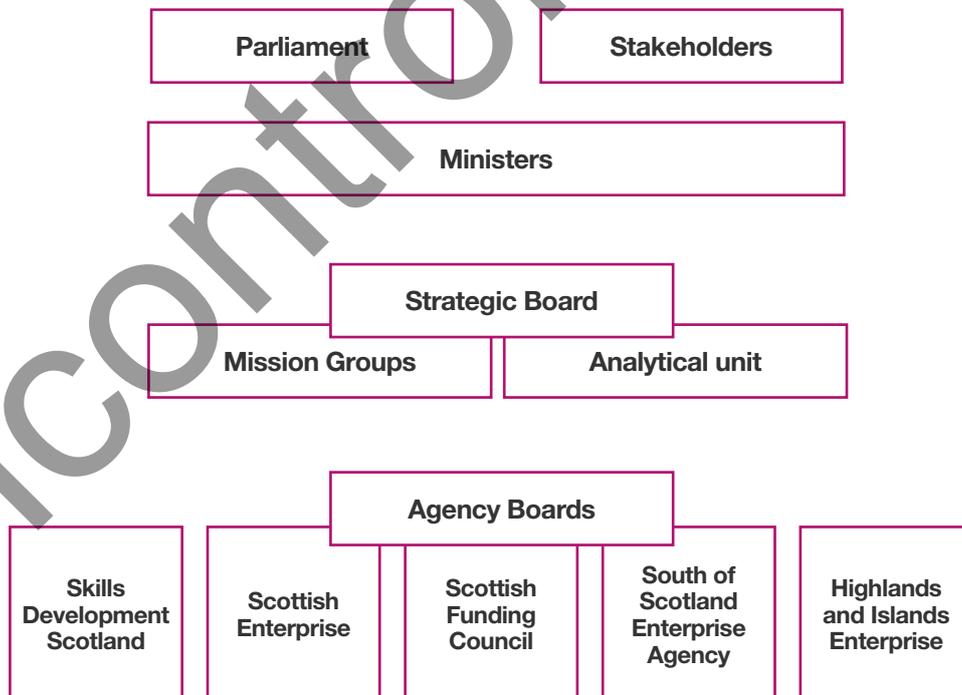
**Summary Recommendations (More detail in the main document)**

FS (R1)	Use funding for colleges, universities and training providers to provide more agile support for employees and employers to upskill and reskill, increasing in-work learning using new models of provision.
FS (R2)	Integrate, expand or re-design forms of upskilling and reskilling support such as Individual Training Account or tax incentives.
FS (R3)	Create a flexible and sustainable funding model to meet the future expansion of demand for work-based and work-integrated learning.
Exp (R1)	Increase international awareness and exposure throughout the education system and champion the re-introduction of the post-study work visa.
FS (R4)	Accelerate, set a timescale for and align existing funds to facilitate delivery of the Learner Journey recommendations to reduce duplication and accelerate pathways to employment.
BMW (R1)	Embed Fair Work principles across the public sector and increase conditionality in business support.
BMW (R2)	Task the agencies to oversee provision of world class management and leadership training accessible across Scotland for a targeted number of business leaders each year.
BCG (R1)	Focus support on scale-up and frontier businesses, including young, ambitious and capable businesses with international aspirations and high growth potential businesses that contribute to the low carbon economy. Adopt a focus on inclusivity.
BCG (R2)	Engage with Business Gateway on support for start-ups. Adopt a focus on inclusivity (incl women, minority ethnic groups and rural considerations).
BCG (R3)	Build on the existing Brexit readiness work of public agencies and business organisations to strengthen the Scottish-level response.
BCG (R4)	Support Scotland's businesses to respond to challenges by leveraging maximum funds from the Industrial Strategy Challenge Fund.
Del (R1)	Agencies should take a greater role, working collaboratively with local authority partners, the private sector and others, in delivering place-based economic development that responds to local opportunities and takes housing, infrastructure and digital connectivity into consideration.
BCG (R5)	Develop and promote Scotland as a Digital Nation, equipping and providing opportunities for digital business.
BCG (R6)	Increase investment in college and university spin-out venture programmes and in organisations focussed on driving entrepreneurship, innovation and research (such as Scotland CAN DO and Scotland is Now).
Exp (R2)	Develop an exporting partnership plan which will increase the involvement of private sector expertise and world-wide resources to grow our exports and imports.
Exp (R3)	Increase ministerial visibility in existing and potential trading partner countries and fast growing priority markets, and create stronger government-to-government and business-to-government networks.
Exp (R4)	Explore the full potential of the international dimension of colleges and universities in supporting economic growth.
Del (R2)	Develop a National Asset Register of sectors, skills and capabilities that is geographically focused.

# 1. OVERVIEW

## Background

The Enterprise & Skills Strategic Board aligns the work of Scotland’s Enterprise and Skills Agencies – Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and the Scottish Funding Council, as well as the new South of Scotland Economic Partnership – behind a common purpose to drive inclusive and sustainable growth. The Board is comprised of individuals from business, trade unions, education providers, including universities and colleges, the enterprise and skills agencies and local government.



Each year, £2.4bn is invested by the Scottish Government in Scotland's enterprise and skills support. That investment, coupled with our ability in Scotland to

convene the key players in one place, provides us with a genuine opportunity to make a difference. Our aim now is to realise that opportunity.

**This plan gives clarity around strategic direction to the enterprise and skills agencies so that they can help Scotland move towards the top of the OECD rankings for productivity and for equality, wellbeing and sustainability.**

**It draws from the five key principles of the Strategic Board, to:**

1. improve the overall performance of the economy by ensuring that the whole Enterprise and Skills System delivers Scotland's Economic Strategy and supporting strategies, in all parts of Scotland
2. through collective responsibility, ensure hard alignment between agencies to drive improvement in Scottish productivity and better support business and users of the skills system
3. hold agencies to account for performance against agreed measures
4. actively engage with other agencies and bodies who support the economy with a view to increasing alignment and challenging others where collaboration is not happening
5. deliver wider collective leadership, based on common culture and values, and which inspires and empowers delivery

# 1. OVERVIEW

## The prize

By many measures Scotland is economically successful. We have one of the best educated populations in the world, a high employment rate and our universities' research performance is world class.

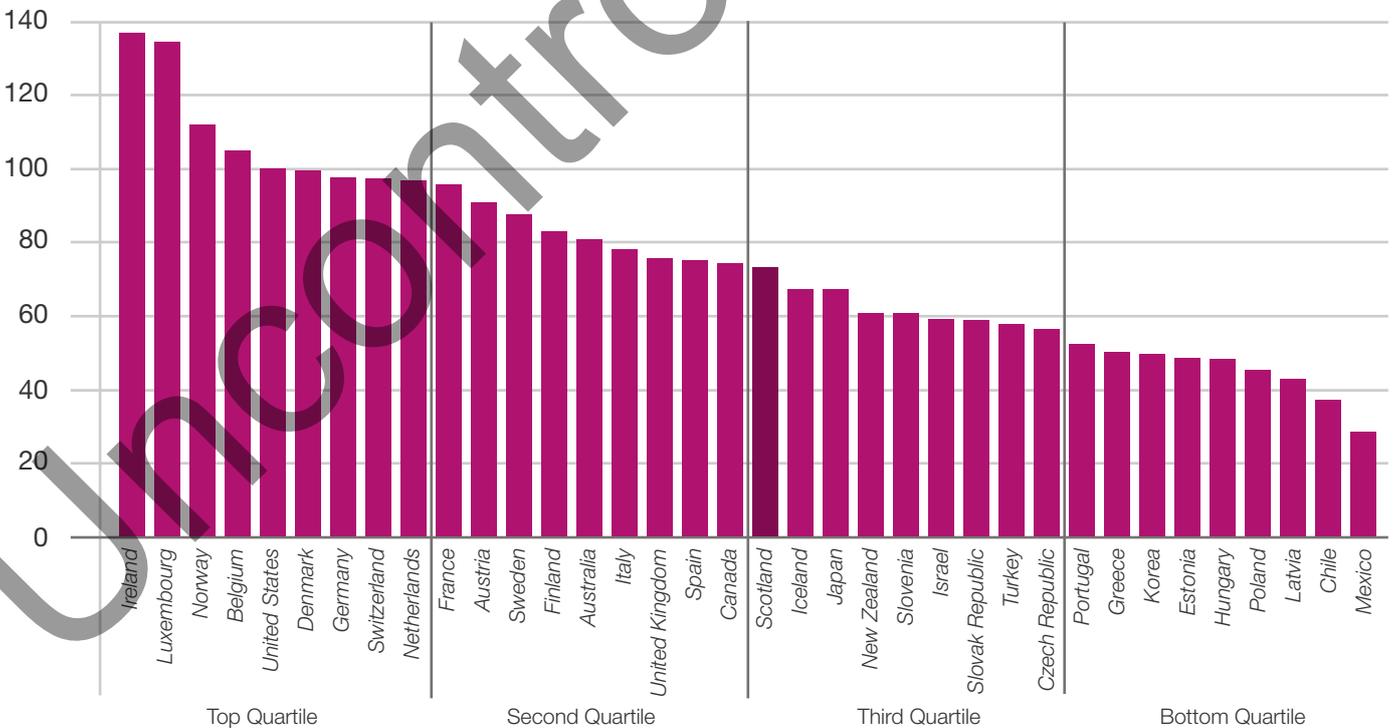
However, our productivity performance – which is a measure of how efficiently we produce goods and services – lags many other countries.

For some time, Scotland's yardstick has been countries whose productivity levels put them in the top quartile of countries belonging to the Organisation for Economic Cooperation and Development (OECD). Among the 36 OECD members, Scotland currently sits in mid-table and has done for a long time<sup>3</sup>. This impacts everybody – productivity is a key determinant of international competitiveness, company growth, living standards and wages.

**In the most productive countries, average annual wages are over £5,000 higher than in Scotland.**

Closing this gap would mean more for individuals to spend, improved business competitiveness and profits, and higher tax revenues to support better public services. **It is a prize worth winning.**

Scotland is currently ranked 19th out of the OECD countries when measured by GDP per hour worked<sup>4</sup>.



Sources: <sup>3</sup> "2016 Productivity levels from OECD Statistics Portal – data extracted on 07 February 2018; Output per hour worked from Scottish Labour Productivity 1998-2017 Quarter 3 - 14 February 2018".

<sup>3</sup> <https://www.gov.scot/About/Performance/scotPerforms/purposetargets/productivity#Chart>

<sup>4</sup> <https://www.gov.scot/About/Performance/scotPerforms/purposetargets/productivity>

Scotland's Economic Strategy describes how we can bridge the productivity gap through investing, innovating, internationalising. It also demonstrates how there is a growing consensus that tackling inequality – and increasing the number of people who can contribute towards economic prosperity – can boost competitiveness and growth. At present, the UK as a whole is ranked 30th out of 35 among OECD countries for income inequality<sup>5</sup> and Scotland's performance is likely to be similar. That is why this Strategic Plan adopts a focus on inclusive growth and builds short- and long-term actions around those foundations.

One in seven people in Scotland still live in poverty



The outcomes of long-term growth have not consistently been shared:

In-work poverty is increasing:

**over half** of working age adults in **poverty** now live in households with at least one adult **in employment**



There is still a gender pay gap: **Women earn 93p** for every **£1** a Man earns



Place is important: **people** from our most **deprived areas** live on **average 10 years less** than those in our least deprived areas



Those sectors of our economy which employ the largest numbers such as

**retail, care and leisure**

are some of those with the **lowest output per worker**



5 <https://data.oecd.org/inequality/income-inequality.htm>

6 Poverty: <https://beta.gov.scot/publications/poverty-income-inequality-scotland-2014-17/> Gender pay gap: Annual Survey of Hours and Earnings 2017 Life expectancy: National Records Scotland 2014-2016 life expectancy in Scottish areas

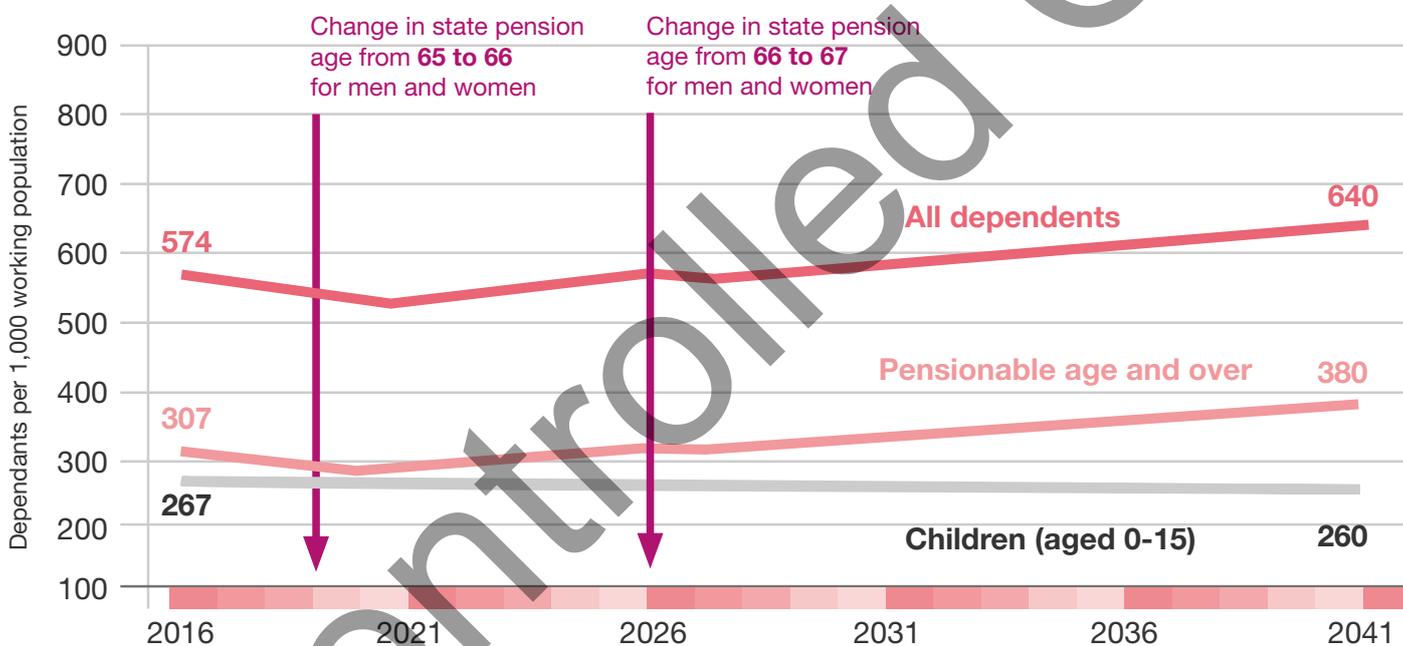
# 1. OVERVIEW

## Demography

There will be around a quarter of a million more Scots in 25 years. But there will be far fewer people of traditional working age and a drop in the numbers who would typically be in school, apprenticeship, college and university. Most marked will be the rise of more than

400,000 aged 65 and over with an extra 220,000 or so of us living beyond 80 years. This demographic shift is also projected to result in a significant increase in the dependency ratio (the ratio of those ages typically not working to those typically in the labour force), which is predicted to be felt most keenly in our rural regions<sup>7</sup>.

Projected dependence ratios (per 1,000 working population), 2016-2041



Source: National Records of Scotland

Profound demographic change will alter the character of the country and the nature of the economy. Scots will demand and produce different types of goods and services, affecting in turn the demand for and supply of workers – for example, there will likely be many more jobs caring for the oldest in society. Employers will have to manage a dip in the supply of young people and a bulge of people in their forties.

<sup>7</sup> National Records of Scotland: <https://www.nrscotland.gov.uk/files/statistics/population-projections/2016-based-scot/pop-proj-2016-scot-nat-pop-pro-pub.pdf>

## Brexit

The UK plans to leave the European Union (EU) in 2019 but, at time of publication, the terms on which it leaves and the nature of its future relationship with the EU and other countries have not been agreed. Nor is it clear when these matters will be settled. What is apparent is that in at least two areas of direct interest to the Board, trade rules and immigration, change will be significant over the coming years.

For decades, a substantial proportion of Scotland's overseas trade has taken place under rules agreed across the EU and between the EU and other countries. The UK intends to negotiate new arrangements. Time will tell how they affect Scotland but the consensus at present is that trade will be harder to do in the foreseeable future than today.

There are some 128,000 people from other parts of the EU who work in Scotland<sup>8</sup> and 22,000 who study at colleges and universities<sup>9</sup>. New rules might make it harder for people who are here to remain and for others to come. It appears that the decision to leave the EU has already reduced the number of people from other EU states coming to work in the UK<sup>10</sup>.

## Shifting geopolitics

In the decades after World War II, western nations built diplomatic, cultural, military and economic alliances, one consequence of which was a marked rise in flows of trade, people and capital between countries, which together helped raise incomes. The depth and pace of globalisation increased rapidly from the 1980s as emerging nations such as China opened up to the world.

Recently, the pace of globalisation has slowed and some of the pillars of the post-1945 settlement and prosperity look shakier with a slowdown in capital flows and signs such as increases in trade tariffs point to protectionism becoming more popular.

In parallel, we see shifts in economic power. While the 'BRICS' countries – Brazil, Russia, India, China and South Africa – have attracted much attention, other emerging markets such as Indonesia and Asian, South American and African nations have the potential to be key drivers of future global growth<sup>11</sup>.

8 Annual Population Survey- Jan-Dec 2016

9 HESA EU domiciled students 2016/17, SFC Infact EU college students 2016/17

10 <https://www.ons.gov.uk/file?uri=/peoplepopulationandcommunity/populationandmigration/internationalmigration/datasets/migrationstatisticsquarterlyreportprovisionalallongterminternationalmigrationltimeestimates/current/provisionalestimatesoflongterminternationalmigrationyemarch2018.xls>

11 Fraser of Allander (2018) Scotland in 2050: Realising our global potential – [https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland\\_in\\_2050\\_Realising\\_our\\_global\\_potential.pdf](https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland_in_2050_Realising_our_global_potential.pdf)

### Technological change

Some call it “Industry 4.0” others “The Second Machine Age”. The defining characteristics of this new wave of innovation today are that it is exponential, digital and makes combining innovations from different sources easy<sup>12</sup>. Already, these have provided useful artificial intelligence and connected most people on the planet through the internet. It is impossible to predict the future with any precision but many technologists and economists forecast that the speed and scale of technological change will continue to increase.

Like past innovations those changes will boost incomes – but they will also cause disruption (e.g. to existing business models and the structure of industry) and could also widen income inequalities. Opportunities to create and expand new businesses to meet undreamt of needs or simply to do better the things done today will leave Scotland wealthier. However, this will not happen simply due to innovation and technology that we import from elsewhere – we need to ensure that Scottish businesses are the producers or pioneers of that innovation, and we need to support those in the workforce who are displaced by technological change to adapt, upskill and reskill to the future economy.

### Climate Change

Climate change is probably *the* most significant event of our times. It is increasingly clear that the planet cannot sustain current models of production and consumption.

The recent UN Intergovernmental Panel on Climate Change (IPCC) report<sup>13</sup> suggested that limiting global warming to 1.5°C would require “rapid and far-reaching” transitions in land, energy, industry, buildings, transport, and cities. Further, with clear benefits to people and natural ecosystems, limiting global warming to 1.5°C could go hand in hand with ensuring a more sustainable and equitable society.

In many regards, Scotland is already a world-leader in this aspect, with existing aspirations to become carbon-neutral by 2050. The transition to a carbon-neutral economy will open opportunities for innovative solutions – both in terms of mitigation and adaptation – that would tap into a global demand.

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<sup>12</sup> Brynjolfsson, Erik and Andrew McAfee (2013), *The Second Machine Age: An Industrial Revolution Powered by Digital Technologies* [https://www.capgemini.com/wp-content/uploads/2017/07/second\\_machine\\_age\\_09\\_01\\_2013\\_0.pdf](https://www.capgemini.com/wp-content/uploads/2017/07/second_machine_age_09_01_2013_0.pdf)

<sup>13</sup> <http://ipcc.ch/report/sr15/>

## What is different about this plan?

The goal is the top quartile of OECD countries. To achieve this means out-competing other countries and, recognising this, this plan that has two overarching features:

- a clear sense of what matters most, what will make the biggest difference and where priorities should lie; and
- agility to adjust course as the world changes, and to respond quickly to new opportunities as they arise.

Inclusive growth has been a guiding principle in developing this plan with a focus on place, participation and sharing value. Fair work – combining growth with increased prosperity, greater equality and creating opportunities for all – is integral to all parts of the plan.

While this plan recognises the imperative for action now, it also accepts the long-term nature of the ambition. We must be in this for the long-haul, setting our sights on a twenty-year time horizon, with sustained and unrelenting commitment to the actions and prioritisation required.

This plan is a vision for improving the enterprise and skills system as a whole. It transcends the boundaries between the agencies and so enables genuine collaborative effort to be rallied behind strategic purpose. This collaboration, in combination with better use of data and clarity around national, regional and local conditions, will be critical to its success.

The plan also proposes strategic changes which have implications for the wider enterprise and skills system, and therefore seeks to influence other key players, including both central and local government, education and training providers and, most especially, the business community.

## How the plan fits together

This plan gives strategic direction to the delivery agencies and additional advice to Scottish Ministers. It builds on the key themes and early successes of the Enterprise & Skills Review.

Over the summer, the Board has pursued four initial ‘missions’ – deep consideration of the factors contributing to productivity growth. Section 2 of this plan describes these missions in more detail, and highlights a series of actions and recommendations for improvement. Section 3 shows how collaboration and alignment across each of the agencies – and beyond – is already making a difference in how we provide support to customers. Progress against our aims will be monitored through the Board’s performance framework, which is set out in Section 4. Finally, Section 5 sets out the next steps for the Board.

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## 2. MISSIONS AND STRATEGIC FOCUS

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### Policy missions bespoke to Scotland's opportunities

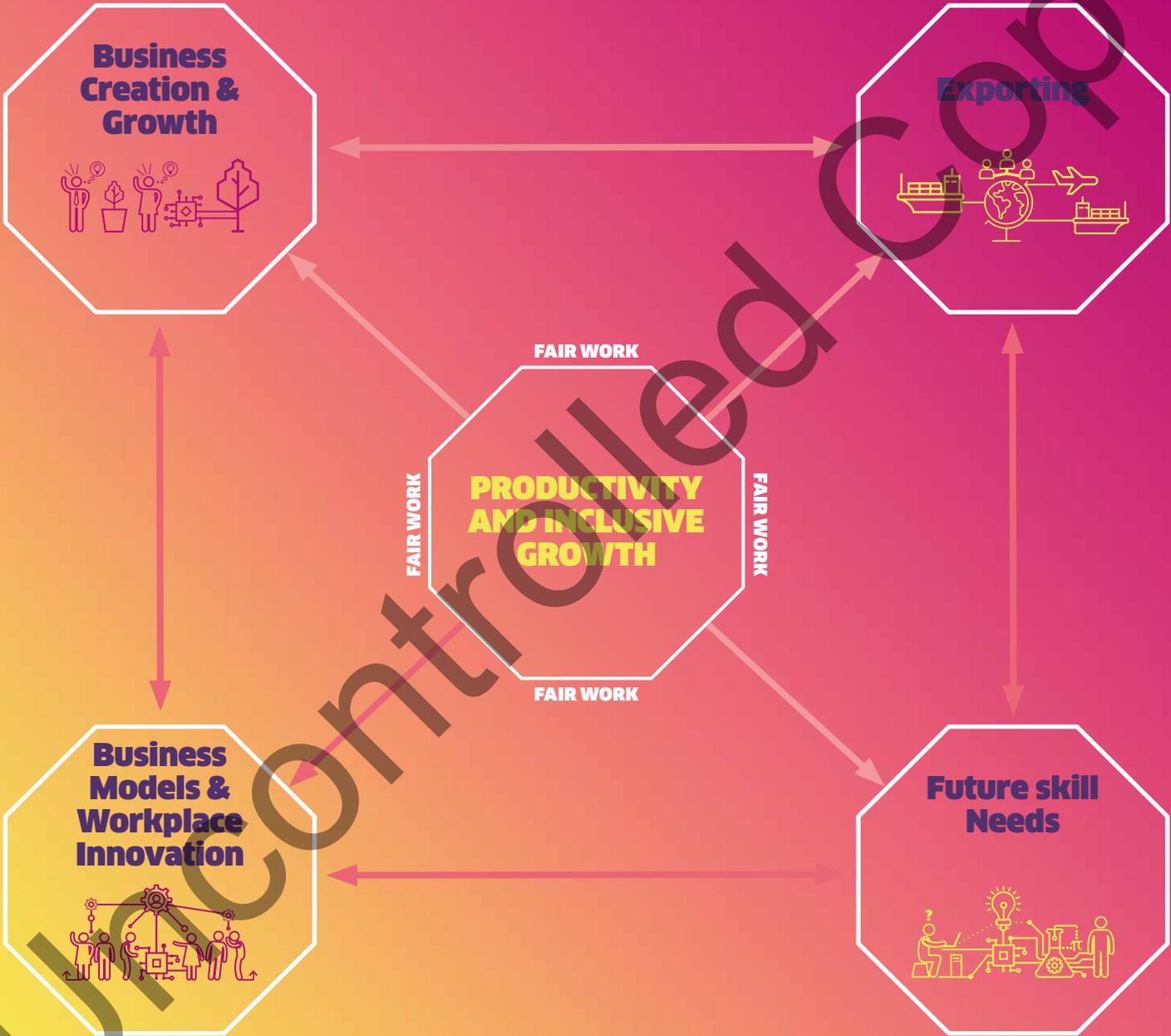
As with every country, Scotland performs better in some areas than others. Scotland secures more inward investment projects than any other region in the UK outside London. The employment rate is high – remaining close to its record level – and the unemployment rate is close to its record low. Scotland is highly-qualified by international standards with one of the highest percentages of the population aged 25-64 with tertiary education among the nations and regions of the EU.

In contrast, we still need to tackle skill shortages that result in recruitment difficulties for businesses and the fact that skills are not fully utilised in the workplace. Business investment remains low, as does business expenditure on research and development (R&D). Scotland also has a smaller business base, in large part because of that a lower number of high growth firms, and fewer exporters than many other UK nations and regions. Across each of these parameters, there is geographical variation – often significantly so – within Scotland.

The Board considered a wide range of issues that could impact positively on productivity – sector specific initiatives, innovation and increased R&D amongst others. It identified four initial, interconnected missions where economic performance could be improved both rapidly and substantially. These are not the only areas where a mission-led approach could pay dividends, and the board is likely to turn its focus to other priority areas in the future.

While increasing productivity has been the primary focus of these missions, they have also been developed with attention to:

1. Impacts on equality, wellbeing and sustainability fostering an inclusive society where more individuals and communities benefit from the value created by growth, and ensuring that growth is complementary to environmental sustainability.
2. The importance of place, including national, regional and local implications.



# BUSINESS MODELS AND WORKPLACE INNOVATION



**The Strategic Board will harness the full potential of progressive business models, work place innovation and Fair Work to enhance productivity, equality, wellbeing and sustainability. This will be achieved by promoting and supporting the development of highly capable businesses with long-term strategic orientations who utilise progressive workplace practices, technology, skilled resources and innovation to remain competitive.**

Pursuing inclusive growth requires a focus on where value is created – within businesses and in workplaces. This recognition is at the centre of Scotland’s commitment to Fair Work.

*“Work and the workplace matters – to employees and their families, to employers, to government and to society. Outside of family and kin relations, work is arguably the most significant domain for most people. The economic value of work as a source of income, profits and national prosperity is evident. Work also plays a key role in individual identity and shared social values.”*

(Findlay et al, 2016 – the FITwork project)

The role of employers here is pivotal. Public, private and third-sector organisations need to understand better how the best performing companies do business – examining their business models and how they organise and manage people, in order to better influence their practice to support fair work, productivity improvement and inclusive growth.

Across the wide range of business models, there is broad acceptance of the importance of human capital as a potential source of competitive advantage, and recognition of the importance of HR processes and practices. This has spawned a number of best-practice approaches which can improve business performance such as High Performance Working, Lean Production, Employee Engagement and a plethora of leadership approaches.

Yet these approaches are not common across most businesses, and there is a need to create interventions that improve management quality and skills in this area to support Scotland’s inclusive growth approach.

In addition, while the effectiveness or otherwise of skills utilisation is driven by employer behaviour, some employers lack awareness of skills under-utilisation or have few immediate incentives to address it. A key challenge is how policy makers can help influence this.

Future economic, political and social challenges are stimulating increasing interest in resilience – the ability to deal with the stresses of a changing work environment and ‘bounce back’ during periods of challenge or change. In terms of work and business, discussions of resilience often emphasise individual responsibility. This misses the point: facing future challenges will require resilience at workforce, sectoral and economy level. This is consistent with the emerging research agenda that connects resilience with reference to inclusive growth and economic development strategies, focusing on the resilience of interconnected systems.

BusServ (anonymised) is an engineering technology service company who have a diverse customer base and deliver across several industry sectors. They addressed a need to develop a more innovative and collaborative culture to drive business growth and enhance the working life of their employees by creating more opportunities for learning and development across the whole organisation.

Development programmes have given existing managers and leaders the skills they needed to change the organisational culture, introduce more collaborative ways of working and develop processes which stimulate dialogue and idea generation. The workshops and development programmes have resulted in significantly more staff involved in delivering new activities and in developing employee-driven innovation proposals, some of which have resulted in new cross-functional collaboration.

The MD believes that changes to engagement, leadership, management and working practices have put the organisation significantly ahead of their competition and helped build a strong digitisation offering for customers.

### What the evidence tells us

While Scotland's leading firms are as productive as elsewhere, we have a long tail of lower performing business with considerable opportunities for productivity growth through adopting enhanced management practices and better utilisation of workforce skills (IPPR). Firms also often have a poor understanding of productivity and of the links between wages and productivity (Joseph Rowntree Foundation).

UK management practices are mid-table by international standards<sup>14</sup>, alongside evidence that better management practices can create better business outcomes, potentially influencing productivity more than investment in R&D, skills or technology (productivity premiums can be as much as 30% for those investing in high performance practices<sup>15</sup>).

In Scotland, 35% of establishments responding to the UKCES Employers Skills Survey reported problems of skills under-utilisation<sup>16</sup>. Better use of existing skills could enhance productivity, improve motivation and innovation, and diminish the waste of individual and public investments in human capital<sup>17</sup>.

A substantial evidence base exists to show that good job quality can reduce staff turnover and absenteeism and bring benefits in terms of improved morale, motivation, individual performance and engagement in workplace innovation<sup>18</sup>.

Digital literacy is one of the most important investments in creating resilience. However 44% of Scottish businesses remain either disconnected or have only basic digital proficiency<sup>19</sup> and only 26% of Scottish businesses stated that their employees were fully equipped with the skills required to meet the business' digital technology needs<sup>20</sup>.

14 BLOOM, N., & VAN REENEN, J. (2010). Why do management practices differ across firms and countries? *The Journal of Economic Perspectives*, Vol 24, No 1. pp203-224.

15 Appelbaum, E., Gittel, J.H. & Leana, C. (2010). High-performance work practices and sustainable economic growth. Washington: CEPR, Centre for Economic Policy Research.

16 UK Employer Skill Survey 2017, DFE

17 Keep (2016) Improving Skills Utilisation in the UK – Some Reflections on What, Who and How?, SKOPE – <http://www.skope.ox.ac.uk/wp-content/uploads/2016/09/Keep.-Improving-Skills-Utilisation-in-the-UK-Some-reflections-on-What-Who-and-How.pdf>;

18 Findlay et al (2016a) Exploring the evidence: opportunities for fair, innovative and transformative work in Scotland.

19 Scottish Government (2018) Digital Economy Business Survey 2017 – <https://beta.gov.scot/publications/digital-economy-business-survey-2017/>

20 Scottish Government 2018 Scotland's Digital Economy Maturity Index – <https://beta.gov.scot/binaries/content/documents/govscot/publications/research-finding/2018/03/digital-economy-business-survey-2017/documents/00533154-pdf/00533154-pdf/govscot:document/>

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## 2. MISSIONS AND STRATEGIC FOCUS

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### Shared aims

The aim is to have more Scottish businesses adopting progressive business practices and embedding workplace innovation and Fair Work, investing in and empowering their employees.

Improvement opportunities will be promoted and identified through:

- An 'Innovating Workplaces' campaign to create awareness of existing productivity issues around business models, workplace innovation and Fair Work and promote the benefits of adopting more progressive practices
- Utilising data-led approaches to proactively identify and support sectors and firms who can exploit opportunities for growth or who need to enhance their workforce and business resilience.

Improvement opportunities will be delivered through a programme of activity to be co-ordinated and driven by a new inter-agency division, and implemented with agreed criteria

This will be delivered across five major areas:

#### 1. Developing Innovative Business Models

- Training and support for business to adopt new business models and diversity of practice across the stages of business creation, growth and transition.
- Better alignment of support across business, organisational and workforce development to deliver improved performance and workforce engagement.
- Support creation of high performing workplaces and learning organisations that focus on innovation as a driver of performance.

#### 2. Driving Workplace Innovation, and Fair Work Practices

- Assist businesses to develop a fair and innovative culture in terms of management, people development and HR practices.
- Support firms to design and deliver Fair Work through employment and jobs that provide opportunity, fulfilment, security, respect and effective voice.

#### 3. Enhancing Everyday Leadership & Management Capability

- Support through training and coaching to develop leadership models (including responsible, and value driven leadership) and management.
- Encourage distributed leadership that enables staff to make full use of their skills, experience and creativity at work.
- Provide a suite of productivity tools and interventions to develop high-performing teams and enhance the effectiveness and efficiency of business operations.

#### 4. Improving Skills Planning and Utilisation

- Help employers to develop their capacity for growth via assistance in areas such as an analysis of the people needs of the business, utilisation of skills, talent attraction, recruitment and retention, job design and work organisation, and the adoption of fair work practices.
- Support key sector opportunities such as Data and Advanced Manufacturing.

#### 5. Increasing Capacity and Resilience

- Expand accessibility of the Flexible Workforce Development Fund, Individual Training Accounts and Workplace Innovation Fund.
- Increase the availability of facilitated Peer to Peer programmes and broaden access to specialist support to develop the capacity and resilience of businesses to respond to strategic change and maximise growth opportunities.

### Our commitment to the customer

- Scotland will have distinctive workplaces that value people and their skills and are implementing work place innovation and Fair Work practices as outlined in the Fair Work Framework.
- Industry, employers and trade unions working together will actively promote, demonstrate and share best practice.
- Greater empowerment and funding to invest in their own upskilling.
- There will be a highly-aligned, integrated and streamlined offer to businesses that includes a data- and intelligence-led approach to identifying and providing proactive support to sectors and companies at risk.
- Increasing focus on interventions to address gender disparity at senior executive and Board level and actions aimed at reducing the disparity in the pay gap between male and female employees.

### Actions and Recommendations

Actions to be taken now are:

BMW (A1). Deliver an 'Innovating Workplaces' campaign at national, regional and local level to create awareness of existing productivity issues around business models, workplace innovation and Fair Work and promote the benefits of adopting more progressive practices. To create singularity of purpose, shared principles will be developed, shaped by best practice, that underpin all future investments in support of business. We will engage with partners to identify best practice and how to integrate it into educating the future workforce.

BMW (A2). Utilise data-led approaches to proactively identify and support sectors and firms who can exploit opportunities for growth or who need to enhance their workforce and business resilience. This will build on the SMAS Manufacturing 4.0 diagnostic, which supports companies to understand their resilience, readiness for change and future skills, leadership, and management needs.

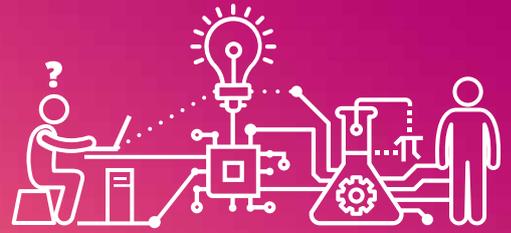
BMW (A3). Co-ordinate a programme of business models and workplace innovation activity that is driven by a new inter-agency division. This is to be implemented with agreed "Fair Work" criteria to Enhance Everyday Leadership and Management Capability; Develop Innovative Business Models; Drive Workplace Innovation, and Fair Work Practices; Improve Skills Planning and Utilisation; and Increase Capacity and Resilience.

Additional recommendations to the Scottish Government are:

BMW (R1). Embed progressive business models, workplace innovation and Fair Work in all instruments of government and agencies, ensuring business support is conditional on a commitment to fair work.

BMW (R2). Task the agencies to oversee world class management/leadership training programmes accessible across Scotland which aim to capture a targeted number of business leaders each year. Delivery options to consider include a virtual leadership academy or use of colleges/universities as centres of excellence.

# SKILLS FOR THE FUTURE



**The Strategic Board will encourage and enable a shift to a more demand-led skills system that better responds to the current and future skills needs of employers and individuals, including expanding work-based learning, and increasingly supports individuals to upskill and reskill. This requires building on our existing strength of a highly qualified workforce to address the under-utilisation of skills, graduate under-employment and growing and persistent skills shortages.**

Scotland's people are our main asset. Young and old, born in Scotland or recently arrived, we want everyone to flourish in a country that is inclusive and prosperous. Skills are essential to this.

The availability of the right skills within the population – and the full utilisation of these skills – makes an important contribution to raising productivity and enabling businesses to reach their potential.

Yet the world of work is changing rapidly. Scotland's skills system will need to have sufficient flexibility to develop new skills and capabilities to meet the challenges presented by demographic, environmental and technological change. While the future is hard to predict, we can anticipate that across advanced economies like Scotland:

- Digital technology will permeate all places and forms of work, providing new ways of connecting and collaborating on a global scale<sup>21</sup>.

- The volume of data and information will continue to increase exponentially<sup>22</sup>.
- The use of Artificial Intelligence will increase, with machines increasingly carrying out technical and routine tasks<sup>23</sup>
- Employment forecasts for Scotland to 2027 suggest a continuing increase in new service sector jobs and decrease in manufacturing jobs. An increase in new jobs is expected for all occupational groups but replacement demand (to replace those employees who leave the workforce for a number of reasons, including retirement) is strongest for professional and elementary occupations<sup>24</sup>.
- An ageing population will leave fewer people of working age and an increasing need for people in caring professions<sup>25</sup>.
- The boundaries between jobs and industries and between manufacturing and services will continue to blur, with jobs continuing to emerge and evolve<sup>26</sup>.
- The types of skills that will become increasingly important are so-called 'meta skills' such as self-management, social/emotional intelligence and innovation skills<sup>27</sup>.
- And in Scotland, future population growth will be heavily dependent on immigration, with uncertainties around Brexit posing additional risks<sup>28</sup>.

21 Buchanan, J., Kelley, B., & Hatch, A. (2016) Digital workplace and culture – <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/us-cons-digital-workplace-and-culture.pdf>

22 Marr (2015) Big Data: Using Smart Big Data, Analytics and Metrics to Make Better Decisions and Improve Performance

23 Buchanan, J., Kelley, B., & Hatch, A. (2016) Digital workplace and culture – <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/human-capital/us-cons-digital-workplace-and-culture.pdf>

24 Oxford Economics (2017) in Skills Development Scotland (2018) Jobs and Skills In Scotland – <https://www.skillsdevelopmentscotland.co.uk/media/43852/jobs-and-skills-in-scotland-2017-main-report.pdf>

25 World Economic Forum (2017) The Global Risks Report 2017 – [http://www3.weforum.org/docs/GRR17\\_Report\\_web.pdf](http://www3.weforum.org/docs/GRR17_Report_web.pdf)

26 World Economic Forum (2017) Realizing Human Potential in the Fourth Industrial Revolution – [http://www3.weforum.org/docs/WEF\\_EGW\\_Whitepaper.pdf](http://www3.weforum.org/docs/WEF_EGW_Whitepaper.pdf)

27 "Skills 4.0, a skills model to drive Scotland's future" (Feb 2018) by the Centre for Work-Based Learning

28 Scottish Government (2018) Scotland's population needs and migration policy: discussion paper – <https://beta.gov.scot/publications/scotlands-population-needs-migration-policy/pages/3/>

### The importance of skills in attracting Foreign Direct Investment

Foreign direct investment (FDI) is important for growing both the number and quality of jobs. In turn, access to a highly skilled workforce is a significant component of Scotland's offer to foreign direct investors. In the 2017 survey, Scottish Development International (SDI) carried out with investors, the availability of skills was cited as a key factor by many in the decision to locate in Scotland.

Compared with other countries, the UK has a high proportion of people whose qualifications and skills are underutilised and more than one in three workplaces in Scotland (35%) say that they have at least some staff who are both over-qualified and over-skilled for the job that they do<sup>30</sup>.

In Scotland, we know that there are now critical skills shortages in key areas including Digital, Construction, STEM, Health and Social Care and Early Years.

There are also ongoing regional, sectoral and equality disparities. While employment rates are at a record high, productivity growth has been slow, real wage levels have flat-lined and part-time work is more prevalent. Significant gaps in gender pay remain, with barriers to participation for under-represented groups.

### What the evidence tells us

Scotland already has a highly qualified workforce – including the highest percentage of the population aged 25-64 with tertiary education within the EU. Four of the world's top 200 universities are in Scotland – per head of population, this places Scotland among the top performing countries in the world.

Graduates from higher education are more likely to be in work and to earn higher wages than non-graduates. However, there is evidence to suggest that some graduates are employed in non-graduate jobs, as has always been the case, not least as people find their way into the job market. The percentage of graduates in Scotland who were employed in low and medium-low skilled occupations was 19% in 2017<sup>29</sup>.

### Skill shortages were already biting in 2017 – and the impact of Brexit is likely to make this worse

- 6% of workplaces reported skill shortages, with 24% of vacancies (c.18,000) hard to fill because applicants lacked skills.
- 5% of employees were said by their employer to lack full proficiency in their jobs.

29 Annual Population Survey (2017) Jan-Dec datasets, ONS

30 UK Employers Skill Survey 2017, DFE

## 2. MISSIONS AND STRATEGIC FOCUS

### Shared aims

Transformation of education and training provision to create a highly responsive upskilling system is already underway at a global level. This includes the rapid expansion of Massive Open Online Courses (MOOCs) – in which several Scottish Universities are partners in the leading platforms – and the more recent development of augmented reality and virtual reality contextual learning environments.

This plan recognises this transformation and points towards a coherent customer-led system that serves learners, employers and the economy and is founded upon the following principles:

1. A **demand-led skills system that responds to industry and learner needs** and critical skills as set out in robust and agreed demand evidence. Success will also depend on the ability of industry to articulate and effectively forecast its skills needs within workforce planning (Skills Investment Plans; Regional Skills Investment Plans; Regional Skills Assessments and other evidence.)
2. Our wider education system should be driven also by **well-informed learner demand**, assisted by access to lifelong careers advice that addresses the future realities of constant change, ever evolving occupations and the critical requirement for lifelong learning. Learners, employees and those seeking work should be able to access high quality, well informed, independent careers advice on demand.
3. The system should **encourage lifelong learning** and have routes to suit people of all ages providing the capacity to upskill and reskill quickly.

The speedy and accelerated implementation of the five-stage skills alignment model<sup>31</sup> agreed by SFC and SDS will be a foundation of this system, as will a new level of cooperation.

### Our commitment to the customer

- Colleges and universities will have a wider and improved offer to employers and people who want to reskill.
- Greater choice in 'unbundled' courses and work-integrated learning opportunities that skill people for high demand employment and address specific skills gaps and workplace requirements.
- More courses containing the skills people will need for the changing economy, increasingly integrated to every course.
- A greater variety of non-traditional routes – including work-based routes – that lead into work at the right pace and at the right time.
- Learners and employees will have access to a personalised learner journey that is right for them – in terms of pace and content.

31 1: Agree skills demand assessment, 2: Joint provision planning, 3: Integrated Processes For Progressing Institutional Outcome Agreements & Commissioning With Training Providers, 4: Co-Ordinated Outcome Agreement Execution & Training Provider Contract Management, and 5: Joint review and evaluation.

### Actions and Recommendations

Actions to be taken now are:

FS (A1). Fully implement the joint 5 stage skills alignment planning model, aligning provision with industry needs and critical skills as set out in the demand evidence. SFC and SDS will collaborate further to create a seamless, one system approach for learners, employers and the economy.

FS (A2). Define the 'meta skills' required to thrive in the future economy as the basis for future skills provision.

Additional recommendations to the Scottish Government are:

FS (R1). Use funding for colleges, universities and training providers to provide more agile support for employees and employers to upskill and reskill, increasing provision of in-work learning. SFC and SDS will jointly plan and deliver new models of provision.

FS (R2). Transform our skills system by integrating and expanding existing upskilling and reskilling interventions. This should be aligned with the work of the new National Retraining Partnership and aligned with consideration of a redesign of existing initiatives such as the Individual Training Account and the Flexible Workforce Development Fund.

FS (R3). Create a flexible and sustainable funding model to meet the future expansion of demand for both work-based and work-integrated learning (e.g. qualifications and training augmented with work placements or live business projects). SFC and SDS should work together to ensure there is a flexible, and sustainable funding model for all such pathways, in advance of the withdrawal of EU structural funds.

FS (R4). Accelerate implementation, and set a timescale for delivery of the Learner Journey Review recommendations, in particular where these reduce duplication and accelerate the pace that people can proceed through the school, college, university and apprenticeship systems, creating more effective pathways to productive employment. SFC and SDS should jointly draft advice to Government on the Learner Journey, including consideration of aligning existing funds.

# BUSINESS CREATION AND GROWTH



**The Board will promote business creation and growth through helping to create a nation of dynamic and high achieving entrepreneurs, targeting global market opportunities, capitalising on Scotland's unique assets, and using innovation as a key driver of growth.**

Businesses play a central role in creating wealth within communities and driving economic growth. In doing so, they create job opportunities and contribute towards the public finances.

Culture and ambition play a key role and our longer term aim is to develop a nation where entrepreneurship flourishes in all areas of Scotland and is recognised for its contribution to the success of the country. The entrepreneurial ecosystem is central to this success and will involve the contribution of many public and private sector parties, in addition to the skills and enterprise agencies.

There is particular potential to do more to support fast growth businesses, 'scale-ups' and mid-size companies. Scaling companies have an immensely positive impact on the economy, helping to drive productivity and act as role-models for our aspiring entrepreneurs and broader business base. In ensuring that support for scaling companies is world-leading, it is crucial that the wider support environment helps the broader business base to realise its potential and grows the pool of scaling potential.

*"Getting our ecosystem to produce a greater number of scale-ups is more ambitious and challenging than producing a greater number of start-ups or celebrating entrepreneurs"*

The ScaleUp Institute report, 2014

32

Understanding the characteristics of fast-growth companies helps to find and exploit the specific 'triggers' that underpin them and spark growth in companies. A key component of this is the development and strengthening of leadership and management skills for all stages of business growth.

## Some Characteristics of Scotland's Fast-Growth Companies\*

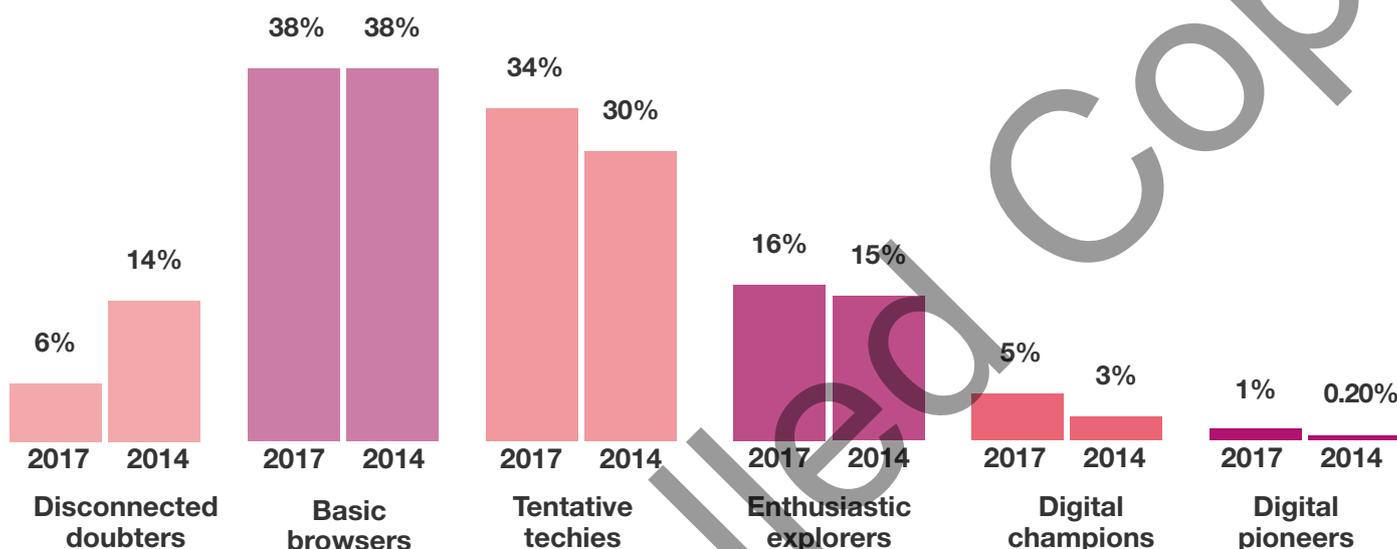
- High growth can occur anywhere across Scotland and spans all sectors of the economy.
- Companies within the £5 million – £10 million turnover bracket are less likely to achieve high-growth and then to sustain it over multiple years.
- Once companies reach £10 million+, the chances of them continuing to sustain it begins to increase.
- Growth among companies is "episodic" – periods of rapid growth are often interspersed with periods of slower (or no) growth.

\* Results of recent research by Scottish Enterprise

Innovation, and the adoption of digital technologies, is also associated with faster productivity growth. Building on initiatives such as the Digital Boost programme, there is scope for significant further improvement in this area.

32 ScaleUp Institute (2014) The scale-up report on UK economic growth – [http://www.scaleupinstitute.org.uk/wp-content/uploads/2018/02/scaleup-report\\_2014.pdf](http://www.scaleupinstitute.org.uk/wp-content/uploads/2018/02/scaleup-report_2014.pdf)

Digital economy maturity index, 2017<sup>33</sup>



- 44% of businesses remain either disconnected or have only basic digital proficiency.
- Larger businesses and younger businesses with growth ambitions are more likely to embrace digital technology.

What the evidence tells us

Scotland's business start-up rate (as well as the number of businesses relative to population) is significantly behind the UK – and has been for many decades. That rate varies across geographic areas and is particularly low in former industrial areas<sup>34</sup>. Scotland also lags behind the UK in terms of the proportion of high growth firms and high growth firms in Scotland contribute less to economic and productivity growth than those in other parts of the UK<sup>35</sup>. Our businesses are less ambitious in their overseas expansion than their international counterparts<sup>36</sup>.

There could be significant benefits to Scotland in the short-, medium- and long-term if we were to close the scale-up gap. Only a small proportion of new firms grow in a meaningful way, yet it is this scale-up activity that makes the most significant contribution to economic outcomes<sup>37</sup>.

Businesses in Scotland also do not make as much use of advanced digital tools as international comparators. Two-thirds of Scottish businesses report a digital skills gap amongst their staff, and the lack of digital skills training may be a barrier to wider adoption. Further, digitally skilled employment currently suffers from a heavy gender bias, with only around 20% female<sup>38</sup>.

33 Scottish Government 2018 Scotland's Digital Economy Maturity Index – <https://beta.gov.scot/binaries/content/documents/govscot/publications/research-finding/2018/03/digital-economy-business-survey-2017/documents/00533154-pdf/00533154-pdf/govscot:document/>

34 <https://www.ons.gov.uk/businessindustryandtrade/business/activitysizeandlocation/datasets/businessdemographyreferencetable>

35 Turnbull and Richmond, (2018). [https://www.strath.ac.uk/media/1newwebsite/departmentsubject/economics/fraser/vol42no2/FAL\\_Perspectives\\_-\\_Performance\\_of\\_high\\_growth\\_firms\\_in\\_Scotland.pdf](https://www.strath.ac.uk/media/1newwebsite/departmentsubject/economics/fraser/vol42no2/FAL_Perspectives_-_Performance_of_high_growth_firms_in_Scotland.pdf)

36 <http://www.evaluationsonline.org.uk/evaluations/Search.do?ui=basic&action=show&id=644>

37 David Skilling (2016) Report to the Enterprise and Skills Review 2016

38 Annual Population Survey, Jan-Dec 2016.

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## 2. MISSIONS AND STRATEGIC FOCUS

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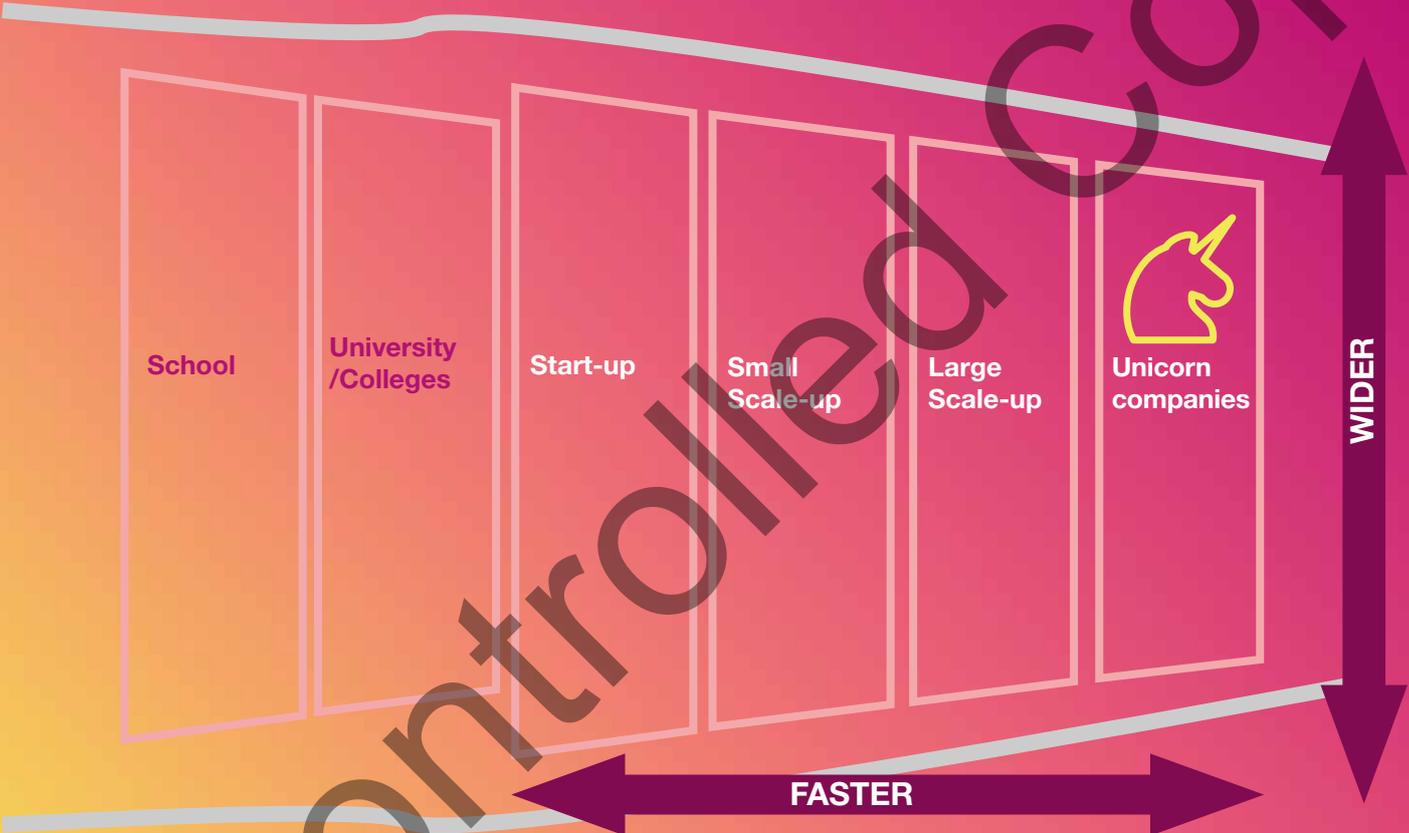
### Shared aims

Different parts of the public enterprise and skills network will naturally offer the most appropriate service to the needs of different parts of the business base. Regardless, it is crucial that a business is able to interact with the public service as a single system and that the system is in turn able to respond to the real needs of the business, whatever the stage of their development. Progress will therefore be delivered through tailored support to:

1. Create a **greater number of private businesses and social enterprises that have the potential to scale** with particular focus on inclusivity (women, rural, minority ethnic groups), while working with partners to generate a larger number of businesses at every stage of development. Embrace learnings from failure and encourage a 'bounce back' approach as part of the culture of ambition.
2. Focus on initiatives to **reduce the rate of narrowing between growth stages** through tailored programmes of support at each stage with a key focus on the development and application of the entrepreneurial, leadership and management skills required at each stage, including helping businesses recognise the potential benefits to their business.
3. Enable businesses to **accelerate through the different stages more quickly** providing focussed account management support from trained and experienced professionals especially in dealing with the scale up phase and access to capital markets and co-investment through SNIB in overseas acquisitions.
4. Continue to **encourage businesses to work with colleges and universities** to accelerate growth and nurture future talent to develop our skills, capabilities and ambitions at all levels of the funnel.
5. **Embrace digitalisation**, including increasing digital capability in our people and encouraging greater business investment in digital technologies. This will require a shift in the relative focus towards digital skills, including upskilling of the existing workforce.

2. MISSIONS AND STRATEGIC FOCUS

Key to improving our rate of sustainable scale-ups creation is the concept of a start-up/scale-up funnel as detailed by Mark Logan, former COO of Skyscanner, one of Scotland's 'unicorn' companies.



## 2. MISSIONS AND STRATEGIC FOCUS

### Our commitment to the customer

- Easier access to relevant support at all stages of business evolution with a clear focus on your needs.
- A broader range of support tailored around developing and accelerating your growth and ambition.
- A Scotland-wide, collaborative approach to business growth. There will be no wrong door.
- Cross-agency teams delivering seamless, nationally available services tailored to regional needs.
- Better access to suitably qualified talent – public and private sector.
- Improved awareness of the impact of adopting and integrating technology (e.g. decreased costs and increased turnover) and access to focussed support to achieve this.

### Actions and Recommendations

Actions to be taken now are:

BCG (A1). Work with partners to establish a campaign to foster ambition and entrepreneurship across society. The enterprise and skill agencies must be entrepreneurial and align with the growth mindset.

BCG (A2). Creation of a main online entry point to direct businesses to the right support. An initial version in April 2019 will be the first milestone in this wide-ranging programme of transformation towards a truly digitally-enabled business support environment across Scotland, helping to reach many more businesses and open up new routes to growth. A common environment and ways of working will aid real-time understanding of the capabilities, needs and ambitions of Scotland's business base, enabling tailored support.

BCG (A3). To increase the number of companies making overseas acquisitions, a collaborative team (involving private and public sector, and the new Scottish National Investment Bank) will provide dedicated specialist support focused on key steps in the scale up and expansion process.

Additional recommendations to the Scottish Government are:

BCG (R1). The agencies should focus as a priority on scale-up and frontier businesses, including more targeted support aimed at both: i) young, ambitious and capable businesses with realistic aspirations to internationalise, and ii) high-growth potential businesses that contribute to our ambitions for a sustainable, carbon-neutral economy. As colleges and universities are a major source of self-employed entrepreneurs and scalable spin-out ventures, provision of existing successful programmes should be expanded.

BCG (R2). The agencies should review if there is greater scope for working with Business Gateway, and specifically regarding the best way to support start-ups. Through so doing, they should provide leadership in strengthening an ecosystem of private and public sector collaboration. A particular focus should be given to supporting rural and under-represented business start-ups (e.g. women, disabled, minority ethnic groups).

BCG (R3). Build on the existing Brexit readiness work of public agencies and business organisations to strengthen the Scottish-level response.

BCG (R4). Developing stronger support for, and greater agility in, accessing the Industrial Strategy Challenge Fund is key and should be incorporated within agencies' strategic and operational plans.

BCG (R5). Develop and promote Scotland as a Digital Nation, that offers access to the skills, capital and partners required to set up and grow digital businesses that are globally competitive, with a public sector that offers businesses opportunities to innovate and build products and services that meet key social and public service challenges.

BCG (R6). Increase investment in college and university spin-out venture programmes and in organisations focussed on driving entrepreneurship, innovation and research (such as Scotland CAN DO and Scotland is Now).

# EXPORTS



**The Strategic Board seeks to increase export growth through the number of businesses and value of exports – sustaining and growing the value of Scotland’s trade with new and emerging markets by better understanding product, services and in-country demand and increase the number of exporters through broader and deeper reach at regional levels.**

Firms that export tend to be more productive than otherwise similar businesses that do not export; the Fraser of Allander Institute suggests that businesses that export account for 60% of UK annual productivity growth and are, on average, 70% more productive than businesses that do not export<sup>39</sup>.

Among advanced economies, sustained rapid export growth is unusual. However, things that do cause more businesses to export and/or export values to grow include:

- Innovation, especially when linked to skills development.
- Better-managed businesses are more likely to export and to do so more successfully.
- Being located within countries with positive international images.
- Firms that have growth ambitions are more likely to become exporters.
- Export credit agencies are effective ways to increase exports.

## Exporting leads to higher business productivity and growth

- Much of the productivity boost comes from preparing to export, which very often means innovating and/or investing in the skills of the workforce. Either innovation is needed to succeed in new markets and/or exporting is a by-product of successful innovation.
- Competition encountered through trading in multiple markets leads to a more intense focus on cost and quality and exposes firms to new ideas and techniques resulting in more investment in innovation, investment, skills and other factors that influence productivity.
- Achieving increased turnover by selling into more markets allows fixed costs to be spread.

Many of the barriers to exporting are challenges that well-led and innovative businesses already address. To help more of Scotland’s businesses become exporters, it is critical that our services integrate support for innovation, harness ambition and boost management quality alongside more conventional export support.

<sup>39</sup> Fraser of Allander (2018) Scotland in 2015 Realising our Global Potential – [https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland\\_in\\_2050\\_Realising\\_our\\_global\\_potential.pdf](https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland_in_2050_Realising_our_global_potential.pdf)

### Food & Drink exports hit record high

Food & Drink is now Scotland's number one exporting sector, with phenomenal growth over the last four years – food exports increased by 46% to £1.64bn and food and drink grew 18% to reach a record high of £6bn. This has been driven by strong global demand for our premium products and is underpinned by an innovative partnership model – the Scotland Food & Drink Export Plan – which is funded by the industry partners, SDI and Scottish Government. The plan focuses the collective efforts of SDI, SF&D and key trade associations on 10 priority markets (mature and emerging), with a unique team of F&D in-market specialists who open doors for Scottish businesses by connecting them with buyers and distributors.

To significantly boost our trade performance we need to continue deepening our trading relationships with priority mature economies whilst also diversifying into emerging fast-growing markets.

In the short-term, it is crucial that Scottish companies are prepared for the uncertainties of Brexit, and that we continue to build resilience in the system by accessing more markets and building company capacity to export, and by growing the number of exporters. We also need to look outwards and whilst sustaining current business, harness the opportunities in fast growing markets around the globe. This needs to be underpinned by the right skills, infrastructure and a global mindset.

### What the evidence tells us

- As in most countries, a large proportion of Scotland's exports come from a small number of exporters and it has been estimated that half of all Scottish exports come from around 70 companies.
- Scotland's *international* exports are less than 20% of GDP, the third-lowest share among OECD countries<sup>40</sup>.
- Exports by Scottish universities stand at £882M<sup>41</sup>, and there is significant scope to grow that even further.
- Maintaining and growing our international student population is likely to be significantly constrained by Brexit and the introduction of post-study work visas by competitor providers such as Australia, New Zealand, USA and Canada).

We also know that Scotland currently sells its goods and services predominantly to mature, stable and sophisticated but slowly-growing economies. In contrast, and compared to many of our competitors, we export less to emerging fast growing economies.

### Shared aims

The Board welcomes the fact that, since its establishment, a new ministerial trade post has been developed as well as the recent Scottish Government commitment to publish an enhanced export plan '*A Trading Nation – our plan for growing Scotland's exports*'. Similarly, there are positive steps being taken to improve international connectivity, including reducing air departure tax and consideration of expanding air routes.

Building on this, and also complementary to existing activity such as Scotland is Now, Innovation and Investment Hubs, and the International Trade Project pilot, the plan proposes to:

1. Build resilience in the face of Brexit uncertainty and reach more exporters. It aims to **grow the current level of exports to the EU** while also seeking to maintain and grow the proportion of Scottish companies who export.

40 Fraser of Allander (2018) Scotland in 2015 Realising our Global Potential – [https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland\\_in\\_2050\\_Realising\\_our\\_global\\_potential.pdf](https://www.sbs.strath.ac.uk/economics/fraser/20180919/Scotland_in_2050_Realising_our_global_potential.pdf)

41 'Grow, Export, Attract, Support', Universities Scotland

2. **Transform our trade performance and perception in priority markets.** This includes increasing Scottish exports (volume and value) to markets such as the USA and Asia, and improving Scotland's score and rank on the Anholt-GfK Roper National Brands index from 15th position. An important part of improving our trade performance will involve a substantial increase in the number of exporters
3. **Encourage a global mindset,** with the aims of Scotland being viewed globally as a progressive country with positive attitudes to migration, appreciation of the value of learning a foreign language, and significantly increasing the number of Scottish students who gain international experience.

There may now be additional value in SFC adopting a stronger interest in the international dimension of colleges' and universities' export earnings, international activity and soft power of international alumni networks.

### Our commitment to the customer

- Increased trading opportunities.
- A more co-ordinated and aligned support system tailored to address specific challenges such as Brexit and local and regional demographics.
- No wrong door – simpler and streamlined support system.
- A more internationally focused student base and skill-set emerging from the education system.
- An increased awareness of Scotland in future key markets – our research, innovation, creativity, goods and services.

### Actions and Recommendations

Actions to be taken now are:

Exp (A1). Co-ordinate a new 'national exporting service' – a one Scotland approach to export delivery organisations and services, strengthening national and regional partnerships and enhanced digital support services to engage more companies and address known barriers to exporting, including sales skills. This will include the delivery of an international programme

of promotional opportunities, including around the new Scotland is Now campaign to work, live, study, invest and visit Scotland, and focusing networks in fast-growing and priority markets.

Exp (A2). Explore a new public/private sector partnership to provide support to scale-up, and refresh, export support resources utilising the expertise and global connectivity of the business community.

Exp (A3). Develop digital, sales and international language training programmes for exporters.

Additional recommendations to the Scottish Government are:

Exp (R1). Working in partnership with colleges and universities, build on the good work already underway across the education system to: ensure international awareness within schools; encourage an international focus in more college/university courses; encourage more young people and students to learn a foreign language and to take-up opportunities for international travel and work experience; encourage universities/colleges to work together to identify mechanisms to encourage more inclusive student mobility post-Brexit; and build a collective focus to support and champion the re-introduction of the post-study work visa to allow international students to extend their stay and work, for example, for a Scottish company on an international export project

Exp (R2). Develop an exporting partnership plan which will increase the involvement of private sector expertise and world-wide resources to growing our exports and imports (e.g. through 'Global B2B exchange partnerships').

Exp (R3). Increase ministerial visibility in existing and potential trading partner countries and fast growing priority markets, creating stronger government-to-government and business-to-government networks.

Exp (R4). Explore the full potential of the international dimension of colleges' and universities' export earnings, international activity and international alumni networks in supporting economic growth.

## 3. A FOCUS ON TAILORED DELIVERY

### Culture, collaboration and the importance of place

The Board will ensure that Scotland has a group of organisations – all of whom serve to grow Scotland’s economy – where collaboration is ‘business as usual’. As well as promoting common values and a collective purpose, it will expand this approach to wider partners. For example, linking with the emerging network of Regional Economic Partnerships, and encouraging the agencies to connect with all of these and the local authorities who are driving them.

Since the completion of the Enterprise and Skills Review there has already been a deepening of collaboration between the agencies. They have begun to coordinate and align how they plan, allowing them to spot opportunities for collaboration and to remove overlaps. Most of the actions and recommendations in this plan are designed to embed deep cross-agency working, priorities and cultures. Delivery of these and existing activity will include:

- More cross-agency teams
- Cross-agency capacity-building and CPD
- Cross-agency workshops
- Development of common customer journeys and business processes including consistent contract criteria
- Common data models and data sharing agreements
- Shared and consistent business planning approaches
- Delivery of a shared IT service for core IT services
- A consistent approach to measuring the impacts of agencies’ activities

#### The agencies are increasingly working across boundaries and with other partners:

- Development of Brand Scotland and the Scotland is Now campaign to mobilise and join up efforts to promote Scotland internationally.
- Cross-agency responses to major economic challenges such as Brexit.
- Cross-agency engagement in City Region Deals, developing regional growth deals and the accompanying regional economic partnerships.
- Continued development of regional skills investment plans.
- Significant and co-ordinated investment by Highlands & Islands Enterprise, Scottish Enterprise and the Scottish Funding Council in the next phase of Innovation Centre development.
- Delivering the National Manufacturing Institute for Scotland.

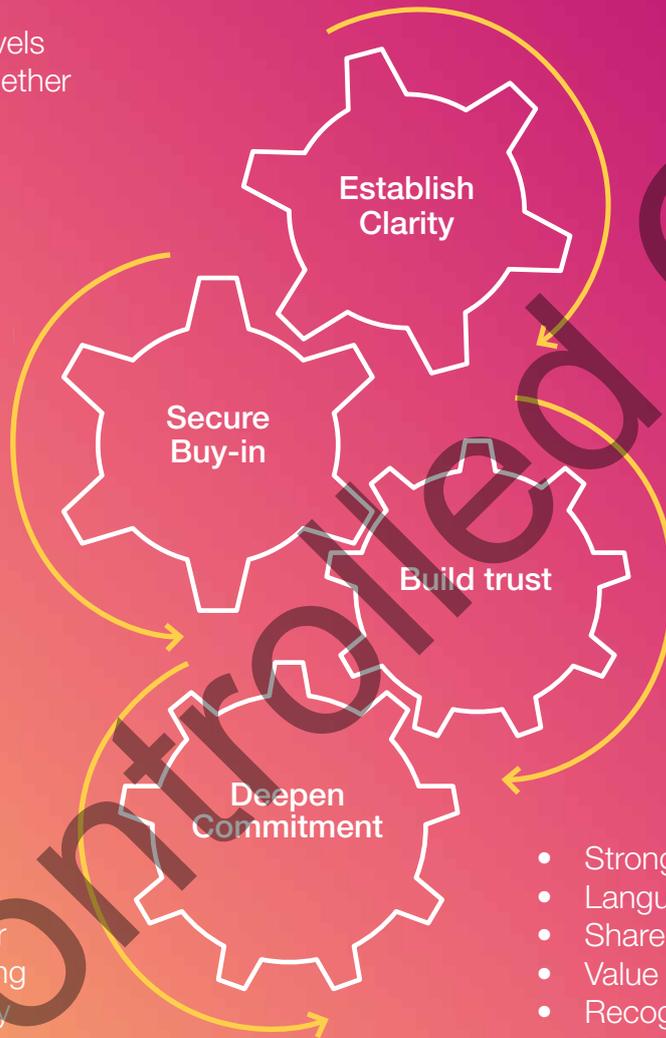
Deepening this collaboration will require deliberate effort to ensure clarity of purpose, that trust is built and that a lasting difference is achieved by creating a genuine commitment to working together. The Board will oversee progress towards this more effective collaboration. The chief executives of the agencies have been charged collectively with continually reviewing the potential for greater collaboration and ensuring that agreed changes are implemented timeously and embedded at all levels of operations.

## COLLABORATION

- Commitment at all levels
- Do more projects together
- Incremental steps
- Keep it simple
- Team working
- Shared plans
- Programme decision making



- Represent each other
- Inherent understanding
- Confidence in delivery
- Common, share, do once
- Build on and learn



- Common vision
- Outcome focus
- Focus on customer



- Strong relationships
- Language
- Share experience/stories
- Value all contributions
- Recognise and respect differences
- Benefit from each others strengths
- Transparency and visibility

### A focus on opportunity and meeting the needs of customers

As part of the Board's wider aspirations, the enterprise and skills agencies have embarked on a significant change programme that will see them doing more to:

- leverage Brand Scotland to compete across key global markets – helping businesses to export and inspiring a new generation to work and invest in Scotland
- working with regional partners to harness investment, skills and business to build vibrant economic communities with more and better opportunities for our people
- tailoring help to the needs of businesses by providing digitally enabled services, where advice and funds get to those who need them easily and efficiently
- reigniting efforts to support entrepreneurs and drive company growth
- build data capability that will enable real-time market diagnostics and help inform policy, investment and support services

### A holistic approach to supporting the growth of businesses in Scotland

*“Simple can be harder than complex: you have to work hard to get your thinking clear to make it simple. But it’s worth it in the end because once you get there, you can move mountains.”*

Steve Jobs

Tens of thousands of Scottish businesses each year come into contact with one or all of our enterprise and skills agencies. Bringing simplicity and clarity to that support is vital, which is why the Strategic Board is establishing a new main online point of access for all customers.

### Better Customer Experience

Many businesses are positive about the support they receive from the agencies but some have recorded that they sometimes find it difficult to access the right support at the right time; that they sometimes feel passed from pillar to post or that, when they do engage, it can feel confusing, overly bureaucratic or that they need to try to fit a set of criteria that is not relevant for them or their business.

A main online entry point will be used to direct businesses to where support can be best delivered. An initial version of this that will be delivered in April 2019 as a first milestone in this wide-ranging programme of transformation.

However, the Board wants to go much further. It will drive a truly digitally-enabled business support environment across Scotland, helping to collectively reach many more businesses and open up new routes to stimulate growth. It will promote a shift towards more proactive approaches from the agencies, including through the development of business characteristics to support profiling and signpost appropriate interventions. It will drive greater use of system-wide data, predictive analytics and intelligence to focus priorities and impact and shape wider recommendations to Government on economic priorities. A process of continuous improvement across the agencies will deliver interventions that benefit from real-time feedback.

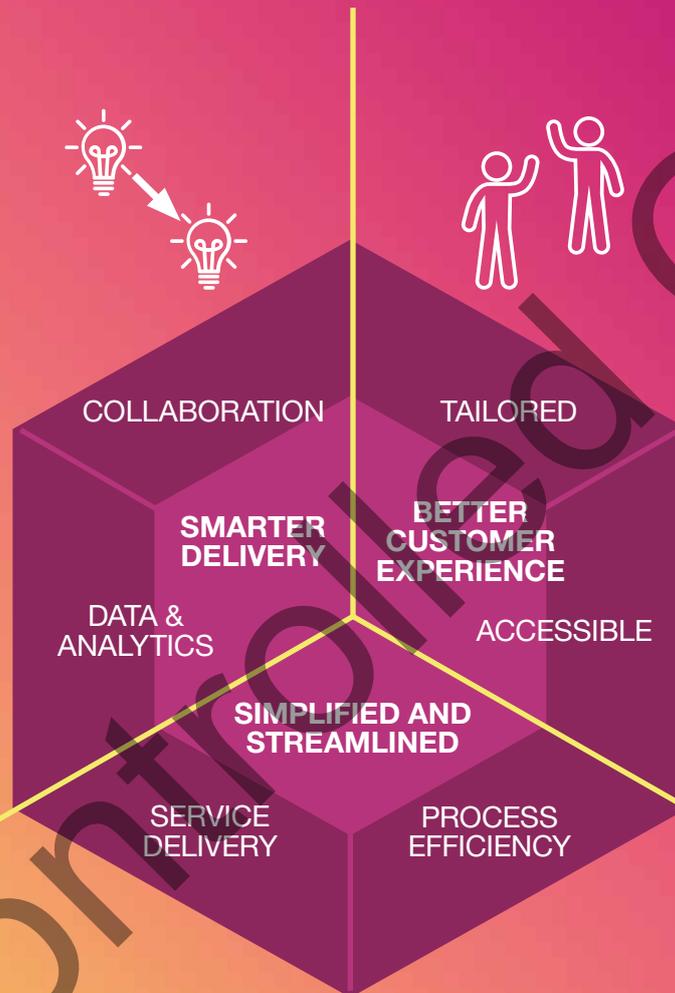
## A common delivery environment offers multiple opportunities.

### SMARTER DELIVERY

- Improved data and analytics
- Data-driven decision making
- Aggregate opportunity across the public sector
- Achieving greater economic, social and community impact with more clients supported to do more
- Reduce organisational risk
- Improved security

### BETTER CUSTOMER EXPERIENCE

- Accessible – available when and where needed with no wrong entry point and effective signposting
- Access to tailored information, knowledge, insights and solutions
- Increased visibility and transparency of activity
- Only providing information once and every step intuitive and value-added
- Increased confidence in our organisations both from our customers and staff



**ENABLING  
FUTURE  
ECONOMIC  
DEVELOPMENT  
INNOVATION**

### SIMPLIFIED AND STREAMLINED

- Simple and easy to navigate including intuitive workflow
- Improved service quality and turnaround time
- Supporting different types of engagement including the ability to transact digitally

**A JOINED UP  
ENVIRONMENT  
ALLOWING  
FOR REGIONAL  
AND LOCAL  
FLEXIBILITY**

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### 3. A FOCUS ON TAILORED DELIVERY: COLLABORATION WITH THE CUSTOMER AT THE HEART

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Imagine: you go online looking to see if you can get funding towards a trip you are planning to boost sales in a new overseas market. You take the time to answer a few questions about your company. You get a quick and clear answer about whether you might be eligible, how long it will take and what you need to be able to evidence in order to get the support. In doing so, you also get clear information about what else is available from across the public sector to support your growth. You can access market insights that will be useful for your product. And you get the chance to learn about other businesses like you, what they have learned and what they have done as a result of the support on offer. You can read about their journey or you can connect with similar-minded business people directly. You can save this information in a secure personal space to go back to later and be able to see how your application is progressing or engage virtually with business advisors. And you just need to tell us – all of us – about your business once. So, you can just get what you need quickly and get back to running your business.

#### Actions and Recommendations

Actions to be taken now are:

Del (A1). Develop 'big data' systems that robustly inform agency planning and shared information.

Additional recommendations to the Scottish Government are:

Del (R1). Agencies should take a greater role, working collaboratively with local authority partners, the private sector and others, in delivering place-based economic development that responds to local opportunities and takes housing, infrastructure and digital connectivity into consideration.

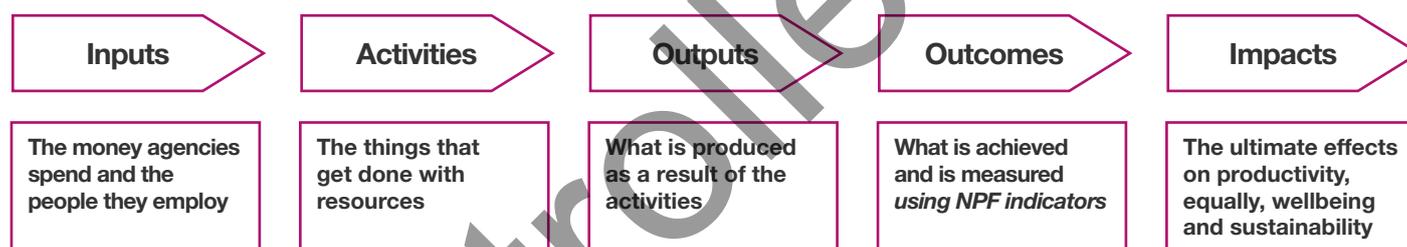
Del (R2). Develop a National Asset Register of sectors, skills and capabilities that is geographically focussed.

## 4. PERFORMANCE FRAMEWORK

The Board's performance framework will allow the Board to assess whether – and at what rate – progress towards the higher level productivity, equality, wellbeing, and sustainability objectives is being made.

Ideally, the Board should know that if an agency uses resources to do something (fund a college place, support a business to export, provide funding for apprenticeship programmes) predictable consequences will follow. That means being able to trace the links in the chain that run from inputs (e.g. how much is spent) to activities (e.g.

the number of college places funded) to outputs (e.g. the number of people gaining a HNC) to outcomes (e.g. the proportion of the workforce with qualifications) to impacts (the resultant changes in productivity, equality, wellbeing and sustainability). That is the job of a performance framework.



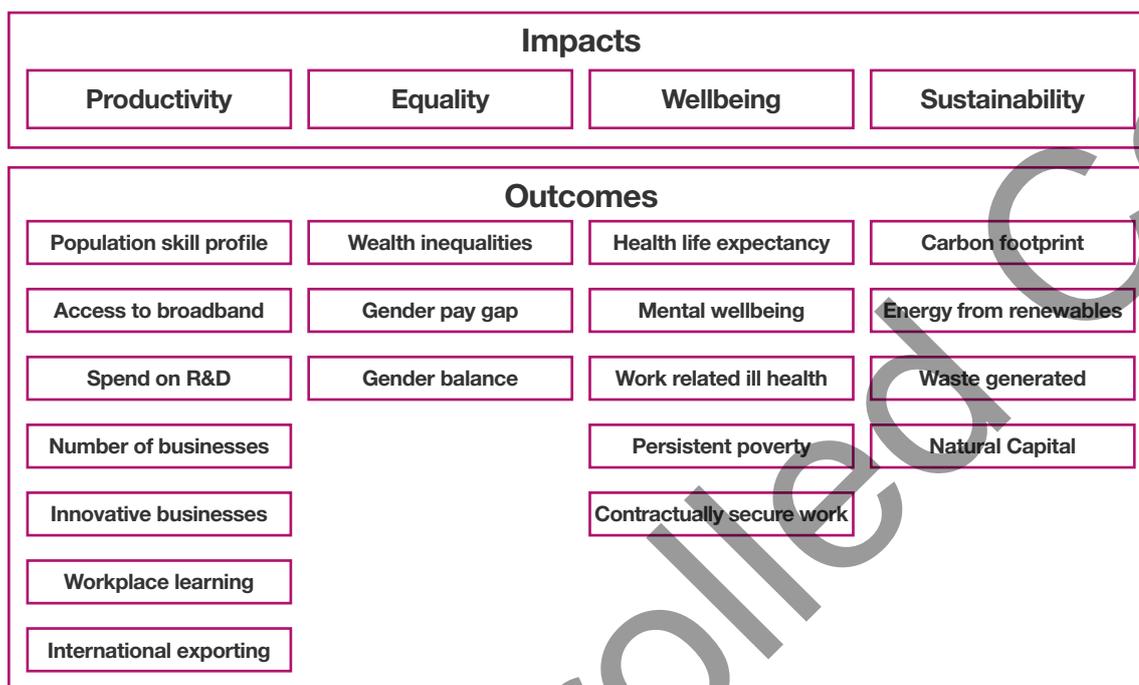
At present, not all of the information exists to understand each link in these chains. In particular, work needs to be done to understand fully the outcomes and impacts that stem from the work of the agencies. Rather than wait for all of this new information, which will take some time to assemble, the Board intends to implement pragmatic solutions now, working through the newly created Analytical Unit, which was established in March of this year.

The Analytical Unit is developing a measurement framework which will allow the Board to:

- Track progress against outcomes and impacts using relevant indicators from the newly refreshed National Performance Framework (NPF). This will enable the Board to see quickly where Scotland is performing well or not.

- Use the agencies' management information and existing performance frameworks to shed light on the agencies' contribution to outcomes and impacts. Importantly, agency level information about inputs, activities and outputs will be aligned with the NPF to ensure that there is a clear understanding of which agency activities contribute to which outcome and consistency in terms of the outcomes which are measured.
- Undertake, over time, detailed evaluation and customer research work to better understand the effects of inputs on impacts.

## 4. PERFORMANCE FRAMEWORK



The framework, developed by the Analytical Unit will take due account of the importance of regional differences and differences between equalities groups and include specific breakdowns by these characteristics where available.

The roots of success are deeper than these indicators alone, however, which is why the Board will also augment this framework with:

1. Feedback from customers – the Board will pay particular attention to their assessments of the quality of the services provided and the ease with which they can be used. We are actively championing the people who use the services that the agencies provide – be they individuals employers, businesses or others.
2. Aspects of collaboration and culture change – we know that the development of a collaborative culture across the agencies is a feature that could enhance the impact of their activities.

An ideal framework requires strong links between each component of the logic chain i.e. there should be well-evidenced relationships between agencies' activities and impacts on productivity, equality, wellbeing, and sustainability. Discussions with the agencies have highlighted the challenges around estimating these impacts and understanding how the outputs and outcomes of the actions of the agencies feed through to productivity and inclusive growth. The Analytical Unit will lead on evaluation and research work to strengthen our evidence base around these linkages.

### Actions

Actions to be taken now are:

AU (A1). The Analytical Unit to lead on work to develop the performance framework for the Strategic Board.

AU (A2). Analytical Unit to lead on an evaluation and research programme to better determine the impact from significant agency activities.

## 5. NEXT STEPS FOR THE BOARD

The outcomes from the initial four missions set out a clear direction for the agencies. They create a positive agenda for transforming performance as attention turns to delivery, and the Board looks to the Scottish Government to incorporate these recommendations within Letters of Guidance to the agencies. Specifically, the actions and recommendations are designed around those critical areas where evidence suggests there is potential for Scotland to close the productivity gap with the top OECD countries.

The next steps for the Board itself can be characterised as:

1. Implementing the actions within the plan
2. Promoting the development of the processes and culture to ensure delivery of commitments, improved performance and deeper collaboration, and
3. Continuing to look ahead to future opportunities.

The Board will adopt a proportionate programme management approach to oversee the implementation of the actions and recommendations (where applicable) within this plan. It will monitor and report on progress with delivery – as well as measuring impact and outcomes – through the performance framework and other tools. The nature of the proposals means that some can be progressed immediately while others will naturally take longer to implement.

A more streamlined and co-ordinated approach to providing strategic guidance to the agencies will also help embed the aims of the Strategic Board. Again, this new approach will be implemented later this year through Letters of Guidance to the agencies and will influence the more aligned agency plans due for publication in spring next year.

In addition, there are elements of the plan which call for a movement for change, notably towards a national culture of entrepreneurship and innovative business models and practices. This goes far beyond the agencies, and will be enabled by more businesses recognising the advantages of pursuing new ways of doing things, and then embracing enhanced working practices. The Board and agencies will continue to build relationships with others to expand on our 'Team Scotland' approach.

## 5. NEXT STEPS FOR THE BOARD

### The building blocks for improvement

System improvements can come through a number of routes:

- Driving greater impact through individual interventions
- Reprioritising resources to those interventions that represent best value for money
- Increasing alignment and collaboration
- Simplifying support and putting the customer first

The Strategic Board will use each of the above through a combination of effective strategic planning, evidence-led performance reporting, closer alignment with Scottish Government policy priorities, and overseeing a culture of collaboration across agency activity.

The strategic direction set in this plan takes a lead from Scotland's Economic Strategy, the National Performance Framework and the priorities in the recent Programme for Government. In turn, this direction – in conjunction with consistent letters of guidance – will be used to guide the strategic and operational planning processes of the agencies.

The Board will continue to explore opportunities to drive sustainable and inclusive growth, and is keen to hear the views of others as to other areas of potential. The initial set of four missions in no way represents the extent of the Board's ambitions in transforming Scotland's economic performance, and there is potential for new missions and other approaches to address other priorities identified by the Board in the future.

Engagement will be ongoing with the agencies, government (national and local), partners and, in particular, customers including businesses and learners. as we move into this next phase.

A regular review of this plan will incorporate that learning and feedback.

As with businesses themselves, the Board is also alive to the need to adapt its approach based on lessons learned. It will continue to identify the key data and analytical requirements to inform the future work programme and expand the capacity of the Analytical Unit to service that demand. An early example will be to increase the evidence on key parameters such as the rate of return against activities.

Finally, to continue implementing a customer focus across all aspects of support, the Board will explore how it can extend the customer journey approach into wider relevant areas. The Board looks forward to working with a wide range of stakeholders and partners to identify the biggest opportunities.

### What should this mean for you?

- If you are a business looking to grow, innovate or internationalise and are seeking support, it will be easier for you to access simple, smart and streamlines support to help reach your potential
- For budding entrepreneurs with aspirations to start a new business, you will have support at every stage of your journey
- For everyone – whatever stage of your career you will have easy access to the learning opportunities you need to develop the skills to thrive in a changing labour market
- For our agencies it means working together to deliver a seamless, joined up system that competes with the best in the world
- For colleges, universities and training providers, it means ensuring our skills provision better matches the demand from both industry and learners

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## STRATEGIC BOARD, OCTOBER 2018

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**Nora Senior** (Chair), UK Regions & Ireland, Weber Shandwick

**Wendy Alexander** – University of Dundee

**Karen Betts** – Scotch Whisky Association

**Liz Cameron** – Scottish Chambers of Commerce

**Mike Cantlay** – Scottish Funding Council

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**Poonam Gupta** – PG Paper Company

**Steven Heddle** – COSLA

**Bob Keiller** – Scottish Enterprise

**John McClelland** – Skills Development Scotland

**Gerry McCusker** – Dog Digital, BIMA Scotland

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**ENTERPRISE & SKILLS  
STRATEGIC BOARD**

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PPDAS476986 (10/18)



## **Evaluative Report and Enhancement Plan**

**2017-2018**

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## **Forth Valley College and its Operating Context**

Forth Valley College was established in 2005 as a merged regional College serving the needs of the three communities in Falkirk, Stirling and Clackmannanshire. In geographic and industrial terms, the Forth Valley region is very diverse, from the nationally significant oil, gas and chemical sectors in Grangemouth, to the hospitality, tourism and heritage sectors in Stirling and the rural communities. The College delivers programmes in three main campuses at Falkirk, Stirling and Alloa, and has a small presence on Raploch Community Campus in Stirling. The College is entering an exciting new phase, with the start of building work on its new £82m Falkirk Campus HQ which, by its opening in November 2019, will complete an ambitious estates programme that began with the completion of new campuses in Alloa in 2011 and in Stirling in 2012.

The College works in close partnership with the three local authorities of Falkirk, Clackmannanshire and Stirling. Negotiation is currently underway on a City Deal for Stirling and Clackmannanshire. An ambitious City Deal Masterplan has been prepared and the Principal has played an active role in its development, in his role as a Stirling City Commissioner. Forth Valley College is working closely with Stirling and Clackmannanshire Councils to support the skills ambitions of the City Deal and, particularly, to maximise use of the partnership resources to extend opportunities for vocational learning for senior phase pupils.

In 2016-2017 the College enrolled around 17,000 students of whom 19% were studying full-time. Approximately 70% of enrolled students are based on the Falkirk campus, with 18% at Stirling (including Raploch) and 12% in Alloa. Within the past five years, the College has completed new estates developments in Alloa and Stirling. It is now at an advanced stage in planning for a new campus in Falkirk, which will be completed in 2019. The College works with a range of strategic partners across the region and further afield, having links with many industries and businesses operating in Scotland, across the UK and internationally.

The College delivers an extensive range of vocational programmes. Full-time further education (FE) programmes at Scottish Credit and Qualifications Framework (SCQF) levels 1-6, are distributed across the three College campuses. The College has intentionally balanced its specialist resources, equipment and teaching expertise for higher education (HE) programmes at SCQF levels 7-10 across individual campuses to create a regional curriculum strategy matched to the region's demographic and economic profile.

Working closely with its three local authorities, the College has established a comprehensive range of school-College partnership activity. Around 200 school-College students attend the School College Opportunities to Succeed (SCOTS) programme. This initiative supports S4 students at risk of not progressing onto a positive destination to experience study at College and then embark on a College programme. The College offers four fully integrated degree programmes with the University of Stirling and two Associate Student programmes with Heriot Watt and Strathclyde Universities.

The College is contracted with the Scottish Funding Council to deliver an overall target of 86,887 Credits in 2017-2018. It currently employs 620 members of staff and has a revenue budget of £32,957,956, of which 73% is grant-in-aid from SFC.

## Methodology Used to Evaluate the Quality of Provision and Services

### Evidence for Evaluation

#### Student Success Performance Indicators

Student retention and success rates are reported in real time, using an online data portal. Reports show three-year trends and comparisons against the most recent published sector average and high benchmark. Additional reports show enrolments, retention and success by equalities characteristics.

#### The Student Voice

The College operates a systematic and comprehensive **Listening to Learners** process, whereby every class group takes part in two in-depth focus group discussions each year. Discussions are structured around a standard set of prompt questions, based on the challenge questions in the *How good is our College?* framework, with a strong focus on learning. Curriculum Managers feed back to class representatives on the outcomes of the *Listening to Learners* process.

Class representatives meet with members of the Senior Management Team (SMT) at two **Student Council** meetings per campus per year, arranged by the Forth Valley Student Association. The Student Council has a broad focus, covering all aspects of the College experience. Senior Management Team responses to issues raised are collated and fed back to the student body. The Student Voice is also heard by the Forth Valley Student Association Sabbatical Officers attending various committees throughout the year and meeting with the Principal once a month.

The College also uses online surveys to gather student feedback on specific aspects of their experience. Students are surveyed on their experiences from first contact with the College through to post-induction. The College uses the National Student Satisfaction Survey as a measure of general student satisfaction. Curriculum and support teams across the College also use a variety of approaches to gathering feedback from students on specific aspects of the student experience.

#### Evaluation of the Quality of Learning

In 2017-2018, the College strengthened its processes for evaluating learning and teaching by introducing the **Learning and Teaching Enhancement** programme. Four lecturers have been appointed as part-time *Learning and Teaching Mentors* and received training from Education Scotland on the evaluation of learning and teaching. The mentors work with individual lecturers, supporting them to evaluate their practice using a range of methods (including observation, feedback from students and feedback from employers/others) and to plan and implement enhancements. In 2017-2018, 50 lecturers were selected and took part in the process. The College plans to engage a further 100 lecturers in the Learning and Teaching Enhancement programme in 2018-2019 and for all lecturers to have taken part by the end of 2019-2020.

#### Engagement with External Stakeholders

Curriculum teams engage widely with employers to incorporate their views on the curriculum offer, product and delivery. The College does not impose a standardised approach to this, but rather empowers managers and teams to adopt the approaches that work best for their particular industry sectors, business types, disciplines and operating environment.

There is ongoing engagement at both strategic and operational levels with the three Local Authorities and 18 secondary schools in Forth Valley, to enable joint senior phase curriculum planning and evaluation and to support positive destinations for school pupils across the region. Staff at all levels also systematically and proactively engage with other partners and stakeholders at both national and regional level. These engagements take a wide range of formats and include those with strategic as well as operational impact.

### **The Evaluation Process**

Programme teams meet formally at least twice each year to consider performance evidence and feedback from students and staff teams. Subject servicing staff (for example Maths and Core Skills lecturers) and support staff (including Learner Development Workers and Learning Development Facilitators) are an integral part of these teams. As well as participating in programme review meetings, support service teams hold their own regular review meetings.

At the end of each academic year, programme and support service teams produce annual evaluation reports. Senior managers review the reports and provide written feedback. The Learning and Quality team also review the reports and identify themes for consideration at College level. Each report is accompanied by an enhancement plan, which identifies actions, responsibilities and timescales and progress towards these is monitored through team discussions throughout the year.

Department Heads, in conjunction with the Senior Management Team, carry out a detailed annual review of the curriculum offer, taking into consideration labour market information (such as Regional Skills Assessment data) and direct feedback from employers, as well as programme performance data.

Forth Valley Student Association carry out an annual self-evaluation against the *How Good is your College Evaluation (SPARQS)*. A number of College managers and staff were invited to take part and supported them with their evaluation and action planning in academic year 2017/18.

The Chair of the Board of Management led self-evaluation and review of the Board's effectiveness. This involved the completion of an individual survey, based on the main areas of the Code of Good Governance, followed by an individual meeting with each non-executive Board member and a discussion of findings at a Board planning event in September 2018.

### **External Scrutiny Activities**

During 2018, the College arranged a comprehensive programme of Annual Enhancement and Scrutiny with HMI John Laird. The scrutiny activity included observations of programme review and support team evaluation meetings; an observation of a Student Council Strategic Planning Session; and discussions with the Learning and Teaching Mentors and lecturers who had taken part in the *Learning and Teaching Enhancement* programme, to evaluate the success of the new process. Three evaluative thinking workshops were delivered by John Laird for all College Managers, who lead team evaluations. A range of professional discussions with College staff, including Senior Management Team, Curriculum Heads and Managers, teaching and support service staff, curriculum delivery teams and the Forth Valley Student Association team were held. As a result of these activities, Education Scotland provided feedback to the College which, has been used as one of the sources of evidence for this evaluation report.

### **Outcomes of Evaluation**

The following sections set out the summary outcomes of the above evaluation processes for each of the three key principles in the *How good is our College?* quality framework, which are Outcomes and impact; Delivery of learning and services to support learning and Leadership and quality culture

These principles are underpinned by twelve Quality Indicators, seven of which are addressed in the following pages. The College has identified the key areas of positive practice and areas for development in relation to each Quality Indicator.

It is important to note that the areas for development identified in this report include opportunities for further enhancement, as well as issues that require improvement.

## Outcomes and impact

### 3.1 Wellbeing, equality and inclusion

#### Areas of Positive Practice

##### **How well are inclusion and equality arrangements improving attainment for individuals and groups experiencing barriers to learning?**

- The College has in place well-established and effective arrangements for inclusion and equality and uses these well to support individuals experiencing barriers to learning to achieve.
- The College has an effective, robust disclosure system for additional support needs, spanning pre-entry through to on-course, to enable students to tell us what they need. This ensures that students' needs are identified and staff can put arrangements in place at the earliest possible stage. In 2017-2018, a total of 608 students had Personal Learning and Support Plans with arrangements to support their learning.
- In almost every case, staff implement reasonable adjustments recommended for students fully and timeously, ensuring that individuals with specific needs do not experience these as barriers to learning.
- The Equalities and Inclusion team challenge their colleagues appropriately on matters relating to inclusiveness, reasonable adjustments and equity for students with additional support needs. Collaborative working and informal case conferencing with teaching staff ensure that students get the right support. The service has robust reporting systems to ensure students do not drop off the radar. The team have good working relationships with Curriculum Managers to flag any concerns about students.
- The College has campus-wide, networked assistive software available, which is available to all students and a large loan bank of assistive and enabling equipment for students who require it.
- The College successfully supports a wide range of students, adopting innovative solutions to maximise resource. Staff have been trialling the use of new technologies (such as Quizlet; Audio Notetaker; Dragon; Read and Write Gold; and LiveScribe) whilst working to support students. They have also been trialling different ways to capture more students at the same time. For example, workshops or in class support for groups of students, rather than always one to one appointments.
- The College provides enhanced support for care experienced students, including: support through pre-entry and application phase; summer pre-induction sessions; priority access for funding; guaranteed interview if applicants meet entry criteria; continued one to one support when attending College, including liaising with delivery staff, the Funding Team, Learner Advisors and Learner Development Workers.
- College staff make effective flexible and individualised arrangements for students experiencing challenging life circumstances, so that they can continue or re-engage with their learning in order to achieve their qualification aim. For example, in 2018-2019 40% of full-time HE students who were unable to complete their qualification in 2017-2018 have been supported to return to complete their qualification.

### **How well do arrangements for promoting and celebrating diversity facilitate a culture of inclusion?**

- Staff engage well in Career Long Professional Learning designed to promote a culture of inclusion. In 2017-2018, examples include: refresher training in safeguarding and equality and diversity; Equalities Impact Assessment training; Autism awareness; and Unconscious Bias training.
- Online information for staff on equality, diversity and inclusion has been further enhanced, with the addition of information and links to external resources on a range of characteristics, such as gender, race, disability, sexual orientation and age. As a result, staff feel better informed and more confident about promoting diversity with students.
- In 2017-2018 the College's internal auditors carried out an audit of the College's arrangements for reporting hate incidents. The College Hate Incident Monitoring process has been reviewed; a leaflet produced and staff awareness raising has taken place and is ongoing.
- Staff and students participated in awareness raising campaigns for LGBT Awareness; Safety Campaign; Sexual Harassment; Carers Can; and 16 Days of Action (gender based violence).
- In the Student Early Experience Survey carried out in October 2017, 96% of students stated that they were satisfied that the College promotes a culture of respect and 85% reported that they were aware of where to get support if they experienced any bullying or harassment. In the National Student Satisfaction Survey in 2018, 89% of students agreed that all students are treated equally and fairly by staff. In all cases these results have been at a very similar level over the past three years.

### **How well does planning of provision and services take account of the changing needs of specific groups of learners, e.g. ESOL learners, learners with mental health issues, care experienced young people?**

- Teaching departments annually agree and budget hours for Extended Learning Support, based on volume of activity and the profile of students. These hours are allocated to designated lecturers (ELS Facilitators), who have remitted teaching time to provide support to students with additional support needs. The way in which these hours are used is determined at curriculum team level, to ensure that staff deliver this support in ways that works best for students in that subject area. These approaches include one-to-one sessions, subject-specific tutorials and drop in sessions. The ELS Facilitators work very closely with the Learning Support team, to ensure that students' specific additional support needs are met.
- In 2017, the College successfully secured funding from Falkirk Council's Integrated Care Fund, which has enabled the College to deliver a comprehensive package of support (prevention, early identification, intervention, support, sign posting) centred on the mental health and wellbeing needs of students. Students can access a self-referral form on My Moodle and send this straight to a 'wellbeing' inbox. There is now a 'Calm Room' within Student Services, which is utilised by students, the Wellbeing and Support Officer and Counsellors. The Wellbeing and Support Officer supported 492 students in 2017-2018 and, for many of these students, this enabled them to remain on course and achieve their qualification aim.
- The Learning Support team also provides support for students with poor mental health plus another or multiple additional support needs. In 2017-2018, 175 out of 597 (30%) students receiving learning support disclosed mental health needs. The team make good use of the College Wellbeing Project and Counselling service, to which 80 referrals were made in 2017-2018, with 273 counselling hours delivered. They also work very well with external agencies who support these students and regularly recommend different apps (such as HeadSpace and Dare - Break Free from Anxiety) to help students manage their mental health and stress levels. Students attending the College counselling service are also offered free gym membership for the duration of their counselling period.
- In addition, the Learner Adviser team had 1425 interactions with students in 2017-2018, providing first point of contact advice and guidance on a range of queries. Of these, 620 (43%) were related to mental health. This represents a 300% increase on the previous year. Learner Advisers provide

rapid access to helpful information, including referral sources, which help students to take action to prevent their situation from escalating and enabling them to stay on track.

- Forth Valley Student Association trained an additional 73 participants (students and staff) in Mental Health First Aid in 2017-2018, further developing the capacity of the College to respond to the increase in students disclosing mental ill-health.
- During 2017-2018 the College secured funding from the Robertson Trust to begin a mentoring project called *Time4Me*. The project aims to improve retention and success rates of young people transitioning to College who face additional barriers to fulfilling their potential. The project is specifically aimed at young people who are care experienced, have caring responsibilities for others and reside in areas of multiple deprivation. To date, 32 mentors have been trained, seven mentoring matches have been made and eight further referrals are in progress.
- All ESOL students are screened as part of the recruitment process to determine the appropriate level of study for their current English language ability. They are able to access ESOL classes and support in addition to their course timetable to support their continued English language development.
- In an innovative initiative, ESOL students and Care students were brought together to aid the integration of ESOL students in College and foster good relations between student groups. A Community Police Officer engaged with students to facilitate discussion around hate crime and domestic abuse laws, as these are often very different to the laws within the countries the students have previously lived in.
- The College has seen a significant increase in the numbers of students disclosing as care experienced over the last three years, from 225 in 2015-2016 to 344 in 2017-2018, a 53% increase. This increased disclosure is very positive, as it helps the College to target this enhanced support more effectively.

### **Areas for Development**

- Whilst the College's wide range of support services and arrangements are very effective in supporting students and meeting their needs, the College has recognised that these could be further enhanced by being more "joined up". The College is developing a centralised Student Support System within its MIS, so that information about dialogues and interventions with individual students will be held centrally and available to all staff supporting the individual. This will also enable more accurate evaluation of the impact of College services and interventions.
- The College is planning a review of the way in which it provides pastoral support to full-time students, to ensure that the available resources are being utilised to provide maximum impact on student success.

## **3.2 Equity, attainment and achievement for all learners**

### **Areas of Positive Practice**

**How good is learner success over time on FE and HE level programmes, and what are the contributory factors?**

**How good are retention and attainment rates on FE and HE level programmes, and what are the contributory factors?**

- The College continued to perform very well in relation to student success in 2017-2018, with three of the top level success performance indicators (full-time FE, part-time FE and part time HE) well above the sector average for 2016-2017 (latest published statistics).
- Student retention and success on full-time FE programmes show an upward overall trend and have remained above or well above the sector average over the last three years. The College's full-time FE 2017-2018 success rate of 71% is 6% better than the sector average for 2016-2017. In some subject areas, notably Languages and ESOL; Engineering; Care; and Hairdressing and Beauty; full-

time FE success rates are very high. College managers have carried out a detailed analysis of the factors contributing to high success in each of these areas. These include project-based learning, including live project briefs; effectively planned mix of theory and practical learning with well-contextualised theoretical learning; and high levels of work-based learning. Curriculum Managers and teams in these areas are working with others across the College to share the practice that contributed to these high success rates.

- The three year trend for student success on full-time HE programmes has fluctuated, with the 72% success rate in 2017-2018 representing a 2% recovery from 70% in 2016-2017 and equating with the sector average for 2016-2017. Although overall FT HE success rates are in line with the sector average, success rates in more than a few FT HE subject areas, are very high, with Art & Design; Media; Computing; Sport; and Hairdressing and Beauty performing particularly well. Once again, College managers have analysed the contributory factors in detail and these are very consistent with those listed above for full-time FE. Curriculum Managers and teams are working with others across the College to share successful practice for embedding in less successful subject areas.
- In situations where mental health issues and/or complex personal circumstances prevented full-time HE students from fully achieving their qualification aim within the normal timescale, College staff made flexible and responsive arrangements to support these students to achieve their goals. This included supporting students to return to College in 2018-2019 on a part-time basis to complete the parts of their programme that they were unable to complete last year. A total of 46 students are currently benefitting from these arrangements. This accounts for 3% of all full-time HE students and 40% of those who achieved partial success in 2017-2018.
- Overall 5% of full-time FE students and 4% of full-time HE students withdrew from their course before completing to take up employment. Whilst this is a very positive outcome for the individuals concerned and demonstrates the positive impact their College experience had for their employability, it impacts negatively on the College's student retention performance indicators.
- Student retention and success on part-time FE and HE programmes over the past 3 years have remained very high. The 2017-2018 part-time success rates, at 91% (FE) and 87% (HE) are 14% and 8% above the sector average respectively.

#### **How good are attainment rates for essential skills on FE and HE level programmes, and what are the contributory factors?**

- All full-time FE courses include opportunities for students to develop and achieve accredited core skills. In most cases these are delivered through integrated projects, contextualised to the vocational area/industry of the students' course. The achievement rates across all five core skills at all levels are very high (88%-100% and averaging 94%) and have been so for the last three years.
- Learner Development Workers support full-time FE students well to develop and improve their essential skills and enhance their self-confidence. Students carry out a self-assessment against a set of essential skills at the start of their programme, then either select from a range of carefully designed projects, or are supported to design their own projects, to help them further develop their priority skills. They track their skills development online and receive a College certificate confirming their achievements. The College has responded to numerous requests from other Colleges to share this practice.
- Many students gain additional certificates and awards, including computing vendor qualifications, and sports fitness awards and many participate in volunteering, fund-raising and community projects, which develop their citizenship skills and promote wider achievement.
- In 2017-2018, 681 full-time students benefitted from a high quality work placement, leading to certification, as part of their course. This was a 13% increase on the previous year.
- The College's innovative partnership with South East Regional College (SERC) in Northern Ireland provided seven groups of students from different disciplines with the opportunity to work on vocationally relevant collaborative projects with their peers in the partner College. Students recognised the positive impact that these opportunities brought, particularly in terms of the "21<sup>st</sup> Century Skills" of creativity, collaborative research and problem solving and remote digital communication in a professional setting.

### **How good is equity of success for all learners, and what are the contributory factors?**

- The College uses student data well to ensure that no students experience barriers to participation or to learning because of protected characteristics. Where the data indicate any significant differences in enrolments, retention or success, managers and teams analyse this down to programme and individual student level and are diligent in investigating the specific reasons for this, to ensure that the learning experience remains equitable and inclusive. For example, detailed analysis of student success by protected characteristics indicates that Black and Minority Ethnic (BME) students on FE programmes; students with a declared disability on HE programmes; and students identifying as gay perform less well than the overall student population. Curriculum Managers and teams have carried out detailed analysis, down to individual student level, of the reasons for these students failing to achieve. This analysis has confirmed that the reasons were not related to the protected characteristic.
- In 2017-2018, the College delivered 45% of its Credit activity to students aged 16-19 and 22% to students aged 20-24. The actual overall activity for 16-19 year olds was higher, as it included Foundation Apprenticeships, which do not count as Credit activity. In terms of student success, 20-24 year olds performed better than the overall student population on full-time HE and part-time FE and HE courses and at the same rate as the overall student population on full-time FE courses.
- The College delivered 11% of its activity to students from the 10% most deprived postcodes in Scotland. On full-time courses (FE and HE), students from SIMD 10 achieved exactly the same success rate as the overall student population and on part-time courses their success rates were 1% better than the overall student population.
- In 2017-2018, the College delivered 46% of its activity to female students and 53% to males. Whilst this differs slightly from the OA target for 2017-2018, overall female enrolments were up by 24% in 2017-2018. It is also very positive to note that there was a 20% increase in the number of females enrolled in courses in STEM subjects. Overall, there was no significant difference in the success rates of males and females. The College recognises that there is still gender underrepresentation in specific subject areas and specifically addresses this in its Gender Action Plan ambitions, which focus on increasing the numbers of women in STEM and men in care. The College is actively working with schools, including younger pupils, to promote culture change around gendered career thinking, and is actively promoting appropriate role modelling through this work and on social media.
- The College delivered 2% of its activity to students whose ethnicity is Black or Ethnic Minority (BME), however BME enrolments increased by 32% in 2017-2018 to 639. On HE programmes, BME students performed better than the overall student population.
- The College delivered 19% of its activity to students with a declared disability and overall enrolments from students with a disability increased by 13%. On FE programmes (both full-time and part-time), students with a disability performed 1% better than the overall student population.
- The College has seen a significant increase in the numbers of students disclosing as care experienced over the last three years, from 225 in 2015-2016 to 344 in 2017-2018, a 53% increase. The College delivered 3% of its activity to this group against a target of 2%. Whilst attainment rates for care experienced students remain lower than students who are not care experienced, the trends are positive, with a 6% reduction in withdrawal amongst care experienced students over the last three years and an overall upward trend in achievement, to 70% in 2017-2018.
- Although fewer senior phase age pupils (354) studied vocational qualifications delivered by the College than the OA target of 380, the volume of credits delivered to senior phase pupils studying vocational qualifications (2.2%) and to pupils on school-College provision (9%) both exceeded target. The lower headcount was largely due to challenges in recruiting to Foundation Apprenticeships, which are not Credit funded. College staff made significant efforts during 2017-2018 to raise awareness of these programmes and increase applicant numbers and 185 new Foundation Apprentices enrolled in August 2018.

- The College has seen a significant increase in students identifying that they are carers over the last three years, from 392 in 2015-2016 to 472 in 2017-2018, a 20% increase. In 2017-2018, College staff and managers worked closely with Forth Valley Student Association to embed a Carers' Charter in the College, with an online campaign and information on Moodle. As a result, the differential in student success for carers and those who are not carers has dropped from 6% in 2016-2017 to 2% in 2017-2018.

### **Areas for Development**

- Although, overall, the College's full-time student retention and success indicators are positive, there are a number of subject areas at both FE (Art and Design; Business; Construction; Hospitality and Media) and HE level (Construction, Engineering and Science) where student retention and success were low. College managers have carried out a detailed analysis of the contributory factors in each of these areas and Curriculum Managers and teams are taking appropriate action at programme level to address issues through their improvement action plans for 2018-2019.
- There has been a significant increase in the number of full-time FE and HE students presenting with complex mental health issues and/or life circumstances, which in many cases, created barriers to them completing or fully achieving all aspects of their course. In all such instances, curriculum and support teams did everything that they could to support the individual to stay on course and achieve their qualification aim; however these efforts were not always successful. As a result, the College plans to review the ways in which it provides pastoral support to full-time students, to ensure that the available resources are being utilised to provide maximum impact on student success, and to deliver improved information sharing through the new Student Support System.
- Younger students in the 16-19 year old age band performed less well than the overall student population on full-time FE courses, with 68% success as opposed to 71%, largely due to higher withdrawal rates. It is hoped that planned interventions, such as the *Time4Me* mentoring initiative, will have a positive impact on retention and success amongst younger students in future. The planned review of pastoral support for full-time students will also consider support for younger students.
- The College will continue to provide enhanced support for applicants and students who disclose care experience. This will include implementation of the *Time4Me* mentoring project and promotion of the increased bursary for care experienced students.

## **Delivery of learning and services to support learning**

### **2.2 Curriculum**

#### **Areas of Positive Practice**

##### **How well do curriculum teams use labour market information (LMI) to plan the curriculum?**

- The College delivers carefully planned range of programmes from SCQF level 1-10. The curriculum offer is shaped by the Forth Valley Curriculum Strategy, which aligns the College curriculum with the business and industry profile of the region. Managers and senior managers review the curriculum annually, taking full account of available labour market and skills information. In 2017-2018, for example, this review led to an increased number of places for HNC Childhood Practice and HNC Care and Administrative Practice.
- Curriculum teams respond rapidly and effectively to national and local curriculum priorities. They are agile in flexing the curriculum offer to meet emerging needs, such as the increase in HNC Childhood Practice provision to meet the childcare expansion needs and the introduction and significant expansion of Foundation Apprenticeships.
- The College designs its HE curriculum carefully to support HN students to articulate to a wide range of vocational degree programmes with advanced standing. The College currently has

articulation agreements in most subject areas with a number of universities across Scotland. The College has very successful Associate Student programmes, four of which are fully integrated degree programmes, in partnership with three universities.

#### **How well do curriculum teams take account of national priorities and Developing the Young Workforce to plan the curriculum?**

- The College has responded very well to the Developing the Young Workforce agenda and works very closely in partnership with the three local authorities and 18 secondary schools in the Forth Valley region to plan and deliver senior phase vocational pathways for school pupils. The College is frequently asked to attend events to disseminate its successful practice in relation to developing the Young Workforce and school-college partnerships.
- In 2017-2018, 598 places were made available for school pupils on vocational qualifications at SCQF level 5 or above (Skills for Work, National Progression Awards, Foundation Apprenticeships and HNCs) and an additional 200 on the Schools College Opportunity to Succeed (SCOTS) course. In total 592 (74%) of these places were filled, 433 of these on vocational qualifications. The number of places offered and filled has been growing steadily over the past three years.
- During 2017-2018 the College worked closely with local authority partners to further increase the volume of senior phase vocational pathways for 2018-2019. In August 2018, 763 out of the offered 927 senior phase College place have been filled (82%), with 185 of these being new Foundation Apprenticeship starts.
- In 2017-2018 the College had 289 new starts on direct contracted apprenticeships. The College currently has around 900 Modern Apprentices in training and continues to evidence responsiveness to the needs of employers by requesting additional MA places in Engineering, where there was greater demand than the initial allocation.

#### **How well do curriculum teams elicit and incorporate the views of employers and industry stakeholders to improve the curriculum?**

- Curriculum teams engage very well with employers and other relevant external stakeholders to inform developments and improvements to the curriculum. Examples of resulting improvements to the curriculum include: tailored off-the-job training for Engineering MAs (Scottish Power and Ineos); bespoke workshop facilities to create realistic working environments (Alexander Dennis bus frames; Westfield Plant); Inclusive Sports Provision being added to the HN Sport curriculum; HNC Civil Engineering tailored to meet the needs of employers; and Clinical Skills or Essential Skills include in FE Care courses, which have been requested by employers to establish basic practical caring skills.

#### **How well do curriculum teams incorporate and plan work-based learning activities to develop employability?**

- Almost all full-time programmes include work-related learning, including realistic working environments, industry visits, employer talks and masterclasses and “live” project briefs. In 2017-2018, student conferences were held in Travel and Tourism and Accounting, enabling students to hear from influential industry speakers, gain in depth insights into the industries and network with local employers.
- An increasing number of full-time courses include a work experience placement, with 681 full-time students undertaking placements of at least 40 hours in 2017-2018, for which they received certification. Foundation Apprenticeships are designed to include a significant proportion of work-based learning and assessment and the College has benefitted from very strong partnerships with local employers to enable this to be delivered to growing numbers of FAs.

### **How well do curriculum teams incorporate and plan development of employability skills within the curriculum?**

#### **How well do curriculum teams incorporate and plan essential skills, including Career Management Skills, to support employability and progression to further learning?**

- Curriculum teams plan the development of employability skills very well, embedding employability learning across the whole College curriculum. In practical learning, employment standard behaviours and practices are expected of all students and, where at all possible, workshops are equipped and contextualised to replicate real onsite environments and situations to promote the development of employment standard skills.
- The College's innovative partnership with South East Regional College (SERC) in Northern Ireland provided groups of students from seven different disciplines with the opportunity to work on vocationally relevant collaborative projects with their peers in the partner College. Students recognised the positive impact that these opportunities brought, particularly in terms of the employability skills of creativity, collaborative research and problem solving and remote digital communication in a professional setting.
- Learner Development Workers further support skills development through contextualised and student centred essential skills projects; students use Personal Learning Plans to identify and track their personal skills development. Employability and creative thinking skills are embedded across within these projects and they have been mapped to the Career Management Skills, so that students can clearly identify and articulate the skills that they are developing.
- All curriculum teams have responded very well to the College's commitment to support the development of students' skills for learning, life and work. Contextualised and integrated core skills are delivered at an appropriate level within all full time FE courses.
- Across all curriculum areas, teams create opportunities for their students to achieve more widely, through activities such as volunteering, inter-disciplinary projects and competitions, as well as work-related learning opportunities.

#### **How well do curriculum teams plan and participate in Continuous Lifelong Professional Learning activities to ensure currency, knowledge of industry and professional practice?**

- All college staff have annual Personal Review and Development (PRD) meetings with their line managers, in which they set personal objectives and plan how their personal development needs will be met through CLPL activities. The process works very effectively in cascading college strategic and operational objectives to individuals and to support the planning of relevant learning activities for staff.
- In 2017-2018, curriculum teams undertook development to enhance their skills in supporting student needs; to enhance their learning and teaching practice; and to update and enhance their specialist knowledge with industry experts. Additional activities recorded included attendance at conferences, professional updating, work based observation, shadowing, secondments and stretch activities to enhance experience.
- In August 2018, the annual Creative Learning Conference (this year a joint and simultaneous event with SERC in Northern Ireland) focused on key topical themes in learning and teaching, including student stress and resilience; cyber-security and internet safety; project-based learning to develop employability skills; and technology enhanced learning.
- In 2017-2018, in line with the College's Creative Learning and Technologies Strategy, the College carried out a skills audit of the digital competence of staff for technology enhanced learning. The outputs from this are now being used as a baseline for the development of CLPL resources for staff.

#### **How well do curriculum teams use learner performance data at programme and unit levels to improve learner performance rates?**

- Curriculum Managers and teams have ready access to real time student performance data through an online Performance Indicator dashboard and they make good use of this to track progress and plan and implement interventions. Curriculum teams use student performance data and feedback

from students diligently on an ongoing basis throughout the year. They analyse and discuss data in team meetings, plan in-year improvements to programmes and put in place interventions where student progress is not as required.

- Curriculum Managers provide senior managers with formal predictions of student success twice a year and are required to set out recovery plans where student success is at risk. At the end of each academic year, teams carry out in depth analysis of student retention and success, including analysis by protected and other characteristics. These evaluations are formally recorded in team evaluation reports and action plans developed to improve performance

### **Areas for development**

- The incorporation of the views of employers and industry stakeholders in curriculum team evaluations to improve the curriculum is not yet consistent across the College.
- The College plans to enhance the use of data by curriculum teams further, to improve student performance. In 2018-2019, the formal reporting of student success predictions will be increased to three times each year, making full use of the online Performance Indicator dashboard, to enable earlier identification at senior level of any emerging issues that may require action at department or College level. In addition, the College is introducing a progress “flag” into its online attendance registers, so that teaching staff can immediately identify students at risk of falling behind, to enable interventions to be put in place at an even earlier stage than at present.

## **Delivery of learning and services to support learning**

### **2.3 Learning, teaching and assessment**

#### **Areas of Positive Practice**

##### **How well are learners motivated and engaged in enhancing their own learning?**

- Through *Listening to Learners* feedback, almost all student groups report that they are happy with what and how they learn and are keen to keep learning. In the National Student Survey, 93% of students agree that staff encourage students to take responsibility for their learning and 92% agree that they are able to influence learning on their course.
- The College’s emphasis on creative, collaborative and project-based learning engages and motivates students very well. The College has responded to numerous requests from other colleges to share this practice and it has done so through visits and workshops in College and at national events.

##### **How well do all learners make use of, high-quality resources and equipment, including digital technologies?**

- Almost all students make good use a range of appropriate resources to support their learning. In practical lessons, almost all students have access to high quality and well-equipped facilities with industry relevant equipment and in some cases supplied by local employers. This prepares students well for successful transition into the workplace.
- Almost all students make good use of digital technologies to support and enhance their learning. This includes the use of new platforms such as Onefile for digital portfolios, which has been well received by students. Most students continue to use Moodle effectively to access learning resources, submit assessments and in many cases, receive feedback. Students routinely use the internet for research and appropriate generalist and/or specialist software in their coursework.

### **How well do learners develop the skills they need to help them attain, achieve and progress to a positive destination?**

- Across all curriculum areas, opportunities are made available for students to engage with a range of learning activities, including projects and work placements, which allows students to identify strengths and work on areas of interest. This has enriched the learning experience and provided students with vocationally relevant experience, which raises their awareness of the wider essential skills they are developing. In *Listening to Learners* focus groups, almost all students agree that their learning helps them to develop a wide range of skills and prepares them well for progression to employment or further study.

### **How well do learners influence their own learning and set goals to improve?**

- Students across all curriculum areas are encouraged and enabled to influence their own learning through a range of activities, including the use of Personal Learning Plans. Through *Listening to Learners*, most students report that they are actively involved in planning and shaping their own learning experiences in discussions about what and how they are taught.

### **How adept are teachers in adjusting learning and teaching approaches to meet different learner needs?**

- Across all curriculum areas, staff demonstrate flexibility in adapting lessons to meet the needs of specific groups and individuals. Curriculum teams work well with learning support teams to track students' progress, engagement and attendance and use this information in conjunction with personal learning plans to ensure support for students is tailored to their needs within the classroom.
- The *Learning and Teaching Enhancement* mentoring programme has been effective in encouraging staff to reflect on and consider new approaches to take account of students' needs, which is then shared with other team members.

### **How well do teachers use resources and digital technologies to support and enhance purposeful learning?**

- Staff use a wide range of technologies to support learning, which results in higher levels of engagement. Staff are further developing their practices in technology enhanced learning, making greater use of more advanced interactive features in Moodle and bringing new technology tools into their practice (for example Kahoot, Padlet, ebooks, BOB and Virtual reality).
- The Creative Learning and Technologies Strategy is focussing staff on the continual development and extended use of technology-enhanced learning and this is reflected in clear objectives in the College's operational plan. The College has also initiated a Learning Technologies Advancement Group, reporting to the Creative Learning and Technologies Committee. This group brings together representatives from curriculum areas and IT Services to explore developments in technologies to enhance learning. This innovative approach will ensure that new ideas for learning and teaching are evaluated, implemented and embedded more quickly into practice.

### **How well do staff use on-going and end-of-unit assessment to promote learning and affirm achievement?**

#### **How well do assessment approaches meet the needs of all learners?**

- Assessments are well planned by almost all teaching staff and take good account of student needs to minimise assessment workload. In many instances, students are actively involved in agreeing assessment schedules and assessment scheduling is considered across a programme rather than by individual unit.
- Through *Listening to Learners*, most students agreed that they are well prepared for assessment and feedback is used effectively to promote further learning and to help students to understand how well they are progressing.
- The Learning Support team have worked effectively with teaching departments to explore other methods of assessments for students who struggle with more traditional forms of assessment. This

flexibility has resulted in successful completion of courses for students using alternative assessment methods such as professional discussion and picture log books. Staff are flexible, supportive, approachable and open to making appropriate adjustments to lessons, units and assessments.

- A few curriculum teams have redesigned their overall assessment process to be more inclusive, so that fewer specific assessment arrangements are required for individual students. Some progress has been made to move students away from using reader/scribes towards utilising assistive technology.

#### **How well do teachers use learner performance data at unit and programme levels (including surveys and evaluations) to improve learner performance rates?**

- Most staff use student performance data and student feedback well to evaluate and to plan and monitor actions for improvement through team meetings. Programme teams, including support staff members, use this data to analyse patterns, identify potential factors affecting student success at subject and programme level and plan interventions or changes to curriculum delivery.

#### **How well do staff involve learner representatives and stakeholders in evaluating the learning experience and planning for improvement?**

- *Listening to Learners* feedback is used extensively by all curriculum teams to plan improvements to programme delivery. Class representatives work well with managers to support the focus groups and their involvement ensures that the feedback fully represents the views of the student group.
- Curriculum teams gather feedback from other stakeholders, including employers, in a variety of ways designed to suit the stakeholders' circumstances and priorities. Most curriculum teams use the feedback from students and other stakeholders very well to evaluate the learning experience and plan improvements.

#### **How well do teachers reflect on the outcomes of their learning and teaching approaches to continuously improve the learning experience?**

- Staff make good use of a variety of methods, including student feedback and performance data, to reflect on their practice through regular programme team discussions and robust team evaluation activities. Actions are identified and monitored, resulting in positive improvements to students' learning experiences.
- The *Learning and Teaching Enhancement* mentoring programme is proving effective in promoting and supporting reflection on individual practice and initiating enhancements. Several curriculum teams are already utilising feedback from mentoring activities to promote collective reflection on learning and teaching practice and to plan enhancements for learning and teaching within their areas.

#### **Areas for Development**

- The College will continue to develop its Learning and Teaching Enhancement mentoring programme and has a target for 100 further staff to engage in the process during 2018-2019. In 2018-2019, the focus will be on new staff, theory/knowledge teaching and technology enhanced learning.
- The actions to enhance the use of data set out in QI 2.2 will also support individual staff to use learner performance data more effectively to improve learner performance rates.

## 2.4 Services to support learning

### Areas of Positive Practice

#### **How effective are arrangements for providing potential and current learners with information, advice and support to make informed decisions about their learning?**

- College staff provide potential students with clear and helpful information about College programmes and other important aspects of College life prior to commencing their studies. The College promotes programmes to potential students, parents and caregivers clearly, through a well-designed website, visits to the region's secondary schools and College information days. In the Early Student Experience Survey, 93% of students said that they found the information they received from the College before their course helpful or very helpful.
- Staff ensure that current students are made aware of the comprehensive range of services to support their learning through a variety of means, including Moodle, posters and information leaflets and information provided at induction. Information, advice and support are available and easy to access on all campuses.

#### **How quickly are support needs identified and acted on by staff, to provide individuals and groups of learners with swift access to support facilities?**

- The College has an effective, robust disclosure system for additional support needs, spanning pre-entry through to on-course, to enable students to tell us what they need. This ensures that students' needs are identified and staff can put arrangements in place at the earliest possible stage. In 2017-2018, a total of 608 students had Personal Learning and Support Plans with arrangements to support their learning. In almost every case, staff implement reasonable adjustments recommended for students fully and timeously, ensuring that individuals with specific needs do not experience these as barriers to learning.
- Teaching departments annually agree and budget hours for Extended Learning Support, based on volume of activity and the profile of students. These hours are allocated to designated lecturers (ELS Facilitators), who have remitted teaching time to provide support to students with additional support needs. The way in which these hours are used is determined at curriculum team level, to ensure that staff deliver this support in ways that works best for students in that subject area. These approaches include one-to-one sessions, subject-specific tutorials and drop in sessions. The ELS Facilitators work very closely with the Learning Support team, to ensure that students' specific additional support needs are quickly met.

#### **How effective are arrangements for disbursement of funds to support learning?**

- Arrangements for disbursement of funds to support learning are very effective and the Student Funding team implement year on year enhancements to the process. Recent examples include: a move to fortnightly bursary payment; cash advances at the start of term and for students transitioning from benefits to student support payments; a one week payment during the Christmas Period so that students have money to return to College in January; clearer information about where an application is in the process and what evidence still requires to be produced; more update emails throughout the application process; and more face to face access to funding staff for students. Students received these changes very positively. The student funding team also work very closely with the Forth Valley Student Association to deal with any issues raised directly with them and to ensure that any problems are resolved quickly.

#### **How well do staff work with external agencies to enable learners to access additional services to support learning?**

- Staff work very effectively with external agencies to extend and enhance the support available for students. There are strong links between the College and agencies which deal with crisis management, housing, social or financial difficulties. The Forth Valley Student Association is also

active in signposting students to external partner agencies, such as Alcohol and Drug Partnership; Scottish Families against Alcohol and Drugs; Scottish Mental Health First Aid and Food Banks.

- College staff work well with Skills Development Scotland careers advisors, who are linked to each campus and provide careers advice and guidance to identified students, primarily those 16-18 and at risk of not progressing to a positive destination. These advisers also link well into Learner Development Worker workshops to provide careers advice to vulnerable groups.

#### **How well do staff capture and draw on feedback from learners and stakeholders to improve the quality of services to support learning?**

##### **How well do staff involve learner representatives and stakeholders in evaluating the support service experience to plan for improvement?**

- In addition to the feedback gathered through *Listening to Learners* and Student Council, support teams make good use of a range of other sources of feedback from students. These include an Early Student Experience Survey, capturing feedback on course information, application, selection, enrolment and induction processes; an annual Extended Learning Support Student Engagement Survey; and evaluation of workshops on funding, UCAS and Moving On. Teams make very good use of this information in their evaluation and operational planning processes and there are numerous examples of service enhancements introduced as a result.

##### **How well do staff support learners to achieve a positive destination?**

- Staff support students very well to achieve a positive destination. Examples include joint Moving On workshops with Skills Development Scotland and the local authorities; support for UCAS applications; workshops for students planning to progress to university; university bridging support for students on integrated degree programmes; Learner Development Worker workshops and Personal Learning Plan activities for full-time students focusing on job seeking skills.

##### **How adept are staff at adjusting approaches to take account of different learner needs and circumstances?**

- The Learning Support team have worked effectively with teaching departments to explore other methods of assessments for students who struggle with more traditional forms of assessment. This flexibility has resulted in successful completion of courses for students using alternative assessment methods such as professional discussion and picture log books. Staff are flexible, supportive, approachable and open to making appropriate adjustments to lessons, units and assessments.
- The Learning Support team have been trialling the use of new technologies (such as Quizlet; Audio Notetaker; Dragon; Read and Write Gold; and LiveScribe) whilst working to support students. They have also been trialling different ways to capture more students at the same time. For example, workshops or in class support for groups of students, rather than always one to one appointments. This has enabled them to support a larger number of students and also promotes fully inclusive practice and peer support.

##### **How well do staff reflect on the outcomes of their approaches to continuously improve the learning experience?**

- Support staff actively engage in team evaluation of the services and how they provide these. They reflect very well on the impact that their approaches and services have for students and how these link to student success. Teams gather feedback from students through surveys and also receive feedback through *Listening to Learners* focus groups. Examples of improvements as a result of this include the relocation of the Student Finance Team; improved accessibility of Moodle; and improvements to communication with applicants and students (text messages as well as email).

### **How well do staff use learner performance data (recruitment, attendance, retention and attainment) to make changes to improve learner performance rates?**

- Most service areas within the College use student data well to make changes which contribute to student performance rates. For example, to improve information about courses to manage applicant expectations and to target under-represented groups; to improve school pupil attendance (and therefore achievement) on school-College partnership courses; to make recommendations to teaching departments on the level of ELS hours for each subject area each year.

#### **Areas for development**

- The actions to further enhance support for students set out in Q1 3.1 are also relevant in this area.

## **Leadership and Quality Culture**

### **1.1 Governance and leadership of change**

#### **Areas of Positive Practice**

#### **How well do managers take account of local, regional and national priorities to develop College strategies?**

- College management continued to lead the College very effectively in 2017-2018, planning the use of College resources very well to deliver 84,741 Credits, marginally exceeding its OA target.
- The College continues to deliver on its 2017-2022 Strategic Plan, which takes full account of national priorities (including Scotland's Economic strategy; Developing the Young Workforce; and tackling inequality) and regional/local priorities (including the Stirling and Clackmannanshire City Deal; the future Grangemouth Vision; and Community Planning Partnership Single Outcome Agreements and Local Community Plans).
- Senior managers have well-established and productive working relationships with national and regional partners, which ensure that the development of strategies and provision of services take full cognisance of current and projected needs. This results in key priorities being conveyed clearly to curriculum and support areas and embedded in operational plans.
- Board members and senior managers make very good use of employer and community engagement to inform strategic decisions. In addition to the extensive activity undertaken by the Principal, Senior Management Team members and the Board Chair, individual members bring a range of relevant expertise and sit on a range of local fora. Staff and board members are engaged directly with three community planning partnerships across the Forth Valley Region.
- The Senior Management Team and other senior managers are very well represented on national strategic groups, including the Access Delivery Group; the Curriculum and Assessment Board; CBI Scotland Council; Jisc; Scottish Qualifications Authority committees and a range of reference and working groups. This enables them to keep colleagues fully up to date with emerging thinking and themes, to support agile and pro-active planning and decision-making.
- The College takes good account of the national priority for widening access to HE. The College delivered 11% of its activity to students from the most deprived 10% postcode areas and these students performed as well as the overall student population on full-time courses and 1% better on part-time courses. The College also delivered 19% of its HE activity to students from Schools for Higher Education Programme (SHEP).
- The College is responding very effectively to the Scottish Government's STEM Education Strategy. In 2017-2018 the College delivered 37% of its activity to students on STEM courses. The College has been proactive in initiating a Regional STEM Steering Group, with its local authority, university and Developing the Young Workforce partners and has ambitious plans to drive STEM education forward in the region, particularly in relation to building STEM capacity amongst primary school

teachers providing STEM learning experiences for younger students. The College is also working to address gender imbalances in STEM subjects. The number of female students in Engineering and Science has been increasing steadily over the last three years, from 485 in 2015-2016 to 598 in 2017-2018. Student success Performance Indicators in Construction, Science and Computing show that, in these subject areas, females are performing better than males.

- The College has met, or is within 1% of, almost all of its Outcome Agreement targets for 2017-2018. In the three instances where there was a slightly larger deviation from target (Credit delivery to females; number of senior phase age pupils studying vocational qualifications; and HE FT student success) a full analysis and explanation, including further data, has been provided in the preceding pages.

#### **How well does the College Board provide strategic support and challenge to secure high quality provision and ongoing improvement?**

- The College has a skilled and experienced Board of Management that works very well with its senior management team and Board Secretary. Collectively they have strong processes and effective governance. As a result, College management are well-supported and robustly challenged to ensure that the College continues to deliver high quality provision and ongoing improvement.

#### **How well does the College Board assure itself that evaluation and enhancement reports are accurate and balanced?**

- The Board has reviewed its committee structure and has replaced its Strategic Development Committee with a new Learning and Student Experience Committee. The new Committee provides sharper focus on the curriculum; high quality learning; the Regional Outcome Agreement; performance monitoring and the Forth Valley Student Association. The Committee actively contributes to and challenges College evaluation and enhancement reports. The remit and membership of the Learning and Student Experience Committee ensures that there is connectivity between and across College and Board sub-committees in relation to the quality of College provision and continuous improvement.

#### **How well do College managers engage staff and the Students' Association in the ongoing development of College vision, aim and values?**

#### **How well are staff and the Students' Association involved in the process of change and planning for continuous improvement?**

- The College has well-established and effective arrangements for engaging with staff and students in the ongoing development of its future direction, in line with its clear and well-articulated mission, Making Learning Work. The Principal holds regular meetings with the Forth Valley Student Association team and, as a result, they feel very well engaged in College visioning and planning.
- Forth Valley Student Association is always represented at the Board and relevant sub-committees and are encouraged to contribute and participate fully in areas relevant to learning, teaching and the student experience where, their views are respected.
- Managers work well with staff to align College objectives to meaningful individual objectives through the Personal Review and Development process. As a result, all staff clearly understand their individual roles in working towards continuous improvement.

#### **How well do College strategies take account of the ambitions of Developing the Young Workforce?**

- The ambitions of Developing the Young Workforce are fully embedded in the College's strategic objectives to deliver streamlined and successful learner journeys and to prepare our students to stand out in the future job market.
- This strategic commitment is clearly evidenced by the substantial growth in school-College partnership activity over the last few years. The College has increased the number of senior phase

pupils undertaking vocational learning with the College by 62% since 2015-2016 and, in 2017-2018 delivered 9% of its Credits on school partnership activity.

- The College has made a strong strategic commitment to growing Foundation Apprenticeship provision in the Forth Valley Region, evidence by the 185 new FA starts in August 2018. This is in spite of the challenging funding levels for these programmes, particularly where group sizes are sometimes still significantly smaller than would normally be acceptable in terms of course viability.
- The College further demonstrates its commitment to Developing the Young Workforce by acting as host employer for the Forth Valley Developing the Young Workforce Regional Team and is very active, along with employer and local authority partners, in directing the work of the Regional Group to advance the Developing the Young Workforce agenda across Forth Valley.
- College managers and senior managers are frequently asked to attend events to disseminate the College's highly effective practice in relation to Developing the Young Workforce and school-college partnerships to others, including the Association of Directors in Education Scotland, Scottish College for Educational Leadership, Building Our Curriculum Self Help Group and College Development Network.

### **How realistic and sufficiently stretching are targets at College and curriculum team levels?**

- Senior managers engage well with curriculum and service managers to develop operational plans that are closely aligned to the College's strategic direction. These plans are also fully informed by team evaluations, which, in turn, are informed by extensive engagement with students and staff. As a result, operational plans and targets are produced with the full involvement of the whole College learning community and reflect clear plans for continuous improvement.
- The College believes that its Operational Agreement targets and targets set through its operational planning processes are realistic and sufficiently stretching and ambitious. Key targets from the Operational Agreement are cascaded very effectively to department managers. These include targets for Credit delivery, enrolments (overall and senior phase) and student success.

### **Areas for development**

- In 2018-2019, the College plans to cascade the full range of its Operational Agreement targets more systematically, through Directors of Curriculum into curriculum teams, and to strengthen in-year monitoring of progress towards targets.

## **Leadership and Quality Culture**

### **1.4 Evaluation leading to improvement**

#### **Areas of Positive Practice**

#### **How well do staff and learners engage in review and planning processes?**

- Almost all staff across curriculum and service teams engage very well in the review and planning process. Staff understand that it is part of their role to feed into evaluations and plan for improvement. At College level, managers are fully involved in agreeing the final College evaluative report and enhancement plan.
- Recent Forth Valley Student Association training with class reps has encouraged greater engagement with *Listening to Learners*, allowing class groups to review their learning experience and plan future learning. *Listening to Learners* is an important source of evidence which, is used effectively for informing programme review and team evaluations, and to resolve any issues specifically related to students' learning experiences.

### **How well do managers direct and support staff to engage in evaluation to plan for improvement?**

- All College managers support curriculum and service teams well to engage with and take ownership of evaluation of their area, which has resulted in inclusive and collaborative team evaluation activity happening across the College. Managers provide useful feedback to their teams on evaluation reports and ensure enhancement plans are used effectively to make improvements.
- College managers utilise effectively their experiences as Education Scotland Associate Assessors to support the whole College evaluation process within their own teams and as part of the wider College Leadership Group.

### **How well do evaluative processes lead to improved outcomes for learners?**

- The College's evaluative activities have supported teams to build and sustain generally high levels of student success over time. Team review and evaluation is ongoing throughout the academic year and teams are very aware of the specific and sometimes complex issues affecting the capacity of their students to succeed, both in the immediate term and in relation to wider societal trends. Teams make good judgements about actions to improve students' chances whilst they are on their course and support them effectively to achieve long term success.

### **How well are staff directed and supported to use corporate data to evaluate and plan for improvement?**

- College senior managers and managers support staff very well to use corporate data for evaluation and action planning. A range of live and interactive reports are readily available to all staff through a data dashboard, allowing for granular analysis of departmental and cross College data. This results in managers and staff being able to accurately reflect on performance and plan for improvement.

### **How well do curriculum teams take account of Developing the Young Workforce in evaluation and planning processes?**

- Developing the Young Workforce is fully embedded in College evaluation and planning processes. Curriculum teams plan for and evaluate school-College partnership and senior phase vocational pathways courses alongside mainstream provision.

### **How well do managers engage schools and LAs in evaluation and planning processes?**

- Senior managers and managers engage local authorities and schools very well in planning and evaluation processes. The partnership with all three local authorities is very strong and the College is fully engaged with all 18 secondary schools across the Forth Valley region. A formal partnership of the College and the three local authorities has been formed for the delivery of Foundation Apprenticeships.
- School and College staff participate in "shared learning" workshops to evaluate Developing the Young Workforce provision and, as a result, improvements are identified and implemented.
- The College is a partner with two Stirling secondary schools for Validated Self-Evaluation. Managers have taken part in Validated Self Evaluation reviews of the two schools and the process will be reciprocated, with teams from the schools carrying out a formal review of school-College partnership provision, during 2018-2019.

### **Areas for development**

- The actions to enhance the use of data set out in QI 2.2 are also relevant here.

## Capacity to Improve Supporting Statement

Forth Valley College has a strong and systematic focus on quality improvement and enhancement, which has consistently received very positive endorsement through Education Scotland review activities since the College's inception. The Board of Management, managers and staff at all levels are fully committed to the College's mission of Making Learning Work. The Principal and senior managers continue to provide strong and forward-thinking leadership, actively promote the College's commitment to innovation and empower managers and staff to identify and implement opportunities to enhance the student learning experience. The College has therefore clearly and consistently demonstrated its capacity to improve and is very well placed to deliver on the enhancement plan set out within this report.

### Grades

Key Principle	Grade
Outcomes and Impact: How good are we at ensuring the best possible outcomes for all our learners?	Very Good
Delivery of learning and services to support learning: How good is the quality of our provision and the service we deliver?	Very Good
Leadership and quality culture: How good is our leadership and approach to improvement?	Excellent

### Commentary on Progress towards Targets in Current Year (2018-2019)

Recruitment for session 2018-2019 has been healthy at Forth Valley College. Overall we have recruited beyond targets, particularly for evening and part time courses. Full time enrolments are close to target, and there is an increase in both FE and HE compared to this time last session. Overall enrolments are higher for the current session compared to Session 2017-2018 at this time.

The number of early withdrawals are low, allowing us to predict that early withdrawal rates will be in line with the low rates we witnessed in session 2017-2018.

## Enhancement Plan

### Update on Actions for Improvement from 2016-2017

Ref	QI(s)	Action for Improvement	Lead	Date	Update on Actions from 2016-2017 Enhancement Plan
1	1.1	Review the agendas and remit of the Strategic Development Committee to ensure that the Board engages in even more substantive discussions of strategic issues related to the core business of learning and teaching and ongoing improvement.	Chair of Board of Management	June 2018	<b>Achieved:</b> Strategic Development Committee renamed Learning and Student Experience Committee with renewed remit and focus on learning from 2018-2019.
2	1.2 1.4	Provide an initial 50 members of teaching staff with mentoring support for evaluation of learning and teaching and individual and team action planning for improvement/enhancement and plan for the remaining teaching staff to receive mentoring support by June 2020.	Vice Principal Learning and Quality	June 2018	<b>Achieved:</b> 0.8FTE seconded Learning and Teaching Mentors in post; year 1 mentoring target met; plan in progress to engage all teaching staff in mentoring process by 2020.
3	1.2 2.2 2.6	Ensure that every team evaluation report contains specific evidence of external stakeholder/employer engagement in the evaluation process.	Vice Principal Learning and Quality	June 2021	<b>Ongoing Action:</b> some progress has been made, however this is not yet consistent across all curriculum teams. (2018-2021 Enhancement Plan Action 1)
4	1.3 2.4 3.1 3.2	Develop and implement strengthened and effective arrangements for attendance reporting, guidance and support for HE full-time students.	Senior Management Team	June 2018	<b>Partially achieved:</b> Initial review completed. New arrangements, have been implemented locally for 2018-2019. This will be further advanced through the review of full-time pastoral support in the forward Enhancement Plan (Action 5)
5	1.4 2.3	Provide all managers who lead team evaluation with appropriate access to Career Long Professional Learning on evaluative thinking.	Head of Learning and Quality	June 2018	<b>Achieved:</b> HMI John Laird delivered a series of CLPL workshops for all College managers on evaluative thinking during 2017-2018.
6	1.4	Engage every Curriculum/Operations Manager in observing at least one <i>Listening to</i>	Vice Principal Learning and Quality	June 2019	<b>Not achieved:</b> due to operational priorities this was not carried out across the board, however opportunities

Ref	QI(s)	Action for Improvement	Lead	Date	Update on Actions from 2016-2017 Enhancement Plan
		Learners focus group facilitated by a peer manager.			to discuss and share practice were provided through CM/OM meetings.
7	2.2	Increase staff participation in school information events relating to school-College partnership vocational courses and aim to fill 85% of places offered on these programmes for 2018-2019.	Vice Principal Learning and Quality	Sept 2018	<b>Partially achieved:</b> Engagement with school information events was significantly increased, through a planned programme of engagement. 82% of school places filled for 2018-2019.
8	2.2	Embed career management skills in student learning through Learner Development Worker workshops.	Vice Principal Learning and Quality	June 2018	<b>Achieved:</b> Career Management Skills have been mapped to the Essential Skills Projects delivered through LDW workshops and information about the mapping made available to students.
9	2.3	Carry out an audit of staff digital capability and provide all teaching staff with appropriate support and development to deliver an agreed baseline level of technology enhanced learning.	Vice Principal Learning and Quality	June 2018	<b>Achieved:</b> Outputs from the completed staff digital capability audit are now being used to inform CLPL and support for staff (2017-2018 Operational Plan Objective 12)
10	2.4 2.5	Increase the volume and quality of transition information provided by schools, through collaborative work with local authority partners.	Vice Principal Learning and Quality	August 2019	<b>Ongoing Action:</b> progress made, however further work to be done to achieve this for all schools (2018-2019 Operational Plan Objective 9 and 2018-2021 Enhancement Plan Action 2)
11	2.4 3.2	Provide additional support for students disclosing mental health issues, including increased opportunities for students to undertake Mental Health First Aid training.  Develop a unified system for tracking and evaluating the impact of the interventions and support experienced by individual students.	Depute Principal and COO	June 2018  Nov 2018	<b>Achieved:</b> 73 more staff and students completed MHFA; 492 students assisted through Wellbeing Project. Work on supporting mental wellbeing is ongoing.  <b>Ongoing Action:</b> Student Support System in development. Beta version Sept 2018; testing and training end Oct 18; deployment Nov 18. (2018-2021 Enhancement Plan Action 4)
12	3.2	Monitor team action plans closely to ensure that teams are implementing	Vice Principal Learning and Quality	June 2018	<b>Ongoing Action:</b> Team action plans were carefully monitored and additional processes were

Ref	QI(s)	Action for Improvement	Lead	Date	Update on Actions from 2016-2017 Enhancement Plan
		appropriate and effective actions to address issues with full-time HE student retention and attainment at programme level and achieve full-time HE success Outcome Agreement target of 75% for 2017-2018.			put in place to monitor predicted retention and attainment throughout the year. These have had some success, as FT HE success has increased by 2% in 2017-2018, however this falls short of the OA target and this work will continue throughout 2018-2019. (2018-2021 Enhancement Plan Action 6)
13	3.2	Influence school leaders across Forth Valley to ensure that pupils attend school-College courses regularly and prioritise these alongside their school curriculum.	Vice Principal Learning and Quality	April 2018	<b>Ongoing Action:</b> school pupil attendance now 73.3% and work ongoing to further improve.
14	3.2	Deliver Gender Action Plan targets for 2017-2018.	SMT	June 2018	<b>Partially achieved:</b> the College has met most of its GAP targets for 2017-2018, however this still requires focused action in relation to improving male and female participation and success in a range of programmes where there is a clear gender divide. (2018-2021 Enhancement Plan Action 3)

### Actions for Improvement for 2018-2021

Ref	QI(s)	Action for Improvement	Lead(s)	Date		
				2018-2019	2019-2020	2020-2021
1	1.2 2.2 2.6	Ensure that every team evaluation report consistently contains specific evidence of external stakeholder/employer engagement in the evaluation process.	Vice Principal Learning and Quality/ Directors of Curriculum	Implement		
2	2.4 2.5	Ensure that all schools provide full and accurate transition information for school leavers progressing to College.	Vice Principal Learning and Quality	Implement		
3	3.2	Deliver Gender Action Plan targets to improve male and female participation and	SMT	As per GAP	As per GAP	As per GAP

Ref	QI(s)	Action for Improvement	Lead(s)	Date		
				2018-2019	2019-2020	2020-2021
		success in a range of programmes where there is a clear gender divide				
4	3.1 3.2 2.4	Implement, evaluate and refine the centralised Student Support System (developed during 2017-2018) to allow real time access to and updating of individual student's support histories.	Depute Principal and COO	Implement	Evaluate and refine	
5	3.1 3.2 2.4	Review the way in which the College provides pastoral support to full-time students, to ensure that the available resources are being utilised to provide maximum impact on student success.	Depute Principal and COO	Carry out review	Implement new approaches	Evaluate and refine
6	3.2	Deliver on improvement actions at programme level to ensure that success rates on lower performing programmes improve and meet college targets.	Directors of Curriculum	Implement	Implement	Implement
7	3.1 3.2	Implement and evaluate the <i>Time4Me</i> mentoring programme and seek resource to make this initiative sustainable.	Depute Principal and COO	Implement and evaluate		
8	3.2 2.3 1.4	Strengthen the process for the formal reporting of student success predictions throughout the year, to enable earlier identification at senior level of any emerging issues that may require action at department or College level.	Vice Principal Learning and Quality Vice Principal Information Systems	Implement new process	Evaluate and refine	
9	3.2 2.3 1.4	Implement the progress "flag" in online attendance registers and maximise its use by Curriculum Managers to improve retention and student success.	Vice Principal Learning and Quality Vice Principal Information Systems	Implement and monitor	Evaluate and refine	
10	2.3	Engage a further 100 teaching staff in Learning and Teaching Mentoring	Vice Principal Learning and Quality	100 staff	100 staff	100 staff

Ref	QI(s)	Action for Improvement	Lead(s)	Date		
				2018-2019	2019-2020	2020-2021
11	1.1	Cascade the full range of OA targets systematically, through Directors of Curriculum into curriculum teams, and strengthen in-year monitoring of progress towards targets.	Senior Management Team	Implement	Review and refine	

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## Appendix 1: Outcome Agreement Targets

No	Measure	Actual 2016-17	Target 2017-18	Actual 2017-18
1a)	Credits Delivered: Core	83,926	84,647	84,741
	ESF	2,370	2,230	2,235
	Core + ESF	86,296	86,877	86,976
1b)	Volume of Credits delivered to learners aged 16-19	28,911	40,000	38,874
	Proportion of Credits delivered to learners aged 16-19	45%	46%	45%
	Volume of Credits delivered to learners aged 20-24	20,460	18,300	19,137
	Proportion of Credits delivered to learners aged 20-24	24%	21%	22%
1c)	Volume of Credits delivered to learners in the most deprived 10% postcode areas	9,052	10,000	9,399
	Proportion of Credits delivered to learners in the most deprived 10% postcode areas	11%	12%	11%
1d)	<b>Volume and proportion of Credits delivered to learners from protected characteristics:</b>			
	Volume of Credits delivered to students where ethnicity is Black or an Ethnic Minority	1,376	2,500	1,943
	Proportion of Credits delivered to students where ethnicity is Black or an Ethnic Minority	2%	3%	2%
	Volume of Credits delivered to students who are disabled	14,768	12,000	16,541
	Proportion of Credits delivered to students who are disabled	17%	14%	19%
	Volume of Credits delivered to females <sup>(2)</sup>	37,753	42,244	39,970
	Proportion of Credits delivered to females <sup>(2)</sup>	44%	49%	46%
	Volume of Credits delivered to males <sup>(2)</sup>	48,399	43,790	46,426
	Proportion of Credits delivered to males <sup>(2)</sup>	56%	51%	53%
	Volume of Credits delivered to Care Experienced Learners	1,903	1,700	2,178
	Proportion of Credits delivered to Care Experienced Learners	2%	2%	3%
2a)	Number of senior phase age pupils studying vocational qualification delivered by the College	322	380	354
2b)	Volume of Credits delivered to senior phase age pupils studying vocational qualification delivered by the College	1,891	1,850	1,916
	Proportion of Credits delivered to senior phase age pupils studying vocational qualification delivered by the College	2.20%	2.1%	2.2%
2c)	Volume of Credits delivered to learners at S3 and above as part of 'school-college' provision	7,014	5,100	7,427
	Proportion of Credits delivered to learners at S3 and above as part of 'school-college' provision	8%	6%	9%
2d)	Volume of Credits delivered at HE level to learners from SHEP schools	4,075	3,100	4,538
	Proportion of Credits delivered at HE level to learners from SHEP schools	18%	15%	19%
3)	Volume of Credits delivered to learners enrolled on STEM courses <sup>(3)</sup>	31,811	30,000	32,563
	Proportion of Credits delivered to learners enrolled on STEM courses <sup>(3)</sup>	37%	35%	37%
4a)	Proportion of enrolled students successfully achieving a recognised qualification:			
	FE Full Time	74%	71%	71%
	HE Full Time	70%	75%	72%
	FE Part Time	93%	91%	91%
	HE Part Time	87%	89%	87%
4b)	Proportion of enrolled SIMD10 students successfully achieving a recognised qualification:			
	FE Full Time	72%	71%	71%
	HE Full Time	69%	68%	73%
	FE Part Time	94%	91%	91%
	HE Part Time	78%	89%	88%
4c)	Proportion of senior phase age pupils successfully completing a vocational qualification delivered by the College	68%	70%	69%
5)	Number of starts for direct contracted apprenticeships (including industry bodies such as CITB and SECTT)	279	347	389
6)	Number of full time learners with high quality work placement or work place "experience" as part of their programme of study	670	600	681
7)	Number of successful learners who have achieved HNC or HND Qualification articulating to degree level courses with advanced standing		157	
	Proportion of successful learners who have achieved HNC or HND Qualification articulating to degree level courses with advanced standing		40%	
8)	Number of full time college qualifiers in work, training and/or further study 3-6 months after qualifying	1,444	1,575	1,269
	Proportion of full time college qualifiers in work, training and/or further study 3-6 months after qualifying	94%	94%	93%
9)	SSES Survey - The percentage of students overall, satisfied with their college experience	95%	95%	95%
10)	Gross carbon footprint	2,263 tCO2	2,221 tCO2	

## Appendix 2: College Retention and Attainment Pls

		Early Withdrawal			Further Withdrawal			Partial Success			Success			OA Target	Sector
		2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2017-18	2016-17
FT	FE	4%	7%	3%	21%	15%	20%	6%	5%	6%	69%	73%	71%	71%	65%
PT	FE	0%	1%	0%	5%	4%	7%	4%	2%	2%	91%	93%	91%	91%	77%
FT	HE	2%	3%	3%	15%	15%	16%	8%	12%	8%	75%	70%	72%	75%	72%
PT	HE	1%	1%	0%	7%	5%	7%	4%	7%	6%	88%	87%	87%	89%	79%

## Percentage of Students Withdrawing to Take Up Employment

		2015-16	2016-17	2017-18
FT	FE	4%	3%	5%
FT	HE	3%	3%	4%

### Appendix 3: Sources of Evidence for Evaluation

Board and Committee papers: <https://www.forthvalley.ac.uk/about-us/governance/board-of-management/>

Governance Effectiveness Review 2017: <https://www.forthvalley.ac.uk/media/2398/fvc-board-effectiveness-review-final-2017-05-08.pdf>

Feedback from Education Scotland Annual Enhancement and Scrutiny Activity 2017-2018

Strategic Plan 2017-2022: <https://www.forthvalley.ac.uk/media/2838/strategic-plan-20172022.pdf>

College Operational Plan 2017-2018

Department Operational Plans

Staff PRD Records

*Listening to Learners* Records

Forth Valley College Curriculum Strategy Roadmap

Creative Learning and Technologies Strategy 2018-2022  
<https://www.forthvalley.ac.uk/media/2998/creative-learning-technologies-strategy.pdf>

Records of staff and student engagement in strategy development

CLLG/CLTC Minutes

Notes of Heads of Services meetings

Notes of Curriculum Manager meetings

FVC Quality Enhancement Procedures

Notes of Programme Review meetings

Curriculum and Support Team Evaluation Reports and Enhancement Plans

Staff CLPL records

Forth Valley College Prospectus

Records of essential skills projects and students' skills acquired (Enquirer)

Personal Learning Plans and Personal Learning Support Plans

MA Review records

Moodle usage statistics

Records of Assessment Arrangements

Records of work experience placements

Student Early Experience Survey results

Support team feedback from students

Records of meetings with schools

Records of Learner Adviser workshops (HE Funding, UCAS, Preparation for University)

Articulation Information

Feedback from partners

CPP/LEP papers

Records of employer engagement e.g. work placement records, live project briefs

Participation rates of individuals with protected characteristics and other characteristics (e.g. SIMD postcodes; care experienced)

Final Progress on Equalities Outcomes 2014-2017  
<https://www.forthvalley.ac.uk/media/2339/report-b-final-progress-on-equality-outcomes-2013-17.pdf>

Equalities policy <https://www.forthvalley.ac.uk/media/1344/equalities-policy.pdf>

Equality at Forth Valley College <https://www.forthvalley.ac.uk/media/2853/equalities-infographic-web.pdf>

Gender Action Plan 2017-2020 <https://www.forthvalley.ac.uk/media/2702/gender-action-plan-2017-20.pdf>

College retention and success data for 2017-2018 and three-year trends b

College retention and success data for 2017-2018 by protected characteristics

Sector retention and success data for 2016-2017

College full-time leaver destination data 2016-2017

Extract from **Education Scotland – advice and guidance on grading 2017-18 Evaluative Reports (August 2018)**

- An evaluation of **excellent** means that this aspect of the college's work is outstanding with excellent practice worthy of dissemination. The experiences and achievements of all learners are of a very high quality. An evaluation of excellent represents an outstanding standard of provision which exemplifies very best practice, based on achieving equity and inclusion and a deep professional understanding which is being shared beyond the college to support system-wide improvement. It implies that very high-levels of performance are sustainable and will be maintained.
- An evaluation of **very good** means that there are major strengths in this aspect of the college's work. There are very few areas for improvement and any that do exist do not significantly diminish learners' experiences. An evaluation of very good represents a high standard of provision for all learners and is a standard that should be achievable by all. There is an expectation that the college will make continued use of self-evaluation to plan further improvements and will work towards improving provision and performance to excellent.
- An evaluation of **good** means that there are important strengths within the college's work, yet there remains some aspects which require improvement. The strengths have a significantly positive impact on almost all learners. The quality of learners' experiences is diminished in some way by aspects in which improvement is required. It implies that the college should seek to improve further the areas of important strength, and also take action to address the areas for improvement.
- An evaluation of **satisfactory** means that strengths within this aspect of the college's work just outweigh the weaknesses. It indicates that learners have access to a basic level of provision. It represents a standard where the strengths have a positive impact on learners' experiences. While the weaknesses will not be important enough to have a substantially adverse impact, they do constrain the overall quality of learners' experiences. The college needs to take action to address areas of weakness by building on its strengths.
- An evaluation of **weak** means there are important weaknesses within this aspect of the college's work. While there may be some strengths, the important weaknesses, either individually or collectively, are sufficient to diminish learners' experiences in substantial ways. It implies the need for prompt, structured and planned action on the part of the college.
- An evaluation of **unsatisfactory** means there are major weaknesses in this aspect of the college's work which require immediate remedial action. Learners' experiences are at risk in significant respects. In almost all cases, this will require support from senior managers in planning and carrying out the necessary actions to effect improvement. This will usually involve working alongside agencies who can provide support, or with staff in other colleges.

# Withdrawal from the European Union

Key audit issues for the Scottish public sector

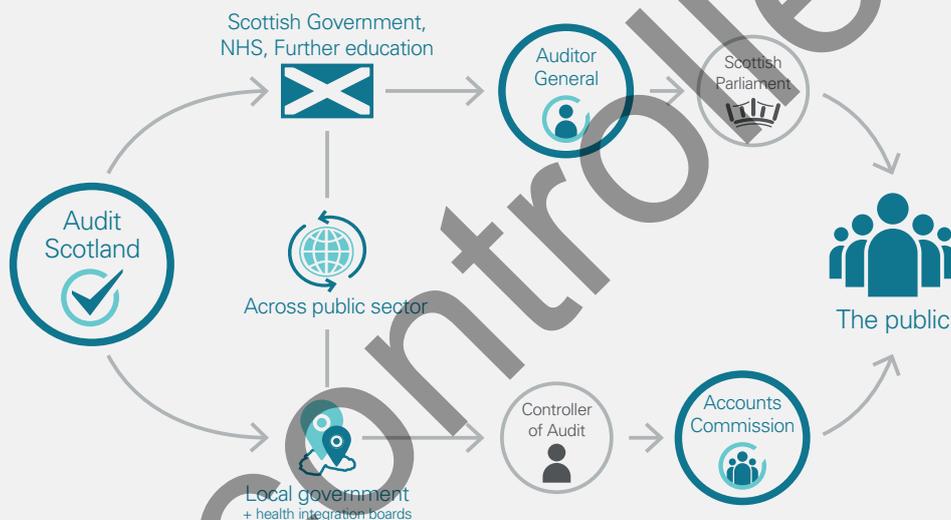


Prepared by Audit Scotland  
October 2018

# Who we are

The Auditor General, the Accounts Commission and Audit Scotland work together to deliver public audit in Scotland:

- **Audit Scotland** is governed by a board, consisting of the Auditor General, the chair of the Accounts Commission, a non-executive board chair, and two non-executive members appointed by the Scottish Commission for Public Audit, a commission of the Scottish Parliament.
- The **Auditor General** is an independent crown appointment, made on the recommendation of the Scottish Parliament, to audit the Scottish Government, NHS and other bodies and report to Parliament on their financial health and performance.
- The **Accounts Commission** is an independent public body appointed by Scottish ministers to hold local government to account. The Controller of Audit is an independent post established by statute, with powers to report directly to the Commission on the audit of local government.



## About us

Our vision is to be a world-class audit organisation that improves the use of public money.

Through our work for the Auditor General and the Accounts Commission, we provide independent assurance to the people of Scotland that public money is spent properly and provides value. We aim to achieve this by:

- carrying out relevant and timely audits of the way the public sector manages and spends money
- reporting our findings and conclusions in public
- identifying risks, making clear and relevant recommendations.

# Introduction



## Introduction

**1.** The UK will leave the European Union (EU) on 29 March 2019. If the UK Government and EU agree the terms of the UK's withdrawal before this date, there will be a transition period to the end of 2020. The UK's decision to leave the EU represents a major constitutional change for Scotland. It will affect everyone in Scotland to some degree. What these effects will be remains uncertain, but they will unfold over both the short and the long term.

**2.** Withdrawal from the EU comes at the same time as:

- a significant expansion of the Scottish Parliament's financial powers (see our [e-hub](#) )
- rising demand for public services, largely driven by demographic changes
- continued pressure on public sector budgets.

**3.** Audit Scotland, on behalf of the Auditor General for Scotland and the Accounts Commission, assesses the performance and financial management of over 220 public sector organisations in Scotland. This includes councils, NHS boards, further education colleges and central government bodies. Auditors are speaking to public bodies about how they are responding to the UK leaving the EU. This paper:

- presents our view of the key issues that withdrawal from the EU presents to the public bodies we audit, as at October 2018
- suggests questions that all public bodies should be asking themselves in the five months to 29 March 2019
- sets out our current plans to reflect withdrawal from the EU in our audit work.

We set out the key issues under three themes:



**People**  
(page 6)



**Finance**  
(page 10)



**Rules and regulations**  
(page 13)



4. The risks and opportunities presented by EU withdrawal will vary markedly between organisations. Some parts of the public sector are already experiencing an impact. We expect all public bodies to be assessing the potential impact of EU withdrawal on their organisation, and identifying any specific risks and how they will respond to them.

5. Uncertainty about withdrawal from the EU has created challenges for public bodies in the level of planning that they can do at this stage. Planning for leaving the EU has to be balanced with the management of other risks and uncertainties, existing financial and workforce pressures, and the need to maintain business-as-usual. As the details of the UK's withdrawal from the EU and its effects become clearer, we expect public bodies' preparations and response to intensify. Some public bodies may require additional capacity to allow them to react once arrangements for leaving the EU are agreed.

### The Scottish Government's role

6. The Scottish Government is coordinating its approach to EU withdrawal through its Constitution and Europe programme. It is made up of eight workstreams, covering areas such as workforce, trade and legislation. It also monitors risks and readiness for EU withdrawal across the Scottish Government. The Scottish Government has identified the most significant challenges as its capacity and capability, financial implications and the ability to influence decisions taken by both the UK Government and the EU.<sup>1</sup>

7. Discussions between the Scottish and UK governments are particularly critical in areas where devolved issues (such as the NHS workforce) interact with reserved issues (such as migration policy). The National Audit Office (NAO) is reporting on how the UK Government is organising itself to deliver the UK's exit from the EU. Most recently, it reported on preparations in the Department for Environment, Food and Rural Affairs and the Department for Transport. It found that both departments face considerable challenges and have more contingency planning to do in case the UK and EU do not agree withdrawal arrangements.<sup>2</sup> Any lack of readiness at the UK level for withdrawal from the EU will have an impact in Scotland.

8. The Cabinet Secretary for Government Business and Constitutional Relations updated the Scottish Parliament on the progress of the EU negotiations in June 2018. He stated that the Scottish Government was *"intensifying its preparations for all exit possibilities in order to support the Scottish economy and our key sectors in what are and will continue to be very uncertain times"*.<sup>3</sup> In September 2018, the Cabinet Secretary provided a further update to the Parliament, stressing the scale of work required for leaving the EU, even with an agreement between the EU and the UK Government.<sup>4</sup>

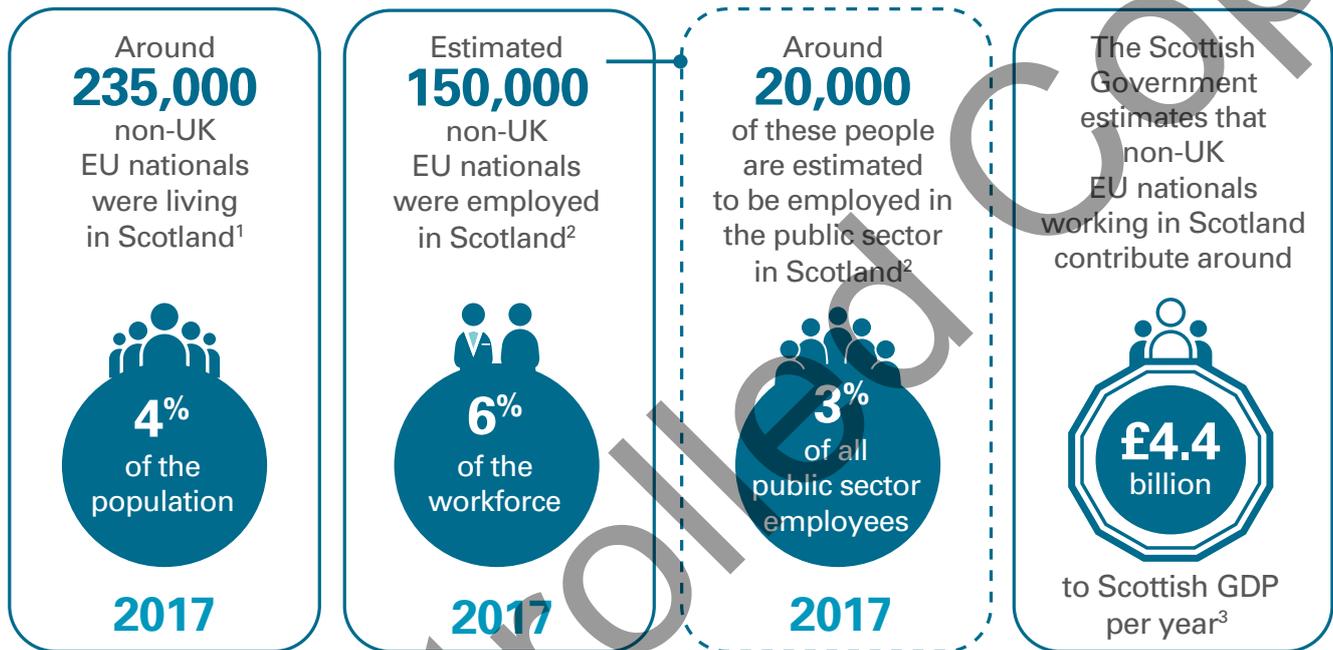
9. The Scottish Government is working with public bodies to understand how they are preparing for the UK leaving the EU, and to identify and mitigate any potential risks. The UK Government allocated £37.3 million to the Scottish Government for 2018/19 to manage funding pressures resulting from EU withdrawal. This is a one-off payment to help manage short-term pressures. A large proportion of this money has been allocated to fund additional staff to help the Scottish Government and public bodies prepare for EU withdrawal.

**10.** The Permanent Secretary concluded in her latest governance statement that all Directors General are working to ensure that the Scottish Government are "*as prepared as possible*" for EU withdrawal, but added that she was not yet fully assured of readiness given that the "*terms and timings remain subject to significant uncertainty*".<sup>5</sup>

**11.** The most significant issue for the Scottish Government and the wider public sector is the impact of withdrawal from the EU on the Scottish economy. The Scottish Government's medium-term financial strategy, published in May 2018, suggests that withdrawal from the EU will have a greater effect in Scotland than in the rest of the UK.<sup>6</sup> That would have a negative effect on the Scottish budget which now depends directly on Scotland's economic performance relative to the rest of the UK.

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# People



## Notes:

1. *Population by Country of Birth and Nationality (2017)*, National Records of Scotland, May 2018.
2. *Non-UK nationals in Scotland's workforce: Statistics from the Annual Population Survey 2017*, Scottish Government, June 2018.
3. *The Contribution of EEA Citizens to Scotland*, Scottish Government, November 2017.

## People

**12.** People coming to Scotland to work make an important contribution to the working-age population and to economic growth. The UK's exit from the EU is likely to result in changes to the rights of non-UK EU nationals to live, work, study and access services in the UK. This may result in people leaving Scotland or choosing not to move here, because they or their family members are non-UK EU nationals. This presents a challenge to the public sector workforce, which is already facing staffing and service pressures that will intensify as the working-age population decreases.

**13.** It has been difficult to assess the scale of the risk, as data on the nationality of employees in individual public bodies is not routinely collected. However, some figures are available, for example:

- The Scottish Government estimates that 4.4 per cent of the total health and social care workforce in Scotland are non-UK EU nationals (around 17,000 people).<sup>7</sup>

- Scottish Care estimates that between six and eight per cent of the workforce in the independent social care nursing sector in Scotland are from a non-UK European Economic Area (EEA) country (which includes all EU member states plus Iceland, Norway and Liechtenstein).<sup>8</sup>
- General Medical Council data shows that almost six per cent of doctors working in Scotland obtained their primary medical qualification in a non-UK EEA country.<sup>9</sup>
- Universities Scotland estimate that 11 per cent of all staff across the 19 higher education institutions it represents are non-UK EU nationals.

**14.** Some organisations are already seeing a reduction in the number of non-UK EU nationals applying to work in the UK and Scotland. This will exacerbate existing recruitment and retention difficulties, including high vacancy rates and skills gaps in specific sectors and geographic locations. For example:

- The Nursing and Midwifery Council reported an 87 per cent decrease in the number of nurses and midwives from non-UK EEA countries registering to work in the UK between 2016/17 and 2017/18.<sup>10</sup>
- A British Medical Association survey of members across the UK in 2018 found that 57 per cent of respondents reported a decline in applications for positions in their departments from non-UK nationals since the 2016 vote to leave the EU.<sup>11</sup>
- The General Teaching Council for Scotland reported that 14 teachers who qualified in non-UK EU countries applied to work in Scotland in the first half of 2018, which is when the bulk of applications are usually received. This compares to a total of 186 applications in 2017.<sup>12</sup>

**15.** Scottish universities attract many students from other EU countries who stay on to work in Scotland after graduation. Almost nine per cent of students enrolled in Scotland for the academic year 2016/17 were non-UK EU nationals.<sup>13</sup> The proportion of non-UK EU students varies between institution, so any decrease in enrolments to study in Scotland will affect each college and university differently. Non-UK EU students in Scotland are more likely to study science, technology, engineering and mathematics than students from the UK. A reduction in the number of non-UK EU nationals studying in Scotland could widen skills gaps in the workforce that will be vital to future economic performance.

**16.** Public bodies are working to understand the immediate and longer-term implications of EU withdrawal on their workforces. The first step for many is understanding how many non-UK EU nationals they employ and in which areas. For example, City of Edinburgh Council has done extensive work on this ([Case study 1, page 8](#)). The Scottish Government and COSLA are working with NHS boards, councils and other public bodies to draw together information on their workforces. This will be used to assess the potential impact of EU withdrawal on the delivery of services.

**17.** Councils, NHS boards and other public bodies are increasingly working in partnership with third sector and private organisations to deliver services, so it is important that they understand the potential impact of EU withdrawal on these organisations and their workforces.

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## Case study 1

### City of Edinburgh Council



There are more than 39,000 people from non-UK EU countries in Edinburgh, more than any other city in Scotland. Since June 2017, City of Edinburgh Council has been working to identify how many non-UK EU nationals it employs directly. The data it has collected to date shows that 5.5 per cent of its current workforce are non-UK EU nationals, just over 1,000 employees.

Around 70 per cent of these people are employed in the communities and families department (including teachers, learning assistants and nursery nurses) and the health and social care department (including social workers and care and support workers). The council is using this information to help inform its long-term workforce planning.

The council is providing support and advice to colleagues who may be directly affected by the decision to leave the EU. This includes sharing up-to-date information on the rights of EU nationals to live and work in the UK after 29 March 2019, and the steps employees may need to take if they wish to continue working in the UK. The council is providing tailored guidance for managers to share with their teams. It is also developing measures to support colleagues whose family members may be affected by EU withdrawal.

COSLA has adopted the approach taken by City of Edinburgh Council to collect workforce data from other councils.

Source: City of Edinburgh Council

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**18.** Councils and public bodies are also concerned about the potential impact on local economies. Sectors such as agriculture, fishing, food, tourism and hospitality are highly dependent on workers from outside Scotland. They fill important roles in local businesses, including providing seasonal work and filling vacancies in remote and rural locations. Some of these sectors are already reporting a decrease in their non-UK EU workforce, which could affect the economic growth of specific regions and Scotland more widely. Councils should be considering the potential impact of EU withdrawal on the local workforce in their planning for economic growth. For example, City of Edinburgh Council's five-year economy strategy highlights the potential economic effects and action the council is taking to maximise opportunities and mitigate risks. It recognises that it will need to regularly review the strategy to ensure that it can respond appropriately as the terms and impacts of EU withdrawal become clearer.

**19.** Highlands and Islands Enterprise undertakes quarterly surveys with businesses, community groups and social enterprises on the region's economy. Since 2016, this has included questions on the impact of the UK leaving the EU. The results show that businesses are concerned about the implications for workforces, skills and the free movement of people. The Scottish Government continues to work with Scottish Enterprise, Highlands and Islands Enterprise, Skills Development Scotland and others to explore ways to attract and retain people with particular skills to work in specific sectors or regions.

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## Key questions for public bodies



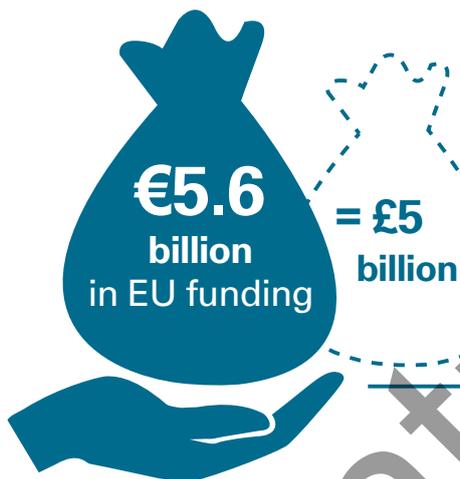
- How are we communicating with staff about the potential impact of EU withdrawal and preparing to support any employees who may be affected?
  - How are we reflecting the implications of EU withdrawal in our long-term workforce planning?
  - What are the workforce implications for the third sector and private organisations that provide services in partnership with us or on our behalf?
  - Which parts of the workforce (sectors/skills/services/regions) are most at risk from the impact of EU withdrawal?
  - How are we reflecting the implications for the local workforce in our economic strategies?
- 

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# Finance



Between 2014 and 2020,  
Scotland expects to receive



Scotland has  
**8%**  
of UK's population

**14%**  
of UK's share  
of EU funding

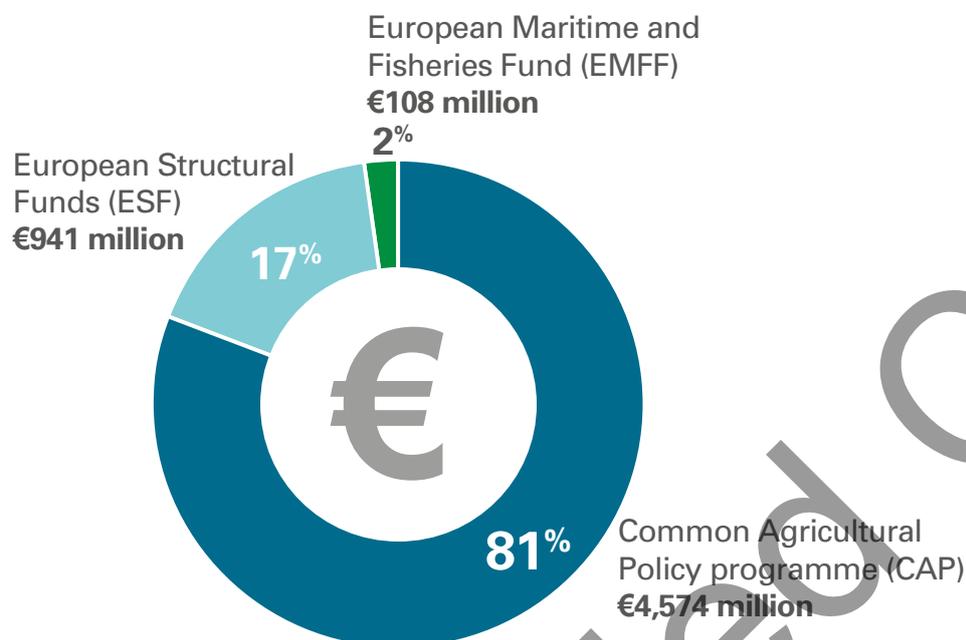
Notes: *European Union Funding in Scotland*, Scottish Parliament Information Centre, September 2018; *European Union Funding in Scotland 2014-2020*, Scottish Parliament Information Centre, November 2016.

## Finance

**20.** EU funding provides direct support for farmers, the fishing industry, forestry, rural development and projects to encourage economic growth and development. Scotland expects to receive €5.6 billion (£5 billion) in EU funding over the seven-year programme period from 2014 to 2020 ([Exhibit 1, page 11](#)).<sup>14</sup> The majority of this is through the Common Agricultural Policy programme (CAP), as well as European Structural Funds (ESF) and the European Maritime and Fisheries Fund (EMFF).

**Exhibit 1**

## EU funding for Scotland 2014–20 (€m)



Source: Scottish Parliament Information Centre

**21.** The CAP programme provides financial support to farmers, crofters and rural businesses. CAP payments are delivered through the Scottish Government, Forestry Commission Scotland and Scottish Natural Heritage. The UK Government has guaranteed that it will provide the same 'cash total in funds for farm support' until the end of the current UK Parliament, expected in 2022.<sup>15</sup> This guarantee applies to the whole of the UK. Both the UK and Scottish governments have set out proposals for how financial support to agriculture might work outside of the EU.<sup>16</sup>

**22.** ESF comprises two funds – the European Regional Development Fund and the European Social Fund. ESF supports a range of economic development activity undertaken and supported by public bodies such as the Scottish Government, councils, the Scottish Funding Council, Skills Development Scotland, Scottish Enterprise and Highlands and Islands Enterprise, Transport Scotland and Visit Scotland. Activities funded through ESF include skills and training, support to businesses, and infrastructure development. In July 2018, the UK Government confirmed that it would guarantee funding until the end of 2020, even if an agreement with the EU is not reached. The UK Government has also set out initial proposals for a Shared Prosperity Fund to replace ESF.

**23.** There is little clarity about what will happen to funding streams in the longer term. Any changes to funding will affect public bodies, their partners and service users. Public bodies should be assessing the potential implications of the loss of any EU funding and reflecting this in their long-term financial planning.

**24.** Scottish organisations can also bid for funding for specific projects, usually with partners from other EU member states. One example of this is Horizon 2020, which supports research and innovation. By July 2018, Scottish organisations were participating in Horizon 2020 projects worth around €533 million (£469 million), nearly three quarters of which (€386 million) was secured by Scottish universities.<sup>17</sup> Universities Scotland estimates that, in the academic year 2014/15, EU research funding represented nearly ten per cent of all funding for research in Scottish universities. There is uncertainty around the future of this funding and also the participation of Scottish institutions in European research programmes, collaborative projects and academic networks.

**25.** EU funding streams are dedicated to specific activities and can be targeted at specific geographic areas. This may not be the case in the future. For example, if any replacement funding is incorporated into the Scottish Government's block grant, it will be for the Scottish Government to decide whether or not to protect funding that is currently ring-fenced for specific activities or areas.

**26.** The existing systems for EU funding for agricultural support and encouraging economic growth have been characterised by applicants as having overly bureaucratic application processes that can discourage applications and require demanding levels of reporting and audit. Developing alternative future systems may provide an opportunity to streamline these systems and tailor them to specific UK and Scottish priorities.

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## Key questions for public bodies



- What level of funding do we, and our partners, receive from the EU and through which funding streams?
  - What financial risks are associated with any changes after the UK has left the EU, during any transition period and beyond?
  - How are we reflecting the implications of EU withdrawal in our long-term financial planning?
  - How can we capitalise on opportunities to access alternative funds or redesign replacement funding streams?
-

# Rules and regulations



## The UK Government has identified:

UK imports from the EU were **£341 billion<sup>1</sup>**



**111 areas**  
where EU legislation overlaps with devolved powers in Scotland

It has grouped these into **24 policy areas**

Note: 1. *Statistics on UK-EU trade*, House of Commons Library, UK Parliament, July 2018.

## Rules and regulations

**27.** EU rules and regulations affect all public bodies. Perhaps the most significant are trade and customs rules, which influence the cost and availability of supplies from EU countries. Any changes to these rules will have implications for public bodies that use products or services sourced from the EU. If the UK Government and the EU do not agree trade arrangements before the end of March 2019, goods entering the UK from the EU will be subject to additional customs checks and trade tariffs. This could lead to slower deliveries and an increase in the price of goods, such as food. Around 30 per cent of food eaten in the UK comes from the EU and the average tariff on non-EU food imports is 22 per cent.<sup>18</sup> Any increase in food prices will affect the budgets of schools, hospitals and prisons.

**28.** Public bodies may see an increase in the cost and availability of other essential goods and services. For example, it could take longer and be more expensive for NHS boards to access medicine or medical equipment. The EU accounts for 25 per cent of global medicine sales. Under EU rules, the NHS can buy medicines from EU countries where they are available at a lower price than in the UK.<sup>19</sup> Changes to these trade arrangements could increase costs for the NHS. Any delays caused by additional customs checks would have a significant impact

on imported products with a limited lifespan, such as radioisotopes that are used to treat cancer. If import regulations for radioactive materials, and other medical supplies, are not agreed by the time the UK leaves the EU, access to essential products could be affected. The extent of the impact on public bodies will depend on the final trade and customs agreement between the UK Government and the EU.

**29.** All public bodies have to comply with EU regulations, such as employment law, health and safety legislation and procurement rules. The EU (Withdrawal) Act 2018 means that from 29 March 2019, EU law will no longer take precedent over UK law. The Act copies most European law into UK law meaning that, in many practical senses, the existing legal framework will continue. Where regulations translate into UK and/or Scottish law, the impact is expected to be minimal. The UK Government intends to retain temporary control of 24 devolved policy areas once the UK has left the EU, until UK-wide frameworks for regulating these areas are developed.<sup>20</sup> These policy areas include agriculture and fisheries, the environment, food safety standards and public procurement.

**30.** The EU (Withdrawal) Act 2018 has immediate implications for bodies that regulate compliance with EU legislation, for example, regulatory bodies such as Food Standards Scotland ([Case study 2, page 15](#)) and the Scottish Environment Protection Agency (SEPA). SEPA estimates that the majority of environmental legislation will continue to apply once the UK leaves the EU, subject to minor amendments, although some areas will require more substantial amendments, such as the emissions trading scheme.

**31.** Recognition of professional qualifications from other EU member states helps to attract EU workers to Scotland, filling skills gaps and vacancies across the public sector. Removing this arrangement could make it more difficult for non-UK EU nationals to get jobs in some sectors, exacerbating existing recruitment and retention issues. BMA Scotland suggests that it could slow down the recruitment process or act as a deterrent to people considering working in the health sector in Scotland.<sup>21</sup> It is also likely to affect academic staff in universities.

**32.** Changes to the UK's membership of data and intelligence sharing organisations may also affect Scottish public bodies. For instance, Police Scotland can share information with law enforcement agencies in other EU countries through Europol. If Police Scotland are unable to continue sharing and accessing vital information, it may hinder criminal investigations.

**33.** In the long term, changes to rules and regulations could provide opportunities to put in place amendments or create legislation that better reflects Scottish needs and approaches. There could also be opportunities to improve standards and regulatory processes.

**34.** If the UK Government and EU fail to agree arrangements for the UK's exit from the EU, there will be no transition period and organisations will need to respond immediately. With only five months until the UK leaves the EU, there is an increasingly urgent need for public bodies to identify the risks associated with this scenario. It is critical that public bodies have contingency plans in place to allow them to manage these risks and respond rapidly in the event of the UK leaving the EU with no transition period.

## Case study 2



### Food Standards Scotland

Minimum standards for the majority of food law are set at an EU level. Food Standards Scotland (FSS) implements and monitors EU and Scottish regulations in certain food businesses. It also assesses the performance of Scottish councils in regulating other food and animal feed businesses. The UK Government has indicated that UK-wide frameworks may be needed for the devolved areas that FSS leads on, once the UK leaves the EU. FSS is currently working with the other administrations in the UK in this area, under agreed principles. Any impacts on devolved competence could have implications for FSS's role and responsibilities, service delivery and service users in the immediate and longer term.

Given the scale of the potential impact, FSS has established a dedicated programme to coordinate its work on EU withdrawal. It has developed a risk register to consider and assess the implications of EU withdrawal in detail. A key risk identified by FSS is potential disruption to supply chains. Failure to agree a deal with the EU concerning food coming from the EU could affect the supply of food to and from Scotland. FSS is working to mitigate these risks by:

- engaging with stakeholders to understand the requirements for future infrastructure, such as resources, facilities and systems for import and export activity
- commissioning a project with partners to understand trade flows to help inform potential future requirements
- engaging with councils on the practical implications of any future changes to how supply chains may operate, to ensure effective enforcement of food law and regulations.

Source: Food Standards Scotland

## Key questions for public bodies



- What are the potential implications of changes to trade and customs rules to our supply chains and the cost and availability of products and services?
- What EU regulations/legislation are directly relevant to our role (eg, monitoring compliance)?
- What impact would potential changes to regulations/legislation have on how we deliver services and our service users?
- How can we capitalise on opportunities to streamline or improve the regulatory environment?
- How are we planning for the possibility that the UK Government and the EU fail to reach an agreement on arrangements for the UK's exit from the EU?

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# Future work

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## Future audit work

**35.** The impact of EU withdrawal on the public sector will feature in audit work for the foreseeable future. In the short term, auditors will assess and report on public bodies' response to withdrawal from the EU as part of the 2018/19 annual audits, which will be completed in 2019.

**36.** Planned performance audits will consider the impact of withdrawal from the EU, where relevant. In 2019, this is likely to include:

- Local government in Scotland: Challenges and performance
- NHS in Scotland
- NHS workforce
- Scotland's colleges
- Higher education finances
- Skills, planning and investment

**37.** Our longer-term work programme, for the five years from 2019/20, will include specific performance audits on arrangements following withdrawal from the EU.

## Contact

**38.** If you would like to find out more about our work on EU withdrawal, please get in touch with your auditor, or contact:

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- Rebecca Seidel: [rseidel@audit-scotland.gov.uk](mailto:rseidel@audit-scotland.gov.uk)

# Endnotes



- 1 *Scottish Government consolidated accounts 2017/18*, Scottish Government, September 2018.
- 2 *Department for Environment, Food and Rural Affairs: Progress in implementing EU exit*, National Audit Office, September 2018 and *Department for Transport: Implementing the UK's exit from the European Union*, National Audit Office, July 2018.
- 3 *Official Report*, Scottish Parliament, 19 June 2018, column 16.
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- 8 *Leaving the European Union (Impact on Health and Social Care)*, Scottish Care evidence to the Scottish Parliament's Health and Sport Committee, March 2018.
- 9 *General Medical Council submission to Health and Sport Committee inquiry into the impact of leaving the EU on health and social care in Scotland*, General Medical Council, January 2018.
- 10 *The Nursing and Midwifery Council register*, Nursing and Midwifery Council, March 2018.
- 11 *BMA quarterly survey, current views from across the medical association*, Quarter 2: 2018, British Medical Association, July 2018.
- 12 *Qualified Outside of Scotland Registrations (EU Only): GTC Scotland Statistics*, General Teaching Council for Scotland, July 2018.
- 13 *Higher Education student enrolments by domicile (2012/13-2016/17)*, Higher Education Statistics Authority, 2018.
- 14 Euro to sterling conversion as at 25 September 2018.
- 15 *Brexit: Future UK agriculture policy*, House of Commons Library, UK Parliament, January 2018.
- 16 *Brexit: Future UK agriculture policy*, House of Commons Library, UK Parliament, January 2018; *Stability and simplicity: proposals for a rural funding transition period*, Scottish Government, June 2018.
- 17 *European Union Funding in Scotland*, Scottish Parliament Information Centre, September 2018.
- 18 *Brexit: food prices and availability*, European Union Committee, House of Lords, May 2018.
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- 20 *Frameworks analysis: breakdown of areas of EU law that intersect with devolved competence in Scotland, Wales and Northern Ireland*, UK Government, March 2018.
- 21 *BMA Scotland submission to Health and Sport Committee inquiry into the impact of leaving the EU on health and social care in Scotland*, BMA Scotland, 2018.

# Withdrawal from the European Union

## Key audit issues for the Scottish public sector

This report is available in PDF and RTF formats, along with a podcast summary at:

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