



FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2023

Scottish Charity No. SCO21191

Scottish Charity No. SCO21191**The financial statements were approved and authorised for issue on 13 August 2024.****Contents**

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PERFORMANCE REPORT

OVERVIEW

The purpose of this overview is to provide sufficient information to understand Forth Valley College, its purpose, its objectives, the College's performance during 2022-23, and the impact and management of key risks.

Principal and Chief Executive's Statement

College background

Forth Valley College was established in 2005 as a merged regional College serving the needs of the three communities in Clackmannanshire, Falkirk and Stirling. 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 750 programmes over our three main campuses at Falkirk, Stirling and Alloa to 2,600 full time students and a total of 13,500 students per annum. The College has now completed an ambitious estates programme with the completion of new campuses in Alloa in 2011, Stirling in 2012 and Falkirk in 2020. The College works in close partnership with the three local authorities of Clackmannanshire, Falkirk and Stirling and delivers to over 1,500 school pupils across Forth Valley's 18 secondary schools. The College has one of the largest Modern Apprentice contracts with Skills Development Scotland, and delivers to over 1,000 apprentices. The College also delivers partnership degrees with the University of Stirling, Heriot Watt University and Strathclyde University, and has extensive university articulation agreements.

Financial & Academic Year 2022-23

2022-23 saw a return to a much more normal year for the College, as we moved beyond the restrictions imposed due to the pandemic. The majority of programmes started in August in a face to face format, with no social distancing, but still with some courses engaging with the hybrid learning delivery model. The College continues to deliver for our students following on from our successful outcomes in session 2021-22, where the most recent available Scottish Funding Council performance data shows the College continuing to be one of the top performing Colleges in Scotland with our Full-time FE and HE success rates sitting first and second place on the national table respectively. The College is performing above the sector average in relation to: SIMD 10 and 20 groups; care experienced; disability; and ethnic minority groups. Our student data also shows that a total of 94% of the College's full time students, moved on to a positive destination - employment, further training or higher education.

It has been a very positive year as we move beyond the impact of the pandemic. The College is in the mid-phase of its 2022-25 Strategic Plan, and is now preparing for the next strategic phase from 2025 to 2030. In order to do this, we will be reviewing our strategic engagement across our stakeholders and partners to ensure we deliver the best possible learning experiences for our students. Further recognition of our success occurred when Education Scotland officials visited our Falkirk Campus in October 2022. They reported back a very positive picture of the College with multiple strengths being identified and only minor areas of improvement and were confident that the College has made satisfactory progress from the last Progress Visit, demonstrating the capacity to continue to improve as an organisation.

At the end of session 2022-23 the College saw a change in leadership with Professor Ken Thomson OBE retiring from the College after 10 years as Principal and Chief Executive. Ken leaves a significant legacy in terms of college performance and estates. I took over the role of Principal on 1st May, having been with Forth Valley College for 16 years and previously held the post of Vice Principal Learning and Student Experience.

The College's grant in aid funding allocation for 2023-24 was a flat-cash settlement. Taking into account the cost of living crisis, along with the impact on the economy of Brexit, and the continuing recovery from COVID, we have found ourselves for the second year running, along with many other colleges, unable to sustain current operating costs and structures. A perfect example of the inflationary and cost of living crisis impact on the College is the cost of utilities especially electricity, which has risen from an annual cost of circa £400,000 to over £1,000,000 in 2023-24. There is also further pressure on the College sector with an unresolved national pay award for 2022-23 where, for Forth Valley College, every 1% awarded costs circa £250,000. This has meant that substantial savings needed

to be made to protect the College's financial security and to this end the College launched a Consultation on the reform of Forth Valley College in May 2023, resulting in a balanced budget for 2023-24. This means we were able to look positively to session 2023-24 and continue Making Learning Work for the people of Forth Valley and beyond.

The College continues to be supportive of our staff wellbeing by continuing to offer a hybrid working model, which is benefitting both employees and students alike. The model supports the wellbeing and productivity of both staff and students and is complementing the development of our hybrid learning approaches which are benefitting the learner experience.

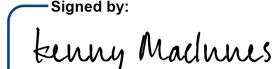
Sustainability is a top priority for the College, and we are committed to minimising the environmental impact from our activities. We recognise our corporate responsibility to act in a responsible manner to protect our environment whilst also promoting sustainability issues. The College is in the process of launching its Net Zero Plan for 2023–2027 and has backed the sector wide 'Scottish Colleges' Statement of Commitment on the Climate Emergency'. The College's Net Zero Plan has been developed to embed Scotland's colleges' aims across all our operational and strategic planning and activities, to ensure we play a key role in achieving absolute emissions reduction by 2040.

The College continues to host Scotland's International Environment Centre (SIEC) at our Alloa Campus and we remain committed to working in partnership with SIEC to create a Net Zero regional economy across the Forth Valley. We are unlocking new opportunities for employment and skills development, as Scotland makes the transition to cleaner, greener ways of working.

As always our partnerships are a reflection of how Forth Valley College is a key player in education on a local, national, regional and international level - and an organisation, which stakeholders are proud to be associated with. A great example of this is the College's £4 million Skills Transition Centre (STC) bid which is one of an exciting portfolio of projects within the Falkirk Growth Deal. It is a key project within the Innovation theme and will be led and delivered by Forth Valley College (FVC). It will directly contribute to the Falkirk Growth Deal vision "to create a dynamic and distinctive area at the heart of central Scotland". The STC will bring together a broad spectrum of partners to create a focus for skills delivery within the context of significant transformational change as businesses, communities and individuals in our area transition to Net Zero. Collaborating with Falkirk Growth Deal partners across the Innovation and Place themes, the STC will ensure skills are integral to the success of the Growth Deal and central to Falkirk and Grangemouth's successful Just Transition. It will support the current and future workforce to become resilient, agile, climate literate and fully equipped to take advantage of opportunities in our rapidly changing economy. The Full Business Case for the project will be submitted to the UK Government for final approval in August 2024, with funding commencing from October 2024.

In October 2022 Forth Valley College hosted the launch of the first formal regional partnership between a health board, university and college in Scotland - Forth Valley University College NHS Partnership. The College is a key partner in this ambitious new partnership which is set to pave the way for improved patient care and treatment for communities across the region for years to come. Building on a long-standing relationship between the College, the University of Stirling and NHS Forth Valley, it will work across four priority areas: learning, careers, research and innovation. The partnership aims to deliver transformational change to the health and social care of the area through the delivery of new learning and development opportunities for students and staff, and become a nerve centre for world-class research and innovation developed to directly respond to the needs of local people.

The College has also recently commenced a contract to deliver for one of our employers, the next phase of their National Apprentice Technician Training Programme to students in Mauritania and Senegal, by being the managing agent for the vocational skills element of the programme. This is the first delivery framework of this type, where Forth Valley College's assessors will assess remotely from Scotland using in-country expert witnesses to deliver competency standards. Not only are we Making Learning Work in Forth Valley, but we are exporting our mission across the world!

Signed by:

 AA19A72A90E34D4...
Kenny MacInnes

Principal and Chief Executive
 13 August 2024

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 to deliver the **right learning** at the **right time** in the **right way** for the communities of Forth Valley.

Strategic Themes

Forth Valley College of Further and Higher Education launched its new Strategic Plan in April 2022. This has 4 strategic objectives for the period 2022-25. These are:

- Creating a thriving College community
- Delivering a successful student journey
- Driving a sustainable future
- Leading on the economic recovery

Performance Summary

During 2022-23 the College continued to progress our mission of 'Making Learning Work'.

Creating a thriving College community We pride ourselves on delivering the best possible experience for our students. Our 3 state-of-the art campuses brought about a step change in the level and quality of provision we can offer our local communities, providing flexible and digitally enabled spaces, which support and enhance the learning experience of full-time, part-time and evening learners, apprentices and other users for years to come. We recognise that a thriving learning community stretches beyond the mere physical, and we are working with colleagues and learners to develop the culture and ethos of the College ensuring a welcoming, diverse, and supportive environment is accessible to all as they continue their learning journey.

The digital environment, which has become more and more embedded in everything we do, has been enhanced through the delivery of a digital ambition and change due to the pandemic. We are now utilising technology as a force multiplier for learning and embedding flexibility of provision throughout the curriculum.

Our award winning estate of 3 campuses is also helping us to make a sustained, positive environmental contribution, with dramatic reductions in our carbon footprint via sustainable technologies embedded into the fabric of the estate. Our campuses provide flexible learning spaces and environments, deliver increased flexibility in opening hours to maximise year round use and support enhanced, flexible digital environments for our students. We have recently been shortlisted for a Green Gown Award through our partnership with Borders and West Lothian Colleges, recognising the exceptional sustainability initiatives being undertaken by the colleges.

The success of the College is directly attributed to the motivation of our learners and the skills of our staff. We recognise and value our staff and are keen to support continued success through investment in their development to both maintain and enhance their skills. As an agile organisation, we are responsive to the needs of our learners and employers, and we must ensure our staff have the capability to meet and maximise future opportunities. Digital is more than just a channel for us; it has become a way of life. Since the pandemic struck in early 2020, we have enhanced our digital capacity at a rapid pace due to the necessity to maintain service delivery throughout the periods of lockdown. Our Vision for 2030 has Digital Empowerment at its core and our Learning and Digital Skills Academy is playing its part in ensuring our digital ambition is realised.

The College has made a significant commitment to improving the staff experience and service levels through the introduction of a new HR and Payroll system with a dedicated self-service and management information area. This provides staff with easier access to work and personal data, and managers have greater access to up to-date information on which to base operational decisions.

Career development continues to be a focus through LinkedIn Learning, a professional platform of online learning modules providing circa 6,000 learning opportunities on nearly any business related topic. LinkedIn Learning is accessible to all staff, providing a cost effective solution to the diverse needs of staff and equal access to development for all. A robust process involving training needs analysis and budget allocation is used to direct resources for maximum impact. In addition, the General Teaching Council for Scotland (GTCS) registration of lecturing staff continues with the College revalidation process approved by GTCS until 2027.

To support leadership development a dedicated resource has been created on SharePoint and constantly updated. New and current managers have accessed varied pathways to develop their skills including College Development Network's (CDN) Strategic Management and Leadership programme or the Emerging Leadership programme. The Leadership Management Team has undergone a bespoke leadership programme, partly developed using feedback from staff.

A focus for continued development during the year has been within the area of health and wellbeing, with an aim to empower our staff and support them during life's challenges, in turn enhancing engagement and loyalty. This is a key component of the College's People Strategy. A dedicated Health and Wellbeing area on the internal SharePoint site was created to promote the range of support options available to staff, providing easy access to the Employee Counselling service, Work Positive policy, Carers support, and Mental Health provision, including our mental health ambassadors. We have also offered the Access to Work mental health support service through Able Futures, providing advice and support on how employers can help staff to cope with issues that are concerning them. This provides up to nine months advice and guidance from a mental health specialist who can help staff learn coping mechanisms, build resilience, and access therapy. Health and wellbeing workshops ran throughout the year including; Maintaining my work life balance; Avoiding burnout; Menopausal awareness for managers; Developing menopause and peri-menopause; Change management; Being more productive; Dealing with anxiety; and Cancer in the workplace.

Recognition and providing staff opportunities to input is another key element of the People Strategy. Staff have been encouraged to enter into a range of external awards such as the Defence Employer Recognition Scheme Silver award, Carer Positive Scotland award, CDN Awards, and the Green Gown Awards. Internally, regular communications to staff provide departments with an opportunity to showcase achievements and services, and Principal Briefings give staff direct access to strategic decision making rationale, with opportunities to question and feedback. Collaboration amongst staff also features highly within the College, with our Listening to Employees forum, Board representation, the local consultation and negotiation committee, and a range of working groups and committees across the College. Feedback was gathered from staff following a pilot period of hybrid working. This flexibility in working patterns and behaviours has become a permanent feature at the College, with a policy now in place to cement that commitment.

Fair Work Principles The recognised principles of fair work include opportunity, fulfilment, effective voice, respect and security. These align to the college values of Respectful, Innovative, Trustful and Excellent.

In promoting opportunity, which is detailed in our People Strategy 2022-25 under "supporting our staff to be all they can be" the college supports and invests in staff development and training as well as conducts staff reviews and provides CPD and leadership programmes. Career progression opportunities are at the heart of our resourcing

strategy with vacancies advertised internally and support given to allow staff secondments. In working towards fulfilment we have a strong wellbeing support structure, paid development days and team building events, a flexible approach to resourcing with multiple working patterns, supportive of many needs including those of carers, families, and promoting work-life balance. To give staff an effective voice we support transparency in our surveys, have recognised trade unions with regular meetings and facility time, staff representatives on the Board of Management, regular news updates, employee groups and staff involvement in project development, as well as access to senior management through staff meetings. Respect is demonstrated not only in our approach to giving staff a voice and through our college values but to our actions on health & safety, wellbeing, our policies on flexible working, family friendly policies, hybrid working, as well as our open door management approach. Security is reflected in our transparency through union meetings, and staff briefings, as well as that we pay the real living wage as a minimum, have an excellent pension scheme, clear pay progression practices and are financially robust in difficult times.

Delivering a successful student journey We have continued to deliver on the College's Creative Learning and Technologies Strategy and Learning and Digital Skills Ambition (LDSA). The Enable FVC Project has driven digital skills development for both academic and corporate services staff, enhancing digital pedagogy in the classroom in addition to increasing online and blended learning across the curriculum. Teaching staff have been supported by LDSA mentors to develop and implement their skills within their specialism to maximise student engagement. We are continuing to support staff to engage with the LDSA Digital Skills Self-Assessment tool to support staff in their reflective practice and goal setting.

We continually seek to improve our Student Journey and have adapted our application and enrolment procedures to provide a more responsive service to students, aligning with our digital ambition. We have created a number of Student Portals for full-time, school partnership and evening courses, which store information for applicants in one place and allow them to complete their online enrolment, including photo upload for their digital Student ID Card.

We have also launched a Digital Campus App for our students using Campus M. Once enrolled, this provides students with access to their timetable, digital Student ID Card and other essential information to support their studies. Looking ahead, our plan to further enhance our student journey through real-time data supported through Power Bi will ensure we continue to make evidence-based decisions to help and support students at every stage of their journey.

We continue to enhance our Student Support System (Triple S) which brings together information on support that is being provided to our students across College functions. This allows staff to see interactions with all College functions, and allows for more timeous sharing of appropriate support information. We have now incorporated school transitional information into Triple S which aids staff in preparing for learners before enrolment, ensuring that both Inclusion and Student Services and the academic department can provide adequate interventions for students for a smooth transition from school.

The Performance Indicator Prediction and Tracking Tool continues to be critical in the tracking and action planning for courses and individual students. College senior management, department management and heads of key corporate service areas meet four times per year to evaluate and action plan for all curriculum areas. This Continuous Curriculum Improvement Process is proactive and strives to protect PI's and improve student experience.

Education Scotland completed an Annual Engagement Visit in October 2022. During the visit they spoke to learners, staff and stakeholders, and worked closely with the senior managers and found 'major strengths' in the work of the college in the areas of:

- Recruitment
- Retention
- Attainment
- Progression

The College was delighted to receive more than 40 positive statements with only two areas of improvement identified. The outcome of the Progress Visit identified the College as having “Satisfactory Progress” across all key principles and themes of the visit.

Student support services continues to be critical in promoting student success and reducing the risk of course withdrawal. For 2022-23 over 33% of full-time students were in receipt of support from Inclusion and Student Services (ISS). ISS has been working with academic departments in the development and introduction of the Learning Inclusion Facilitator role, which provides additional academic support to students. This role has been well received by students and provided critical course based support whilst avoiding an additional referral to ISS. The number of missed appointments recorded has continued to reduce reflecting the effectiveness of the referral system and restructure of ISS. The network of support created by a dedicated Support & Guidance Advisor and Learning Support Advisor for each department has strengthened team collaboration and communication between academic and corporate services.

The number of referrals for safe guarding, mental health and counselling has continued to increase this past year. This upward trend has been intensified by the cost of living crisis resulting in the need for more immediate interventions. The ISS team has coped well with these challenges and avoided waiting lists where possible for mental health and counselling referrals.

The College continues to actively engage and promote the Developing the Young Workforce (DYW) agenda and the associated Scottish Government’s Young Person’s Guarantee. The College continues to support the School Coordinators in each secondary school across our three Local Authority partners and works closely with our DYW partner to ensure targets are met.

Throughout a challenging 2022-23 the College has continued to deliver its senior phase offerings, with over 350 school pupils studying at the College across a wide offering of programmes. The College has engaged with our local authority partners to propose a new “Technical Pathway” approach to the school college curriculum. This learning pathway would offer an accredited SFW, NPA or other SQA qualification from S3 at High School and support pupils in planning their learning choices from an earlier stage. Technical pathways have been offered for 2023-24 in several curriculum areas, including Health and Social Care and Early Learning and Childcare.

To further support our school-college pupils, we have introduced an extended induction period starting our school courses in June in line with our local authority school timetables. This engages school pupils before the summer break and prepares them for the expectations of studying at college.

The College’s PrimarySTEM engagement programme has been welcomed back by our local authority school partners. This activity had been impacted by Covid restrictions and was fully reintroduced for 2022-23. Throughout the academic year, around 3,000 primary school pupils across Falkirk, Stirling and Clackmannanshire participated and feedback continues to be very positive. The College was awarded funding from the Edina Trust for the development of 8 STEM boxes, which are available to be loaned out to primary schools across the whole of the Forth Valley region. The boxes cover the subject areas of: Rocket Launch; Biological Systems and BBC Microbit Coding (CityFibre), Forces; Warm Houses; Clean Water; Green Energy; and Design and Build.

FVC is now an accredited BPEC Gas training centre and is delivering ACS gas training to Plumbing and Heating Apprentices in addition to delivering commercial training and upskilling. The Renewables Training, launched in 2021 is now an established asset delivering training to both apprentices and commercial provision to local employers.

The Forth Valley University College NHS Partnership (FVUCHP) launched in October 2022 and aims to improve the health, education and employment outcomes of the local communities. The partnership has 3 key priority areas, Education and Skills, Career Pathways and Research and Innovation. Since its launch, the partnership has already successfully delivered on a number of outcomes that will support young people in preparing for and progressing to sustainable employment within NHS Forth Valley. A portfolio of skills boost online flexible courses was launched in January 2023 to support school pupils and career changers in their transition to further and higher education or employment within health and social care. FVC now has an accredited learning pathway from SCQF levels 4-7 that supports school pupils in engaging in health and social care education from S3.

Student engagement is driven across the 3 teaching departments via delivery of innovative projects and unique opportunities for our current and prospective students. The FVUCHP delivered simulation and immersive learning sessions to Foundation Apprentices in partnership with the Scottish Centre for Simulation. Within Creative Industries, a showcase event was hosted for secondary schools in partnership with BAFTA and Screen Scotland. This event promoted careers in film, television and gaming featuring workshops from Codebase-based animators Wildchild, and game developers Hyper Liminal. Connect Forth (our student run radio station) is engaging with Central FM and Stirling Community Radio to identify potential areas for mutual collaboration. Connect Forth plans to rebrand and relaunch in 2024-25 with the inclusion of web based outlets for our increasing portfolio of Film and TV related provision. The NC Media: Film and Television course was successfully launched in August 2023 and has seen positive recruitment, retention and achievement of learners. Three learners from the course won the Ayrshire Film Festival External Category for their short film-noir.

Retention across College full time programmes for 2022-23 was up on 2021-22 figures: FE constant at 72% and HE up by 2% to 81%. This improvement is reflective of better engagement and attendance following the full return of face-to-face learning. A buoyant employment market continues to attract student to leave their studies to take up employment opportunities.

We continued to administer our successful "Listening to Learners" bi-annual student survey, through which, over 2,400 students contributed their views and helped to shape learning within their programmes of study. The Scottish Funding Council Student Satisfaction and Engagement Survey 2022-23 achieved a response rate of 45% of Full Time FE learners and 34% from Full time HE learners, a significant increase from the prior year. Responses reflected that over 90% of our students were overall satisfied with their college experience.

Driving a sustainable future – To support the sustainability of the College for the medium term, the management team undertook a Consultation on the reform of Forth Valley College in May 2023, which resulted in delivering a balanced budget for session 2023-24 to the Board of Management. This was achieved through a combination of staff redeployment, launching a voluntary severance scheme, a 10% reduction in curriculum delivery, restructuring the delivery of evening class provision, and the rationalisation of some corporate service departments. This has left the College in a more stable financial position and allows our staff to focus efforts on our core function, whilst providing increased security and certainty. However, the forecast for government funding beyond 2023-24 is predicted to be further flat-cash settlements, which will require further financial prudence in order to retain a stable financial foundation.

A key component of this objective is to lead 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 on 8 December 2020 and continues to work within this framework. At the end of the academic year the Board of Management undertook its annual self-assessment and the results of this were presented to the Board at the meeting on 7 December 2023.

The Board of Management also considered and adopted the updated Scottish Government Code of Conduct for Further Education Colleges in February 2022.

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 good despite the challenges of static funding and inflationary cost pressures, as demonstrated by the ability to generate levels of cash surplus prior to the funding on restructuring costs, on the day to day operational activities of the College.

Leading on the economic recovery – Academic year 2022-23 has marked a pivotal period of evolution and enhancement within the Apprenticeship, Skills, and Commercial Department (ASC). In alignment with Forth Valley College's Strategic Plan for 2022-2025, we have published a refreshed commercial strategy. This renewed approach has sharpened our focus on the year's KPIs, stimulating our ambition to establish ourselves as the training provider of choice for our employers and stakeholders.

The strategic overhaul, spearheaded by our Director of Commercialisation and Skills in the prior year, has ensured streamlined operations, heightened efficiencies, and a more cohesive alignment with our overarching organisational goals. The introduction of deputy roles has ensured a balanced distribution of responsibilities and managerial tasks. Furthermore, the innovative systems we have implemented, coupled with those currently undergoing rigorous testing, are testament to our commitment to excellence. These changes ensure we are positioned at the forefront of educational excellence and commercial success, making us more responsive to the evolving needs of our students, employers, and stakeholders.

A number of new software systems have been implemented in the year to both improve customer service and drive administrative efficiencies. These include a commercial booking system (Arlo) with automated communication resulting in improved response times and reduced administration time. Within Arlo, for legislative courses requiring refresher training, automated reminders to previous attendees aims to increase future income. New help desk software (Fresh Desk) provides consistency in responses across email and social media channels, and the next step is to deploy AI Chat bots to provide additional support in terms of customer service out with college opening hours. A Contract Management System (Juro) has been trialled for the College's Modern Apprenticeship provision managed by ASC. This enables our SDS compliance paperwork to be electronically signed improving overall efficiency of the SDS claims process.

The Engineering work-based Assessor team has played a pivotal role in our achievements over the past year. They ensure that students seamlessly integrate classroom learning into practical, real-world scenarios. Our team specialises in diverse fields, including mechanical, electrical and process engineering. Their rich industry experience facilitates prompt completion by MA Candidates, a fact underscored by high sector achievement rates. Our consistent progress can be attributed to strong communication between our internal verifiers and assessors, routine standardisation meetings, and robust internal safeguards against malpractice. We have received positive audit reports from awarding bodies such as GQA, ECITB, EAL, City & Guilds, and SQA.

Throughout 2022-23, the Multi-discipline work-based Assessor team has grown, achieved strong outcomes as well as strengthening employer relationships. SQA's external verifier visits provided a high level of confidence, highlighting good practices, such as quality assessor observations, thorough assessment planning, and a candidate-centric approach, resulting in robust evidence. Assessors were invited by SQA to showcase some of their delivery methods. Social Services & Healthcare workshops were praised for bolstering candidate knowledge and confidence. The team are currently supporting circa 300 candidates across a range of frameworks and discipline areas.

We have continued to grow our portfolio of commercial training courses in line with employer demand and requirements of the local economy. Additional provisions included Renewable Energy and Gas Safety training, providing the key skills required for transition to net zero, whilst still supporting the requirement for existing gas system installation. We have also added various new courses providing growth across each of the commercial delivery areas. Despite the challenges of recruiting skilled commercial trainers for Comp'Ex and electrical safety provision, we achieved our delivery schedule for the year, and successfully recruited and fully trained new staff members who are now embedded in the team, delivering our training portfolio to a high standard as well as the highest level of commercial course income of any financial year to date.

The Flexible Workforce Development Fund (FWDF) was used to enable eligible employers address skills gaps in their organisations, to support economic growth and boost productivity through the upskilling and reskilling of the existing workforce. There was a 33% decrease in funding to the College for 2022-23 due to the funding cuts by the Scottish Government. We have committed all of our allocation, supporting circa 80 companies by delivering a host of different courses to their employees. We estimate that prior to the December 2023 deadline this will have upskilled or reskilled at least 3,400 individuals. Unfortunately funding for the FWDF has been discontinued by Scottish Government.

Our SDS contract for the provision of Modern Apprenticeships for the fiscal year 2022-23, was originally an awarded value of £1.4m, but following in-year redistribution we were able to deliver £1.7m including the target of 355 new starts. This positions FVC as the largest SDS contract within the college sector. Engineering, life sciences, and construction programmes witnessed a resurgence in numbers comparable to pre-pandemic levels, and these are anticipated to grow further in the forthcoming year, 2023-24.

We were successful in our bids to ECITB, to again deliver their apprenticeship programme, as well as 2 new scholarship cohorts for 2023-24. Our reputation for delivering exceptional customer service and fostering strong ties with employers has yielded tangible benefits to the College, securing prestigious opportunities, including the FieldCore apprenticeship program and Industrial Applications courses. Looking ahead, the upcoming year is poised to be ambitious, with a contract value target of £2.4m for fiscal year 2023-24 which we are confident of achieving.

Estates Strategy

The College estate is based across 3 campuses at Falkirk, Stirling and Alloa. The largest of these which operates as the Head Office, is at Grangemouth Road, Falkirk, FK2 9AD. Our Estates Development Strategy is now complete with 3 modern campuses.

Going forward the significant capital investment in our estates will be supported with the implementation of an Estates Maintenance Strategy to ensure the estate is adequately maintained so that it remains fit for purpose and continues to provide a superb environment for learning. A new Estates Strategy to complement our 2022-25 Strategic Plan is currently being drafted; it will be heavily influenced by the SFC Infrastructure Strategy which has been billed as a “once in a generation opportunity to create a coordinated infrastructure investment plan for the college estate in Scotland. It is an undertaking that will see the Scottish Funding Council (SFC) working in close partnership with the college sector to map out the investment needed over the next five to ten years.” This SFC exercise will take place over the next 12 months. The new Estates Strategy will also incorporate the College’s Net Zero Plan to 2028. Our College-wide Sustainability Committee provides governance and direction for our Net Zero Plan.

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.

The College has updated the strategic risk register to reflect the changes across the sector and changes specific to FVC. 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 annually to the Board of Management.

The College’s Internal Auditors conducted an exercise to explore and quantify the Board of Management’s risk appetite. This information was reported back to the Audit Committee in May 2022 which has made recommendations on how to have cognisance of the Board Risk Appetite when considering overall risk.

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

Risk	Mitigation
Unable to maintain financial sustainability due to insufficient funding from Scottish Government to support the core activities of the College.	The College continues to review its operating structures and activities to deliver efficiencies and grow commercially to ensure the ongoing financial sustainability of the College.

Unable to maximise the long term return on investment on the College estate due to insufficient capital maintenance funding, and changes in working practices.	Effective monitoring of lifecycle maintenance programmes and discussions with Scottish Funding Council regarding funding, development of commercialisation strategy and review of campus utilisation.
The National Bargaining process will negatively impact on the College.	The outcomes of the National Bargaining process is out with the control of the College. The College continues to communicate regularly with staff with the Principal holding briefing sessions with all staff twice a year. Financial implications are reflected within financial forecasts.
Failure to deliver a high quality learning experience and meet targets of Outcome Agreement with Scottish Funding Council.	Implementation of the Learning and Digital Skills Academy and Project NxGen considering future curriculum needs. Student engagement and feedback. Staff structures reviewed to support the student experience.

Going Concern

The Board of Management has assessed the financial position of the College for the year ended 31 July 2023 and its future financial position to support the going concern basis of preparation in the financial statements, and ensure completeness and accuracy of related disclosures. Further detail is provided in Note 1.

The impact from inflationary pressures, primarily on estates costs, has been mitigated by securing assistance from the Forth Valley College Foundation towards the severe, temporary energy price rises, which are outwith our control. Other areas of cost have been restricted to budgeted levels.

The conclusion from the assessment of financial position is that it is considered appropriate to adopt a going concern basis for the preparation of these annual financial statements.

PERFORMANCE ANALYSIS

Performance Indicators

The College delivered 87,096 Credits against a target of 87,897 which is 801 Credits (0.91%) below target for Academic Year 2022-23 (2021-22 : 0.29% below target of 91,888 credits). This target includes 84,218 core activity Credits and 3,679 Credits for Foundation Apprenticeships.

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.

The College published their interim progress report on the Equality Outcomes for 2021 to 2025 in April 2023. This report detailed the progress that had been made on the College's five Equality Outcomes as agreed by the Leadership Management Team and Board of Management, having due regard to public sector equality duty under the Equality Act 2010. Further information is provided in the Staff Report on page 34.

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 the Learning and Student Experience 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 2022-23 and 2021-22.

	Year Ended 31 July 2023	Year Ended 31 July 2022
Operating deficit as % of total income: deficit on continuing activities (excluding extraordinary donation) after depreciation of assets at valuation and loss of revaluation of land and buildings, and before disposal of assets and tax	(8.6%)	(11.1%)
Non SFC Income as % of total income: total of non-SFC income expressed as a percentage of total income.	25.9%	25.0%
Current assets : current liabilities: ratio of total current assets to the total of creditors: amounts falling due within one year.	0.77:1	0.79:1
Days cash: cash and short-term investments divided by total expenditure less depreciation and expressed in days.	50	49
Staff turnover: 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.	12%	9%
Working days lost through sickness absence: 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).	3%	4%
Credits per staff FTE: actual Credits delivered in the year per FES return divided by total of FTEs involved in delivery of Credits.	387	361

		Current Year Ended 31 July 2023	Achieved Year Ended 31 July 2022
Performance against Credits: actual Credits delivered in-year divided by target Credits.		99%	100%
Student outcomes: 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	68%	68%
	FE Part time	87%	85%
	HE Full time	70%	71%
	HE Part time	83%	87%
Student retention: 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	72%	72%
	FE Part time	92%	91%
	HE Full time	81%	79%
	HE Part time	93%	95%
Early student retention: 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	92%	93%
	FE Part time	98%	97%
	HE Full time	96%	97%
	HE Part time	98%	98%

Current & Future Developments

The College continues to rigorously review its overall curriculum portfolio, in the light of local and national skills priorities and sustains an excellent reputation with our employers, delivering industry-relevant courses within our campuses and bespoke training on employers' premises. This was central to the design and structure of the consultation process that the College launched in March 2023 in response to core funding cuts for session 2023-24. Each curriculum area was reviewed in detail to ensure the College continued delivering on regional and national skills.

In terms of learning and teaching, during 2022-23 the College continued to focus on developing the digital learning strategy and enhancing digital skills across staff and students. Funding was received from the Forth Valley College Foundation to extend the Learning and Digital Skills Academy until July 2024, and plans to embed these activities in to operations are prepared for session 2024-25.

We also continue to work closely with our university partners to maximise success and progression on our existing partnership degree programmes and to develop additional articulation agreements for Higher National (HN) graduates. In addition, we continue to explore opportunities for expansion of our partnership degree activities into access to teaching education and international markets.

Financial Performance

The finances of the 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 (FRm) and also by the Scottish Public Finance Manual. The financial statements have been prepared to comply with the Accounts Direction issued by SFC, the FRm, the Financial Reporting Standard FRS 102 and the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP).

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 Performance

The Statement of Comprehensive Income presents the financial performance during the accounting period in accordance with the SORP. The Adjusted Operating Position (AOP) is intended to reflect the underlying performance after allowing for material one-off or distorting items required by the SORP or other items outwith the control of the College. The AOP is therefore designed to smooth any volatility in reported results arising from Financial Reporting Standard (FRS) 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the College.

The following table provides the adjusted operating position for Academic Year 2022-23:

	Note	Year Ended 31 July 2023 £000	Year Ended 31 July 2022 £000
Deficit before other gains and losses		(3,598)	(4,662)
Add back:			
Depreciation (net of deferred capital grant release)	SOCI, 2	3,627	2,075
Impairment	SOCI	144	0
FRS 102 SWAP Rate valuation movement	10	(339)	(360)
Pension adjustment - Net service cost	6	652	3,440
Pension adjustment - Net interest cost	10	23	464
Pension adjustment - Early retirement provision	8	(352)	(1,588)
Donation to Arms-length Foundation	11	0	1,500
		157	869
Less:			
Non-Government capital grants	4	0	60
CBP allocated to loan repayments	16	201	193
		201	253
Adjusted operating deficit		(44)	616

The adjusted operating deficit of £44k has been agreed with the Sottish Funding Council. It is impacted by the College paying restructuring severance costs of £443k from cash reserves, without which, the College is operating sustainably within its funding allocation. Explanations for each of the adjusting items are provided below.

All items above can be readily identified in the financial statements, with the exception of the following:

		Year Ended 31 July 2023 £000	Year Ended 31 July 2022 £000
Depreciation charge	SOCI	7,026	5,401
Deferred capital grant release	2	(3,399)	(3,326)
Depreciation (net of deferred capital grant release)		<u>3,627</u>	<u>2,075</u>

Explanation for adjusting items:

Note 1: Depreciation does not have an immediate cash impact on the College and, in any case, capital expenditure will largely be funded by Government or grants from the Forth Valley College Foundation so the charge is removed.

Note 2: The swap rate adjustment is the movement on the valuation of the fair value of derivative financial instruments.

Note 3: The adjustments to the pensions charge represent the net service cost (ie the present value of projected benefits resulting from employee service in the year less cash contributions paid).

Note 4: The net interest cost is the interest accumulated on the pension liability and this is offset against the current year's interest earned on pension assets.

Note 5: The early retirement provision adjustment relates to the gain/loss arising from the actuarial valuation during the year. This excludes any adjustments to valuations as a result of adding or removing employees.

Note 6: The donation to the Forth Valley College Foundation is paid out of the commercial surplus for the year so is adjusted to arrive at the pre-donation operating position.

Note 7: Capital grant income is not matched by SOCI expenditure as it has been used to fund capital assets which will be depreciated over the life of the asset.

Note 8: Cash Budget for Priorities is included in income but the loan repayment is not reflected in the costs therefore this amount is adjusted.

Balance Sheet

As required by FRS102 and the FReM full professional valuations were sought for all 3 campuses at Alloa, Falkirk and Stirling as at 31 July 2023. This resulted in all the buildings being revalued upwards, along with the land at the new Falkirk campus, totalling an increase in revaluation reserve of £10.45m.

Spend of Cash Budget for Priorities

Following its reclassification as a central Government body, the College is required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities. The College has been given a fixed cash budget for priorities which must be spent on agreed Government priorities as outlined in the table below. Spend of the College's cash budget for priorities, and the impact on the operating position for the academic year, is detailed below.

	31 July 2023	31 July 2022
	£000	£000
Revenue		
The 2015/16 pay award	65	65
Estates related revenue costs	347	355
Total impact on operating position	412	420
Capital		
Loan payments	201	193
Total Capital	201	193
Total cash budget for priorities spend	613	613

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 fortnightly 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 25 days (2021-22 : 29 days).

Sustainability Report

The College recognises its moral and legal responsibilities to sound sustainability management, encompassing environmental, social, economic and technological factors, in line with the College vision for 'Making Learning Work'. We recognise that the changing climate will have far reaching effects on Scotland's economy, people and environment, and consequently, a commitment to carbon reduction remains a key strategic objective for the College.

Our vision is to lead by example in all our activities and to ensure that both staff and learners are aware of the impact their actions will have on the environment. This vision is supported by the 'College Sustainability Commitment Statement' that is approved annually by our Board of Management and our College Principal. In addition, the College has adopted the sector wide 'Scottish Colleges' Statement of Commitment on the Climate Emergency', which outlines 10 key actions colleges will deliver on to help achieve Scotland's net zero target. We have also become a signatory to the 'Race to Zero'; a global initiative for a zero carbon world representing Universities & Colleges.

The College has an established Sustainability Committee which performs a strategic function in identifying, encouraging, quantifying and leading the embedding of sustainable practices throughout the College. The Committee is currently led by the Vice Principal for Infrastructure and Communications and encompasses representatives from across the College including the student body.

The College continues in partnership with West Lothian College, Borders College and the EAUC (Environmental Association for Universities and Colleges) to collaborate and deliver on the UK Further Education Climate Action road map as a commitment to delivering net zero by 2040. Whilst ever present at CDN's climate emergency group, the College partnership developed and appointed the shared resource role of 'Sustainability Project Manager' to work with the partner Colleges to help develop and embed net zero planning across our organisations, to identify and aid applications to appropriate funding routes and develop a cradle to grave approach to sustainability.

With Scotland's Colleges committing to be net zero by 2040 the Estates department is seeking solutions to decarbonise the College buildings with the sustainable and efficient use of capital grant money, lifecycle replacements and by accessing Scottish Government grant funding for decarbonising public sector buildings. In partnership with our shared Sustainability Project Manager we were successful in securing £50,000 of Scottish Government pre-capital funding which was spent energy auditing the estate to identify and collate the future decarbonisation opportunities that will form the core of the Colleges Net Zero plan.

Decarbonisation opportunities with a capital value of £24 million have been identified, and from this FVC has identified a hierarchy of capital investment opportunities. We unsuccessfully applied for £3.1 million in funding from the Scottish Government's Green Public Sector Estates Decarbonisation Scheme to fund the first of these opportunities (LED lighting, photovoltaics and Building Management system upgrades). Despite this setback we will continue to seek out alternative sources of funding to progress our net zero aspirations.

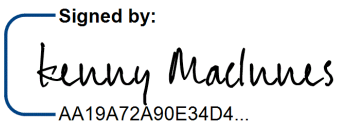
In accordance with the Climate Change (Scotland) Act 2009, and with the support of the EAUC, Forth Valley College reports annually to the Sustainable Scotland Network on our carbon footprint, compliance with Climate Change Duties and future sustainability ambitions and plans. We also adhere to reporting requirements in areas such as procurement, business travel and building management, and recognise the importance of consistent environmental reporting across public sector bodies.

In the last reportable academic year our annual return to the Sustainable Scotland Network showed a 540% increase in our Carbon Footprint (7,052 tCO₂e). However, this is due to the measurement and inclusion for the first time of a number of new emission sources mandated by Government, including staff commuting and supply chain emissions. When making a like for like comparison across the last two reporting years, excluding the new mandated emission factors, FVC can demonstrate a 52% reduction in our carbon footprint in 2021-2022 compared to our baseline footprint measured for the 2013-14 Academic Year (1,302 v 2,687 tCO₂e).

These savings have been achieved through the implementation of a robust Carbon Management Plan that sought to address many aspects of College business (energy, waste, travel, staff and student engagement, behavioural change and capital investment). They have also been influenced by the construction and occupation of the new campus in Falkirk that leans heavily on sustainable technologies (LED lighting, ground source heat pumps, photovoltaic panels etc.), as well as continued greening of the nation's energy network.

A return to 'business as usual' for academic year 2022-23 following the global recovery from covid and the resultant return to normal numbers of staff, students and visitors attending campuses has undoubtedly had a negative impact on the above referenced reductions in our carbon footprint while also providing us with our first 'near normal' year of operation at our new Falkirk campus. We look forward to reporting a 'business as usual' Carbon footprint while quantifying our new campus' contribution to this.

Signed by:



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Kenny MacInnes

Principal and Chief Executive

13 August 2024

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

Forth Valley College of Further and Higher Education is committed to demonstrating best practice in Corporate Governance and the following statements are designed to provide an overview of governance arrangements in place.

The Corporate Governance Report consists of the following sections:

- Board of Management and Senior Management overview
- Statement of The Board of Management's Responsibilities
- Governance Statement
- Governance Structure
- Assessment of corporate governance
- Internal Control
- Going Concern

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 17, nor more than 20 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 R Martin	Regional Chair	Resigned	30-11-22
Ms T Craggs	Interim Chair	Appointed	01-12-22
		Tenure ended	27-06-24
Dr A Agarwal	Regional Chair	Appointed	28-06-24
Professor K Thomson OBE	Principal	Retired	25-04-23
Mr K MacInnes	Principal	Appointed	01-05-23
Ms N Akram	Non-Executive member	Resigned	12-08-22
Mr C Arthur	Non-Executive member	Appointed	30-08-23
Mrs H Burt	Non-Executive member	Tenure ended	31-01-24
Mr A Caldwell	Non-Executive member	Resigned	31-03-23
Ms T Craggs	Non-Executive member	Resumed	28-06-24
Mr P Devoy	Non-Executive member		
Ms L Dougall	Vice Chair	Re-appointed	23-03-23
Ms R Geisler	Non-Executive member	Appointed	30-08-23
Ms K Graham	Non-Executive member	Tenure ended	30-06-24
Ms C Green	Student	Resigned	18-05-23
Ms A Harley	Trade Union member	Appointed	05-02-24
Mr P Harris	Non-Executive member	Appointed	01-04-23
Ms L Hastie	Non-Executive member	Resigned	31-03-23
Ms J Hogarth	Teaching Staff member	Re-appointed	01-07-23
Ms C Johnston	Non-Executive member	Appointed	01-04-23
		Resigned	16-02-24
Mr S Kemlo	Student	Appointed	01-07-23
		Tenure ended	30-06-24
Ms K Kennedy	Student	Re-appointed	01-07-24
Mr G Leebody	Trade Union member	Appointed	07-03-24
Ms A Little	Student	Resigned	06-04-23
Mr L McCabe	Non-Executive member and		
	Senior Independent member	Re-appointed	23-03-23
Mr A McKean	Corporate Services Staff member		

Ms E Meridith	Non-Executive member		
Mr K Richardson	Non-Executive member	Resigned	25-03-23
Ms E Strachan	Student	Appointed	01-07-24
Mr C Ure	Non-Executive member	Appointed	30-08-23

Membership of the Senior Management Team

The Senior Management Team is responsible for the day to day management of the College's activities and operations and consists of:

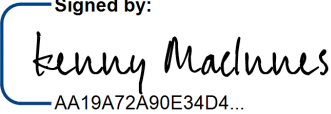
Mr K MacInnes	Principal
Mr D Allison	Vice Principal Information Systems and Communications
Mrs S Higgins-Rollo	Vice Principal Learning and Student Experience
Mr C McMurray	Vice Principal Business and Innovation (appointed 1 st August 2023)
Mrs A Stewart	Vice Principal Finance and Corporate Affairs

Conflicts of Interest procedures

The 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 2022-23, the College had no reported personal data incidents. (2021-22: no incidents).

Signed by:

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Kenny MacInnes
 Principal and Chief Executive
 13 August 2024

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 2019 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, Directors of Academic departments and Directors/Heads of Corporate service 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 Forvis Mazars LLP to undertake the audit for the year ended 31 July 2023.

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 13 August 2024 and signed on its behalf by:

Signed by:

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Dr Abhishek Agarwal

Chair

Governance Statement

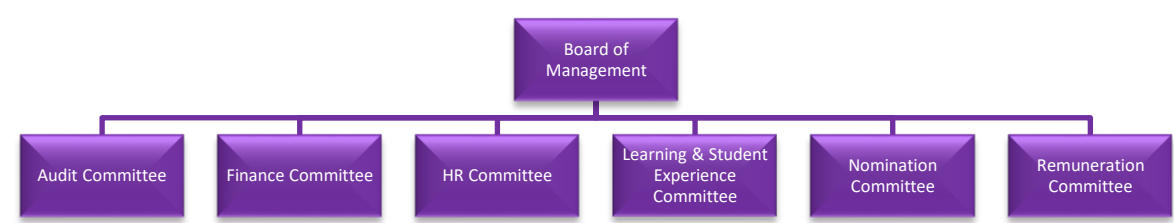
Introduction

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 (Updated September 2022) 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 2023 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. This was reviewed and amended by the Board of Management in September 2018 to reflect the changing needs of the Board.



Board Committees review their remits on an annual basis and the Board as a whole keeps the structure of its Committees under regular review. In June 2023, a new structure was considered and agreed by the Board of Management for use from the 2023-24 academic year onwards. This new structure is as follows –



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 three 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

The committee met twice during the period. Its role is to advise on HR strategy (including industrial relations matters), oversee the Board's health & safety responsibilities, and monitor the Board's equal opportunities aspirations.

Nomination Committee

The committee met twice during the period. Its role is to contribute to good governance in relation to the appointment of non-executive members and the appointment of the College Principal.

Remuneration Committee

The committee did not meet 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.

Learning and Student Experience 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 educational performance 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

As at 31 July 2023, the Board gender split was 57% female, and 43% male.

Membership now consists of 17 members as follows:

- Chair
- 9 Independent Non-executive members
- 2 Student members
- 2 Staff members
- 2 Trade Union members
- Principal

Mr Ross Martin resigned as Chair of the Board of Management effective from 30th November 2022. To allow time to recruit a new Chair, Ms Trudi Craggs has taken on the role of Interim Chair for a period of 19 months from 1st December 2022 to 27th June 2024. Dr Abhishek Agarwal was appointed by the Scottish Government effective from 28th June 2024.

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 information they consider to be relevant 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 Senior Independent Member. These offer a mechanism for members to feedback on their perceptions of the Board, their contribution and any future training needs. The performance of the Chair is also evaluated by the

Scottish Government, as regional college Chairs are appointed by Scottish Ministers and are personally accountable to them.

Attendance

The Board of Management normally meets formally six times per year and has a number of committees which are formally constituted with terms of reference.

Overall there were seven Board of Management meetings in 2022-23. During 2022-23 one meeting of the Finance Committee was cancelled due to not being quorate.

	Status	Date of Appointment/Re-Appointment	Date of Retiral/Resignation (if Applicable)	Board of Management	Audit Committee	Finance Committee	HR Committee	Learning & Student Experience Committee	Nomination Committee	Remuneration Committee
Number of Meetings				7	3	3	2	3	2	0
R Martin	Regional Chair	01/08/21	30/11/22	1 of 1						
T Craggs	Interim Chair	1/12/22		7		2 of 2	1 of 1		2	
Professor K Thomson OBE	Principal	01/08/13	25/04/23	5 of 5						
K MacInnes	Principal	01/05/23		2 of 2						
H Burt	Non-Exec	01/02/20		5	3					
A Caldwell	Non-exec	01/03/20	31/03/23	1 of 4		0				
P Devoy	Non-Exec	29/04/21		3	1		2			
L Dougall	Non-Exec / Vice Chair	23/03/23		6	3			3	2	
K Graham	Non-Exec	01/07/20		6			2	2		
C Green	Student	01/07/21	18/05/23	3 of 5				2 of 2		
L Hastie	Non-Exec	29/04/21	31/03/23	1 of 4		0				
Philip Harris	Non-Exec	01/04/23		3 of 3		1 of 1				
J Hogarth	Staff	01/07/23		4		1 of 1	2			
Caroline Johnston	Non-Exec	01/04/23		2 of 3		0 of 1				
Steve Kemlo	Student	01/07/23								
Kirsten Kennedy	Student	01/07/23								
A Little	Student	01/07/21	06/04/23	1 of 4		0 of 2				
L McCabe	Non-Exec/ Senior Independent Member	23/03/23		4		3			1	
A McKean	Staff	15/09/20		5	2					
E Meredith	Non-Exec	29/04/21		5	2			2		
K Richardson	Non-Exec	26/03/19	25/03/23	3 of 4		2 of 2				
N Wood (Akram)	Non-Exec	01/02/20	12/08/22							

Assessment of corporate governance

The College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges, as amended September 2022, 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 has 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 2023 and agreed that this should continue unchanged.

In response to the exceptional inflationary pressures exerted on the sector the Board of Management approved an application to the Forth Valley College Foundation to support the College in managing the temporary increases in energy prices.

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.

All Board Committees are able to request risks be added to the strategic risk register.

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. There are currently 12 risks on the Strategic Risk Register covering areas such as ongoing financial sustainability, maximising the return on investment of the College estate and ensuring the College continues to meet student expectations.

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.

An additional risk register linked to the steps taken to return to campus operations and beyond, known as the Springback project, was approved to keep the Board apprised of progress during 2021-22 and has now been retired.

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 auditor reports to the Principal and to the Audit Committee on a regular basis and has direct access to the Chair of the Audit Committee. The internal audit plan, while an annual document, does take into account medium and longer term planning to ensure key areas are audited on a rolling basis.

The internal auditor has 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 auditor has 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 2023, the Internal Auditor reported the outcomes of all reviews which took place during the year. 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 auditor has given an unqualified audit opinion on the financial statements for the period to 31 July 2023 but has issued a qualified opinion on the regularity of transactions in relation to a breach of procurement regulations as described below. No further significant issues have been identified as part of their audit process.

On the basis of the assurances provided from the credible sources outlined above, we can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the Scottish Public Finance Manual, have operated for the period ended 31 July 2023 and up to the date of approval of the annual report and financial statements.

During the year, concern over financial irregularities was identified by the Vice Principal Finance & Corporate Affairs, relating to a College project. This matter was then subject to an internal management review, and a forensic internal audit. Following the forensic audit by the College's internal auditors, all monies due to the College

were quantified at £160k and fully recovered. It was the internal auditors opinion that there was an intent to deceive, however fraud would not be present if there was no financial loss. The forensic audit identified weaknesses in the application of controls around procurement at the start of the project in 2020, and ongoing project monitoring. The suspected financial irregularities were discovered through regular budget monitoring of the project. The failure to adhere to procurement procedures in 2020 did not however contribute to enabling the financial irregularities.

A “lessons learned” report was prepared by the Vice Principal Finance & Corporate Affairs and presented to the Board of Management in September 2023, and appropriate actions implemented to prevent similar incidents in the future.

All relevant parties were timeously informed, including, the Chairs of the Board of Management, Audit Committee and Finance Committee, SFC and the Charities Regulator (OSCR). The external auditors have been provided with all information requested on the incident.

Going Concern

The Board of Management believes that all liabilities in the Balance Sheet can be met as these fall due from cash reserves or 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.

The Board of Management has assessed the future financial position of the College, and believes that it is appropriate for these financial statements to be prepared on a going concern basis. As stated in the Performance Report overview section, the Board of Management has no reason to believe that future support from Scottish Funding Council will not be forthcoming. Further detail on going concern is expanded on in Note 1 of the financial statements.

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.

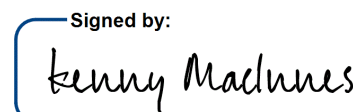
Approved by order of the members of the Board on 13 August 2024 and signed on its behalf by:

Signed by:

 CBF8DF8BC7714CE...

Dr Abhishek Agarwal

Chair

Signed by:

 AA19A72A90E34D4...

Kenny MacInnes

Principal and Chief Executive

REMUNERATION AND STAFF REPORT

Remuneration Report

This report outlines the remuneration policy of the College for the Board of Management and the Senior Management Team (SMT), and provides details of members remuneration for the year ended 31 July 2023.

The tables in the Remuneration report have been subject to audit by the College's external auditor. The other sections of the Remuneration Report are reviewed by the external auditor to ensure they are consistent with the financial statements.

Board of Management

The 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 the College.

The level of remuneration for the Chair is set by Scottish Government who informs the College on an annual basis of any increase to be awarded. Following the previous year end, Mr Martin resigned as the College Chair and as such the remuneration for 2022-23 is split between Mr Martin and the interim Chair, Ms Trudi Craggs. Ms Trudi Craggs was appointed as interim Chair by Scottish Ministers on 1st December 2022.

Senior Management Team

The Senior Management Team (SMT) is responsible for the day to day management of the College's activities and operations. The Principal and Chief Executive Officer, Kenny MacInnes, 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 2022-23 there was no bonus scheme in operation in the College.

If an SMT member's employment with the 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 SFC. 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 and other such members of the management team as it is designated by the College to consider. This policy is set within the context of the applicable Government guidelines. With input from the Chair, Principal and Chief Executive it determines the total individual remuneration packages 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. The agreement for staff pay awards remains unresolved for 2022-23. The remuneration disclosed in the table below, includes an element of backpay based on the current pay offer to support staff, which was accrued in to staff costs at the year end, which is yet to be approved by the Remuneration Committee. Minutes of Board and Committee meetings can be found on the College website.

Senior Management Team Remuneration

As part of the College's performance management system, each SMT member agrees with the Principal their personal performance objectives.

The College aims to ensure that the remuneration packages offered to SMT:

- enable the 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 the 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. An equal pay audit, that takes into account our Colleges Job Evaluation system is externally audited every two years. Salary payments are made monthly.

With the exception of our retired Principal, Professor Ken Thomson, SMT members are 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 9.5% to 11.9%. The College contributed 23% of the employees' pensionable salary to the STSS throughout the year. Contributions for the LGPS were 22.4%, increasing to 22.9% from 1st April 2023. 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 Principals and other Senior Management Team who served during the year to 31 July 2023, including salary, pension benefits and other allowances was:

	Year Ended 31 July 2023			Year Ended 31 July 2022		
	Pension		Total	Pension		Total
	Salary	Benefit		Salary	Benefit	
	£'000	£'000	£'000	£'000	£'000	£'000
Ken Thomson	180	0	180	168	0	168
Kenny MacInnes	106	52	158	90	37	127
Alison Stewart	106	70	176	103	30	133
David Allison	97	72	169	94	31	125
Sarah Higgins-Rollo	79	29	108	0	0	0

Professor Ken Thomson retired as the Principal of Forth Valley College on 30th April 2023. Mr Kenny MacInnes (previously Vice Principal Learning and Student Experience) was appointed as the new Principal & Chief Executive from 1st May 2023.

The salary for Professor Thomson includes pay in lieu of notice for the 3 months to July 2023 of £42k, and pay in lieu of holidays of £9k. The salary for Mr MacInnes comprises £33k as Principal and £71k as Vice Principal. Ms Sarah Higgins-Rollo was appointed as the Vice Principal Learning and Student Experience from 1st May 2023, and the salary above comprises £22k as Vice Principal and £55k as Director of Curriculum.

Neither of the two Principals during the year 2022-23 received benefits in kind (2021-22:nil). For 2022-23 and 2021-22 no bonus schemes were in operation. The information in this table has been subject to audit.

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, Professor Ken Thomson left the STSS pension scheme on 31 March 2018. From this date the pension payments that the College would have made to Professor Thomson's pension scheme, were paid as salary, and amounted to £27,881 (2022:£28,085). These payments are included within the salary noted above for Professor Thomson. 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.

Chair Remuneration

For the year to July 2023 the Chair was entitled to claim remuneration of £211 per day up to a maximum total fee of £21,944. The Chair is not entitled to a pension in respect of their office. For the year to 31 July 2023 the Chair was paid remuneration of £13,968 (2021-22: £17,407). This total was split between Mr Ross Martin who resigned 30 November 2022 (£7,596) and Ms Trudi Craggs (£6,372), interim Chair from 1st December 2022.

Fair Pay - Pay Multiples

Institutions are required to disclose the relationship between the remuneration of the highest paid member and the remuneration of the workforce. Remuneration includes salary, non consolidated performance-related pay and benefits in kind. It does not include severance payments, employers pension contributions and the cash equivalent transfer value of pensions. Remuneration for Forth Valley College staff only includes salary, as the College does not provide performance bonuses or benefits in kind.

The table below shows the median, 25th and 75th percentile remuneration and ratios against the highest paid member. The information in this table has been subject to audit

	Year Ended 31 July 2023 £	Year Ended 31 July 2022 £	Change %
Range of staff remuneration	21,838 - 170,346	19,838 - 168,467	
Median remuneration of Forth Valley College workforce	39,865	39,264	1.5%
Annualised remuneration of the highest paid member	170,346	168,467	1.1%
Ratio to staff median remuneration	1 : 4.27	1 : 4.27	
25th percentile remuneration	29,734	28,540	4.2%
Ratio to staff 25th percentile	1 : 5.73	1 : 5.87	
75th percentile remuneration	45,357	43,357	4.6%
Ratio to staff 75th percentile	1 : 3.76	1 : 3.86	

The agreement for staff pay awards remains unresolved for 2022-23. The remuneration disclosed in the table below, includes an element of backpay based on the current pay offer to staff, which was accrued in to staff costs at the year end. The annualised remuneration of the highest paid member in the financial year 2022-23 was £170,346 (2021-22: £168,467). This was 4.27 times (2021-22: 4.27 times) the median remuneration of the College workforce which was £39,865 (2021-22: £39,264). The remuneration of the highest paid member increased by 1.1%, while the average remuneration for the College increased by 1.5%. The resultant change in the median pay ratio reflects the accrued flat rate pay settlement for the year, as all grades have been offered the same amount of £2,000, as well as the change in the staffing demographic following the restructure put in place for the start of the academic year.

Management believes the median pay ratio for 2022-23 is consistent with the pay, reward and progression policies for the College employees taken as a whole, taken within the context of management having limited scope for controlling pay policy arrangements under National Bargaining for the sector. The median pay ratio is high as a

consequence of the highest paid member receiving pension contributions as salary. Excluding this element of pay the annualised pay for the retired Principal was £142,465 which gives a median pay ratio of 3.57.

The minimum full-time equivalent salary on the College's pay and grading framework for the year to 31 July 2023 was £21,838 (2022: £19,838).

Pension Benefits

The College operates two pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS). More details are provided in Note 21. 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 2023 are set out below, and this information has been subject to audit.

Cash Equivalent Transfer Value					
	Accrued Pension at pension age as at 31 July 2023 and related lump sum £000	Real increase in Pension and related lump sum at pension age £000	At 31 July 2023 £000	At 31 July 2022 £000	Real increase in CETV £000
Kenny MacInnes	22 plus lump sum of 59	3 plus lump sum of 3	456	361	58
Alison Stewart	30 plus lump sum of 3	4 plus lump sum of 0	478	359	174
David Allison	47 plus lump sum of 60	4 plus lump sum of 1	868	685	109
Sarah Higgins-Rollo	21 plus lump sum of 0	2 plus lump sum of 0	232	208	24

The cash equivalent transfer value is the actuarially assessed capitalised 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 Cash Equivalent Transfer Value

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 2023 there were 594 staff in post, which equated to 513 FTE. The split across gender and business area is detailed in the table below.

Employees	Male	Female	Total
Senior Management Team	2	2	4
Directors/Heads of Department	7	6	13
Academic Staff	130	127	257
Corporate Services Staff	109	211	320
	<u>248</u>	<u>346</u>	<u>594</u>

27 members of staff accepted voluntary severance in the year, as they were still in post as at 31st July 2023 they are included above.

The following table shows the salary and related costs for all staff for the year ended 31 July 2023, identifying temporary, inward seconded and agency staff separately. This table has been subject to audit.

	2023	2023	2023	2022
	Directly employed staff on permanent UK contracts	Other staff including temporary, seconded and agency staff	Total	Total
	£000	£000	£000	£000
Salaries and related costs				
Wages and salaries	21,198	1,335	22,533	22,539
Social security costs	2,150	157	2,307	2,307
Other pension costs	4,952	261	5,213	7,820
Total	<u>28,300</u>	<u>1,753</u>	<u>30,053</u>	<u>32,666</u>
Average number of FTE	490	42	532	556

In the year ended 31 July 2023 staff turnover was 12%.

During the year 27 employees left under voluntary exit terms and one via a compensation arrangement. The table below summarises the exit packages by cost band, and this information has been subject to audit:

	Year Ended 31 July 2023	Year Ended 31 July 2023	Year Ended 31 July 2023	Period Ended 31 July 2022
	voluntary	departures	Total	Total
Compensation for loss of office				
< £10,000	4	1	5	5
£10,000 - £25,000	21	0	21	13
£25,000 - £50,000	2	0	2	10
Total number of exit packages	<u>27</u>	<u>1</u>	<u>28</u>	<u>28</u>
Total cost			<u>£442,735</u>	<u>£545,467</u>

Included above are 2 employees who left under voluntary redundancy terms and elected to take early retirement. The cost to the institution of buying out the actuarial reduction on their pensions was £9,351. Both employees received compensation which is included in the total cost above.

Attendance Management

The College recognises that employees need to be properly supported during absences, matched with our priority, 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
- improve mental health support with the introduction of Mental Health Ambassadors and bespoke training.

In 2022-23, an average of 8.14 days (including leavers) was lost per staff member compared to 9.33 days from 2021-22. The 2022-23 average equates to 3.13% overall absence rate for the year (2021-22: 3.59%). The trend over recent years has been consistent taking in to account variations due to Covid lockdowns. The College does not have a specific target however our rates of absence are comparable to the sector.

Trade Union Facility Time – 1st April 2022 to 31st March 2023

The College recognises 2 trade unions for the purpose of collective bargaining, Educational Institute of Scotland 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 2022-23. The full time equivalent employee number was 8.8.

Percentage of time spent on facility time

Percentage of time	Number of representatives
1%-50%	10

The total cost of facility time amounted £63,694, 0.23% of the total pay bill of £27,781,998, including the gross amount spent on wages, pension contributions, and national insurance contributions. 3.6% of the total paid facility time hours was spent on trade union activities. This table has not been subject to audit.

Equality, Diversity and Inclusion

The College continues its commitment to ensuring that all staff and students can work and study in an environment that is inclusive and that everyone can develop the skills and have the opportunities to progress with equity.

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

These responsibilities apply to both staff and students who share protected characteristics. The College also applies these principles to those who fall under the Scottish Funding Council’s Priority Access Groups which includes those who have care experienced and those from areas of multiple deprivation.

The College published its interim progress report on the Equality Outcomes for 2021 to 2025 in April 2023. This report detailed the progress that had been made on the College's five Equality Outcomes as agreed by the Leadership Management Team and Board of Management in April 2021. The Equality Outcomes for 2021 to 2023 are:

- We will improve our use of data and analytics to enhance our understanding of the student and staff experience at Forth Valley College with a view to improving that experience and enhancing our engagement with those who share protected characteristics.
- We will work towards building and fostering an antiracist culture by addressing: curriculum and pedagogy, policy and processes, recruitment, and reporting structures.
- We will make progress on improving outcomes and the student experience by addressing gender based violence and gender balance in specific subject areas.
- We will take significant steps to improve well-being and mental health support to those groups who experience consistently poorer outcomes.
- We will take significant steps to systemise continuous professional development for staff specifically targeting understanding around anti-racism, gender based violence, disability and well-being.

As well as identifying key organisational priorities through our Equality Outcomes, the College offers a wide range of support to ensure equality of access to employment and learning and teaching for those who share protected characteristics and those who face societal barriers. For those looking to work at the College or those currently working with us, this includes being a Disability Confident Employer, offering a wide range of flexible working approaches, offering a suite of health and wellbeing support tailored at the demographic of our staff and having a supportive and inclusive approach to policy design. For our students, this means offering transitional support into College, support throughout a student's academic journey and supporting students on to the next phase, whether that be further or higher education or into volunteering or work.

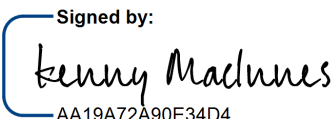
In session 2022-23, the College undertook two cultural surveys to better understand where we are as an organisation and what work is required to ensure that our culture and values are aligned with how our colleagues feel. This work has started us on a journey of cultural development and the ripple effects of this will be felt by both staff and students. In addition to this, significant work has been undertaken to develop understanding and skill around Equality Impact Assessment this year. This work includes training for Leadership Management Team, Trade Unions and managers across the organisation to ensure we are meeting our duties as set out in the Public Sector Equality Duty.

Forth Valley College is a Disability Confident employer offering a guaranteed interview to any disabled person who meets the minimum criteria. We support adjustments to interview and assessment where required. Our current staff population has over 19% of employees declaring a disability, many of whom have disclosed this following employment and are supported with a range of services within our comprehensive Health and Wellbeing offerings. Training is impact assessed to be inclusive and a range of training and delivery is supported to meet multiple and diverse needs.

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, publication of our Equality Impact Assessments and Gender Pay Gap and Equal Pay Reporting. We are committed to achieving our Equality Outcomes and embed actions for equality mainstreaming in our strategic and operational planning processes.

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

Signed by:



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Kenny MacInnes

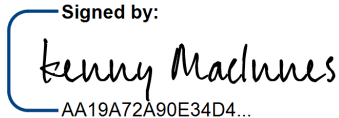
Principal and Chief Executive

13 August 2024

PARLIAMENTARY ACCOUNTABILITY REPORT

The Financial Reporting Manual 2022-23 (FReM) requires the inclusion of a Parliamentary Accountability report and the Scottish Public Finance Manual sets out the specific disclosures required.

The College has no items to disclose for either the current year to 31 July 2023 or the prior financial year to 31 July 2022.

Signed by:

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Kenny MacInnes
Principal and Chief Executive
13 August 2024

AUDIT REPORT**Independent auditor's report to the Board of Management of Forth Valley College, the Auditor General for Scotland and the Scottish Parliament****Report on the audit of the financial statements****Opinion on financial statements**

We have audited the financial statements in the annual report and accounts of Forth Valley College (the College) for the year ended 31 July 2023 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 Flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2023 and for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, the Charities and Trustee Investment (Scotland) Act 2005, and regulation 14 of The Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis of opinion

We conducted our audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the [Code of Audit Practice](#) approved by the Auditor General for Scotland. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We were appointed by the Auditor General on 18th May 2022. The period of total uninterrupted appointment is one year. We are independent of the college in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the college. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern basis of accounting

We have concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the college's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue. These conclusions are not intended to, nor do they, provide assurance on the college's current or future financial sustainability. However, we report on the college's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

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

Responsibilities of the Board of Management for the financial statements

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

In preparing the financial statements, the Board of Management is responsible for assessing the 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 there is an intention to discontinue the college's operations.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

Report on regularity of expenditure and income

Opinion on regularity

In our opinion, except for the effects of the matter set out in the 'basis for qualified opinion on regularity' paragraph, 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.

Basis for qualified opinion on regularity

In considering the regularity of expenditure, we have identified the following transactions:

- for expenditure totalling £485,343 during the year, the college had not drawn up and agreed contracts; and
- for the same items during the year, the college had not obtained single source supplier approvals.

The above represents a breach of The Public Contracts (Scotland) Regulations 2015: Regulation 6; and Regulation 72, and as such represents irregular expenditure of £485,343. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities for regularity

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

Reporting on other requirements

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

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

Other information

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

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

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.


Conclusions on wider scope responsibilities

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

Use of our report

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

Signed by:


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Michael Speight,
For and on behalf of Forvis Mazars LLP
Chartered Accountants and Statutory Auditor

Capital Square
58 Morrison Street
Edinburgh
EH3 8BP
United Kingdom

15/8/2024

FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 July 2023¹

INCOME	Note	Year Ended 31 July 2023	Year Ended 31 July 2022
		£000	£000
Scottish Funding Council grants	2	30,999	31,485
Tuition fees and education contracts	3	8,197	9,144
Other grant income	4	468	389
Other operating income	5	1,288	781
Grant from FVC Foundation	4	905	208
Total Income		41,857	42,007
EXPENDITURE			
Staff costs	6	29,860	32,493
Pension provision charge	8	(352)	(1,588)
Other operating expenses	9	8,959	8,617
Depreciation	13	7,026	5,401
Impairment of fixed assets	13	144	0
Interest and other finance costs	10	(182)	246
Donation to FVC Foundation	11	0	1,500
Total Expenditure		45,455	46,669
(Deficit) before other comprehensive income		(3,598)	(4,662)
Other comprehensive income			
Actuarial gain in respect of pension scheme		1,010	30,879
Unrealised surplus on revaluation of land and buildings		10,452	39,426
Total comprehensive (expenditure)/income for the year		7,864	65,643
Represented by:			
Restricted comprehensive income for the year		0	0
Unrestricted comprehensive income/expenditure for the year		96	27,268
Revaluation reserve comprehensive expenditure for the year		7,768	38,375
		7,864	65,643

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

¹ 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 30 provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves for the year ended 31 July 2023

	Year Ended 31 July 2023 £'000	Restated Year Ended 31 July 2022 £'000
Income and expenditure account		
Opening balance	1,150	(26,118)
Deficit from the income and expenditure statement	(3,598)	(4,662)
Actuarial gain in respect of pension scheme	1,010	30,879
Transfers between revaluation and income and expenditure reserve	2,684	1,051
	<u>96</u>	<u>27,268</u>
Closing balance	<u>1,246</u>	<u>1,150</u>
Revaluation reserve		
Opening balance	67,193	28,818
Transfers between revaluation and income and expenditure reserve	(2,684)	(1,051)
Revaluation adjustment	10,452	39,426
	<u>7,768</u>	<u>38,375</u>
Closing balance	<u>74,961</u>	<u>67,193</u>
Total reserves at 31 July 2023	<u>76,207</u>	<u>68,343</u>

Balance Sheet as at 31 July 2023

		As at 31 July 2023	Restated As at 31 July 2022
	Note	£000	£000
Non Current Assets			
Tangible fixed assets	13	162,961	159,048
Current assets			
Stocks		29	28
Trade debtors and other receivables	14	4,854	4,920
Cash at bank and in hand	19	5,300	5,500
Total current assets		10,183	10,448
Less: Creditors - amounts falling due within one year	15	13,149	13,176
Net current liabilities		(2,966)	(2,728)
Total assets less current liabilities		159,995	156,320
Creditors - amounts falling due after more than one year	16	79,327	82,461
Provisions			
Early retirement provision	17	4,461	5,181
LGPS pension provision	17, 21	0	335
		4,461	5,516
Total Net Assets		76,207	68,343
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		1,246	1,150
Revaluation reserve		74,961	67,193
Total Reserves		76,207	68,343

The financial statements on pages 41 to 63 were approved by the Board of Management on 13 August 2024 and were signed on its behalf on that date by:

Signed by:

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Dr Abhishek Agarwal
 Chair

Signed by:

 AA19A72A90E34D4...
Kenny MacInnes
 Principal and Chief Executive

Cash Flow Statement for the year ended 31 July 2023

	Note	Year Ended 31 July 2023 £000	Year Ended 31 July 2022 £000
Cash flow from operating activities			
Deficit for the year		(3,598)	(4,662)
Adjustment for non-cash items			
Depreciation	13	7,026	5,401
Impairment of fixed assets	13	144	0
(Increase) in stock		(1)	(6)
Decrease/(Increase) in debtors	14	292	(412)
(Decrease)/Increase in creditors	15, 16	(144)	2,771
(Decrease) in pension provision	17	(720)	(1,977)
Pension Costs	21	652	3,440
Adjustment for investing or financing activities			
Investment income	6	0	0
Interest and other finance costs	10	(182)	246
Capital grant income	2	(3,399)	(3,326)
Net cash inflow from operating activities		<u>70</u>	<u>1,475</u>
Cash flows from investing activities			
Proceeds from sale of fixed assets		54	0
Capital grant receipts		696	481
Capital grant repaid		0	0
Payments made to acquire fixed assets	13	(685)	(541)
		<u>65</u>	<u>(60)</u>
Cash flows from financing activities			
Interest paid	10	(134)	(142)
Repayments of amounts borrowed		(201)	(193)
		<u>(335)</u>	<u>(335)</u>
(Decrease)/Increase in cash and cash equivalents in the year		<u>(200)</u>	<u>1,080</u>
Cash and cash equivalents at beginning of the year		5,500	4,420
Cash and cash equivalents at end of the year		5,300	5,500

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) 2019: 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2022-23 Government Financial Reporting Manual (FReM) 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. Forth Valley College is a public benefit entity as defined by FRS102.

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 either the Forth Valley Students' Association or the Forth Valley College Foundation, as the College does not exert control or dominant influence over policy decisions within these organisations.

Going Concern

The College's financial statements for 2022-23 have been prepared on a going concern basis. The going concern assessment period considered by the College covers the period from the approval of these financial statements through to 31 December 2024. As a public body, the College is presumed to be a going concern unless there is a stated intention to withdraw the statutory services it provides under legislation. We have not been informed by the Scottish Government of any such intention.

The College recorded a deficit of £3.6 million before other gains and losses during the financial year and total comprehensive deficit of £2.59 million. The College reported an adjusted operating deficit of £44k after accounting for technical pension adjustments of £323k, net depreciation adjustments of £3.6 million and cash budget for priorities of £613k. Cash decreased by £200k during the year and at 31 July 2023 the College held cash balance of £5.3 million.

At 31 July 2023, the College held borrowings of £2.984 million in unsecured loans which have no financial covenants. The College is reporting a net current liabilities position in these financial statements of £3.0 million and net total assets of £76.2 million.

The net current 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 £4.5m for the College's share of the Falkirk Council Local Government Pension Scheme (LGPS). To the extent that any 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.

Cashflow projections have been prepared for 19 months from the date of approval of these financial statements, up to 31 July 2025, based on the financial forecasts prepared for the Scottish Funding Council. This position would result in cash at the end of the going concern period of £2.1m, and no lower than £1.8m through the lowest point of the going concern period.

Recognition of 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 SFC 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 are 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 College has a policy of ensuring a full revaluation takes place at least every 3 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 indexation exercise or an interim professional valuation in the intervening years. 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 annually, 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 unless they are considered to be wholly certain 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.

In line with FRS102 the College recognises a plan surplus as an asset only to the extent that it is able to recover the surplus either through reduced contributions in the future or through refunds from the plan. The actuarial FRS102 results schedule at 31 July 2023 shows a net asset position. It is management's view that a minimum funding requirement for future service exists within the LGPS, nor is there an unconditional right to a refund. Within these parameters, the actuary provided asset ceiling calculations for the College, and this ceiling was applied which adjusted the net pension position in the balance sheet to nil, as per note 21.

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, gender 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 income or expenditure. 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 2023 £000	Year Ended 31 July 2022 £000
2 Scottish Funding grants		
FE recurrent grant (including fee waiver)	24,614	24,507
Childcare funds	244	217
SFC release of deferred capital grant	3,399	3,326
Scottish Funding Council maintenance grant	227	232
Other Scottish Funding Council grants	2,515	3,203
Total	30,999	31,485
3 Tuition fees and education contracts		
Further education fees - UK & EU Students	109	138
Further education fees - non EU Students	6	5
Higher education fees	1,376	1,416
Skills Development Scotland income	2,051	2,124
Education contracts	1,474	1,534
Other contracts	3,181	3,927
	8,197	9,144
4 Other grant income		
Forth Valley College Foundation - Revenue	905	148
Forth Valley College Foundation - Capital	0	60
Job Retention Scheme	0	7
Other grants	468	382
Total	1,373	597
Grant income received from the UK Government's Job Retention Scheme was to assist employers with the salary, NI and pension costs relating to staff who were placed on furlough as a result of the Covid pandemic.		
5 Other operating income		
Residences, catering and conferences	760	419
Other income	528	362
Total	1,288	781

Forth Valley College

Financial Statements for the Year Ended 31 July 2023

	Year Ended 31 July 2023	Year Ended 31 July 2022
	£000	£000
6 Staff costs		
Salaries	22,340	22,366
Social security costs	2,307	2,307
Other pension costs (including FRS 102 adjustment of £652k, 2021/22:£3,440k)	5,213	7,820
Total	29,860	32,493
Academic/ Teaching Departments	17,404	17,292
Academic/ Teaching Services	5,308	4,710
Administration and Central Services	4,077	4,498
Premises	1,241	1,121
Other expenditure	307	525
Catering and Residences	430	390
Sub-total	28,767	28,536
FRS102 adjustment	652	3,440
Restructuring costs	441	517
Total	29,860	32,493

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

No compensation payments were made in the year.

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

	No.	No.
Senior management	4	4
Academic/ Teaching Departments	225	254
Academic/ Teaching services	189	177
Admin and central services	83	89
Premises	13	15
Catering	14	14
Total	528	553
Analysed as:		
Staff on permanent contracts	490	485
Staff on temporary contracts	38	68
	528	553

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:

	2023 Senior post- holder No.	2023 Other members of staff No.	2022 Senior post- holder No.	2022 Other members of staff No.
£60,001 to £70,000 per annum	-	2	-	3
£70,001 to £80,000 per annum	1	6	-	4
£80,001 to £90,000 per annum	-	-	-	-
£90,001 to £100,000 per annum	1	-	2	-
£100,001 to £110,000 per annum	2	-	1	-
£110,001 to £120,000 per annum	-	-	-	-
£160,001 to £170,000 per annum	-	-	1	-
£170,001 to £180,000 per annum	1	-	-	-

The emoluments for the Senior Management team are set out in the Remuneration report.

Forth Valley College

Financial Statements for the Year Ended 31 July 2023

7 Senior post-holders' emoluments

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

Year Ended
31 July
2023

Year Ended
31 July
2022

No.

No.

4

4

Year Ended
31 July
2023

Year Ended
31 July
2022

£000

£000

Senior post-holders' emoluments are made up as follows:

Salaries and benefits

567

456

Employer's pension contributions

86

64

Benefits in kind

0

0

Total emoluments

653

520

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

Salary

180

168

Benefits in kind

0

0

180

168

Pension contributions

0

0

Total emoluments include amounts payable to Professor Ken Thomson who retired as the Principal of Forth Valley College on 30th April 2023 and amounts payable to Mr Kenny MacInnes (previously Vice Principal Learning and Student Experience) who was appointed as the new Principal & Chief Executive from 1st May 2023. Further details are provided in the Remuneration Report.

Three of the senior post-holders were members of the Scottish Teachers' Superannuation Scheme and the other two 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 retired Principal, Professor Ken Thomson, left the STSS pension scheme on 31 March 2018. From this date the pension payments that the College would have made to his pension scheme, were paid as salary. For the 2022-23 financial year this was £21k (2021-22: £28k).

The Chairs of the Board of Management claimed combined remuneration of £13,968 in the financial period (2021-22: £17,407). 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.

8 Pension Provision Charge

(Decrease) due to revaluation of pension liability
Interest

Year Ended
31 July
2023

Year Ended
31 July
2022

£000

£000

(527)

(1,699)

175

111

(352)

(1,588)

Forth Valley College

Financial Statements for the Year Ended 31 July 2023

	Year Ended 31 July 2023	Year Ended 31 July 2022
	£000	£000
9 Other operating expenses		
Teaching departments	3,306	3,352
Administration and central services	1,510	1,636
Premises costs	2,538	2,021
Planned maintenance	245	465
Other employee related costs	418	303
Agency staff costs	81	77
Other expenses	201	274
Residences, catering and conferences	416	272
Childcare	244	217
Total	8,959	8,617

Other operating costs include:

Auditors' remuneration

- external audit of the financial statements (Ernst & Young LLP)	2	27
- external audit of the financial statements (Forvis Mazars LLP)	40	0
- internal audit services	20	21
Hire machinery - operating leases	85	97
Hire of premises - operating leases	19	27

10 Interest and other finance costs

Loan interest	134	142
(Increase) in fair value of derivatives	(339)	(360)
Pension finance costs (note 21)	23	464
Total	(182)	246

11 Forth Valley College Foundation

Donation to Foundation	0	1,500
	0	1,500

Donations are made to the Foundation when there is surplus commercial income.

12 Taxation

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

13 Tangible fixed assets

Land and buildings were revalued at 31 July 2023 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. Land is not depreciated and buildings are depreciated over their estimated life as identified by the valuer.

At the previous year end a review for impairment of land and buildings was carried out, and no adjustments to carrying values were indicated. However given the substantial increase in the valuations at 31 July 2023, we revisited our valuations for the prior year end 31 July 2022, and restated our opening balances and revaluation reserves as a prior period adjustment. The impact of this adjustment was to increase opening land and buildings net book value and the revaluation reserves by £39.426 million.

	Land and Buildings	Plant and Equipment	Total
	£000	£000	£000
Cost or valuation			
At 1 August 2022 (restated)	156,868	10,926	167,794
Additions	34	651	685
Disposals	(54)	0	(54)
Revaluation	4,623	0	4,623
Impairment	(144)	0	(144)
At 31 July 2023	161,327	11,577	172,904
Depreciation			
At 1 August 2022 (restated)	0	8,746	8,746
Charge for the year	5,829	1,197	7,026
Impairment	0	0	0
Revaluation	(5,829)	0	(5,829)
At 31 July 2023	0	9,943	9,943
 Net Book Value at 31 July 2022	 156,868	 2,180	 159,048
 Net Book Value at 31 July 2023	 161,327	 1,634	 162,961

Land and buildings with a net book value of £161m have been funded 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.

	Year Ended 31 July 2023	Year Ended 31 July 2022
	£000	£000
14 Trade debtors and other receivables		
Amounts falling due within one year:		
Trade debtors - net of provision for doubtful debts	960	849
Prepayments and accrued income	3,668	3,975
Other debtors	226	96
	4,854	4,920

Other debtors include £226k debtor from an interest rate SWAP. In the prior year this was a credit balance and was included as part of note 16. This debtor is considered to fall due after one year.

	Year Ended 31 July 2023	Year Ended 31 July 2022
	£000	£000
15 Creditors: Amounts falling due within one year		
Trade creditors	744	949
Other taxation and social security	525	685
Accruals and deferred income	7,267	7,444
Loan repayment	212	201
Other creditors	984	586
Deferred capital grant	3,417	3,311
	<u>13,149</u>	<u>13,176</u>

Deferred income

Included within accruals and deferred income are the following items of income which have been deferred until specific performance related conditions have been met:

Grant income	479	879
Other income	500	451
Donation Income	333	477
	<u>1,312</u>	<u>1,807</u>

16 Creditors: Amounts falling due after one year

Unsecured loan	2,772	2,984
Deferred capital grant	76,555	79,364
Interest rate swap	0	113
	<u>79,327</u>	<u>82,461</u>

Analysis of unsecured loans

Repayable within one year	212	201
Repayable between one and two years	222	212
Repayable between two and five years	733	699
Repayable over five years	1,817	2,073
	<u>2,984</u>	<u>3,185</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 2023 of £3.0m (2022: £3.2m) at a fixed rate of 4.3% which terminates on 30 July 2029. In the 12 month period to 31 July 2023, the College repaid £201k (2022: £193k) of the loan principal. There are no covenants attached to the term loan.

	Early Retirement	LGPS Pension	Year Ended 31 July 2023	Year Ended 31 July 2022
	£000	£000	£000	£000
17 Provisions for liabilities and charges				
At 1 August 2022	5,181	335	5,516	34,468
Utilised in year	(368)	(2,163)	(2,531)	(2,464)
Additions in year	0	2,815	2,815	5,515
Revaluation adjustment	(527)	(1,010)	(1,537)	(32,578)
Interest charged	175	23	198	575
At 31 July 2023	<u>4,461</u>	<u>0</u>	<u>4,461</u>	<u>5,516</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 2023 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 21.

18 Restricted Reserves

The college has no restricted reserves as at 31 July 2023 (2022: nil)

19 Analysis of changes in net debt

	At start of year £000	Cashflows £000	Other non-cash changes £000	Fair value movements £000	At end of year £000
Cash	5,500	(200)	0	0	5,300
Loans falling due within one year	(201)	201	(212)	0	(212)
Loans falling due after one year	(2,984)	0	212	0	(2,772)
Loan interest rate swap	(113)	0	0	339	226
Total	2,202	1	0	339	2,542

	Equipment £000	Property £000	Year Ended 31 July 2023 Total £000	Year Ended 31 July 2022 Total £000
20 Lease commitments				
Payable during the year	85	19	104	124
Future minimum lease payments due:				
Not later than 1 year	79	0	79	115
Later than 1 year and not later than 5 years	139	0	139	14
Later than 5 years	0	0	0	0
Total lease payments due	218	0	218	129

21 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 2023 Total £000	Year Ended 31 July 2022 Total £000
The total pension costs for the institution were :		
Contribution to STSS	2,423	2,334
Contribution to LGPS	2,138	2,046
Pension costs (as a result of FRS 102)	652	3,440
Total pension cost (Note 6)	5,213	7,820
Employer contribution rates		
STSS	23.0%	23.0%
LGPS	22.9%	22.4%

The STSS contribution rate remained the same as 2021-22, and the LGPS rate increased by 0.5% to 22.9% on 1st April 2023.

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 2016 and this set contribution rates from 1 September 2019 to 31 March 2023 at 23%, and this rate continues until the results of the next valuation. Under current legislation the results from the valuation undertaken at 31 March 2020 are expected by March 2024, and will set the rates to 31 March 2027.

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 September 2019 was 23% of pensionable pay. Employees paid variable rates ranging from 7.2% to 11.9%.

The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2022 were £667.7m as per the Scottish Public Pensions Agency website. At the time of signing the contributions for the year to 31 March 2023 were not available. Forth Valley College's level of participation in the scheme is 0.3% based on the proportion of the employer contributions paid in 2021-22.

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 2023 was £2,610k of which employer's contributions totalled £2,138k and employee's contributions totalled £556k. The agreed contribution rates are 22.4% from 1 April 2020, increasing to 22.9% from 1 April 2023. Employees pay between 5.5% and 12%.

The following information is based upon a full actuarial valuation of the fund at 31 March 2020 by a qualified independent actuary, rolled forward to 31 July 2023 using approximation methods which allow for changes in financial assumptions, additional benefits, cash flows and actual pension increase orders. This valuation at 31 July 2023 includes the impact of the High Court decision on 26 October 2018, whereby 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.

McCloud and Sargeant Cases

When the LGPS benefit structure was reformed in 2015, transitional protections were applied to certain older members close to normal retirement age. Following legal proceedings argued in the McCloud and Sargeant cases, the Court of Appeal found that the transitional provisions introduced in the judges and firefighters' pension schemes in 2015 gave rise to unlawful age discrimination. The UK Government requested leave to appeal this finding but this was refused by the Supreme Court on 27 June 2019. The UK Government has formally accepted the Court's decision and, recognising the implications for all public sector pension schemes, is engaging with relevant representatives to agree how the discrimination will be remedied. An allowance for the estimated impact of the McCloud judgement was included within the formal 31 March 2020 triennial funding valuation position, and is therefore automatically included within the Balance Sheet at 31 July 2023, and is through the SOCI as one part of the remeasurement item.

Goodwin Case

In 2017, the Supreme Court ruled in Walker that the surviving spouse of a same sex marriage was entitled to a survivor's pension based on all of a deceased's members service. As confirmed by the employment tribunal ruling in Goodwin, this placed a same sex survivor in a more favourable position than an opposite sex survivor and was therefore direct discrimination on grounds of sexual orientation. The rulings relate to members whose entitlement arose with effect from 5 December 2005 and therefore retrospective calculations will be required to eliminate past discrimination. Whilst there is still uncertainty surrounding the potential remedy to the Goodwin judgement, Hyman Robertson has carried out some approximate analysis to understand the potential impact of implementing a solution to correct the past underpayment of spouses' benefits on Local Government schemes. The approximate impact of this is very small for a typical Fund (c0.1-0.2% of obligations), and therefore is not considered to be material for the financial statements.

Walker and O'Brien Cases

There are 2 further court cases, Walker and O'Brien, which could impact LGPS benefits in the future, however Hyman Robertson understand these are unlikely to be significant judgements in terms of impact on the pension obligations of a typical employer, and as such no allowance is made for these potential remedies.

Principal Actuarial assumptions

The yearend liability is calculated to include an estimated uprating of current and deferred pension benefits in relation to the 2023 pension increase order for the scheme. This is based on RPI and CPI rates at 30 June 2023, equating to 6.2%. The actual increase will be agreed in March 2024 and may be subject to change on finalisation. Any changes from the assumed rate will be accounted for as actuarial adjustments in future years.

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescales covered, may not necessarily be borne out in practice. The assumptions noted relate to expectations across the duration of the scheme and therefore are based on longer-term estimations.

As indicated in the accounting policy in note 1, the actuarial FRS102 results schedule at 31 July 2023 shows a net asset position. It is management's view that a minimum funding requirement for future service exists, nor that there is an unconditional right to any refund from the scheme. As such, an asset ceiling adjustment of £10.0m was applied to the balance sheet position.

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	Female
Current pensioners	20.0 years	23.2 years
Future pensioners	21.1 years	25.0 years
	As at 31 July 2023	As at 31 July 2022
Pension increase rate	3.00%	2.75%
Salary increase rate	3.60%	3.35%
Discount rate	5.05%	3.50%
	Split of investments 31 July 2023	Split of investments 31 July 2022
The assets of the scheme were:		
Equities	58%	61%
Bonds	35%	28%
Property	5%	6%
Cash	3%	5%

The return on the investments in market value terms for the year to 31 July 2023 was 5.4%

The following is an analysis of the amounts charged to the Statement of Comprehensive Income:

	Year Ended 31 July 2023 £000	Year Ended 31 July 2022 £000
Current service cost	(2,815)	(5,435)
Past service (gain)/cost	0	(80)
Total charged to staff costs	(2,815)	(5,515)
Interest income on plan assets	2,117	896
Interest cost	(2,140)	(1,360)
Net interest charged for net return on pension scheme	(23)	(464)
Return on assets	(1,481)	2,253
Other experience	(1,804)	(103)
Gains and losses arising on changes in financial assumptions	14,292	28,729
Asset ceiling adjustment	(9,997)	0
Actuarial gain/(loss) charged to other comprehensive income	1,010	30,879
Total charge to the SOCI	(1,828)	24,900

As explained above, and in note 1, an actuarial asset ceiling of £9,997k was applied to the balance sheet values, and hence the charge to the SOCI is correspondingly reduced.

Forth Valley College

Financial Statements for the Year Ended 31 July 2023

	Year Ended 31 July 2023 £000	Year Ended 31 July 2022 £000
Reconciliation of present value of defined benefit obligations		
Opening defined benefit obligations	60,201	82,618
Current and past service cost	2,815	5,515
Interest cost	2,140	1,360
Contributions by members	556	564
Remeasurements		
- change in demographic assumptions	(1,085)	(302)
- change in financial assumptions	(13,207)	(31,402)
- other experience	(489)	3,078
Benefits paid	(1,348)	(1,201)
Unfunded benefits paid	(25)	(29)
Closing defined benefits obligation	49,558	60,201
Reconciliation of the movements in the fair value of the plan assets		
Opening fair value of the plan assets	59,866	55,308
Interest income on plan assets	2,117	896
Remeasurements		
- return on plan assets excluding the amount included in the net interest	(1,481)	2,253
- other experience	(2,293)	0
Contributions by members	556	564
Contributions by employer	2,138	2,046
Contributions in respect of unfunded benefits	25	29
Benefits paid	(1,348)	(1,201)
Unfunded benefits paid	(25)	(29)
Closing fair value of the plan assets	59,555	59,866
Notional Surplus	9,997	(335)
Asset ceiling adjustment	(9,997)	0
The underlying net surplus / (liability) for retirement benefits attributable to the College at 31 July	0	(335)
Analysis of projected amount to be charged to operating result for the year to 31 July 2024		Year Ended 31 July £000
Projected current service cost		1,915
Interest on obligation		2,769
Interest income on plan assets		(3,038)
Total		1,646

22 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, are considered to be material with respect to both parties, are noted below:

Member	Organisation	Nature of Transaction	College Income £000	College Purchases £000
K Thomson	SQA	Secondment Income/Certification fees	44	294

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

Member	Organisation	Post
K Thomson	SQA	Board Member
Campbell Ure	The Alternative Board	Owner
Colin McMurray	Forth Valley Chamber of Commerce	Board Member

23 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 14) and trade creditors (note 15) 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 31 July 2023 was an asset of £226k (2022: liability of £113k). 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 2023 the college repaid £201k of the loan principal.

	FE Bursary £000	EMA's £000	Other £000	Year Ended 31 July 2023 £000	Year Ended 31 July 2022 £000
24 FE Bursary and other Student Support Funds	£000	£000	£000	£000	£000
Balance brought forward	104	0	191	295	492
Allocation received in year	2,781	171	813	3,765	3,637
	<u>2,885</u>	<u>171</u>	<u>1,004</u>	<u>4,060</u>	<u>4,129</u>
Expenditure	(2,321)	(171)	(612)	(3,104)	(3,396)
Repaid to Funding Council as Clawback	(51)	0	(191)	(242)	(440)
Virements	0	0	0	0	2
	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2</u>
Balance carried forward	<u>513</u>	<u>0</u>	<u>201</u>	<u>714</u>	<u>295</u>
Represented by:					
Repayable to Funding Council as Clawback	513	0	201	714	295
	<u>513</u>	<u>0</u>	<u>201</u>	<u>714</u>	<u>295</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.

Forth Valley College

Financial Statements for the Year Ended 31 July 2023

	Year Ended 31 July 2023	Year Ended 31 July 2022
25 Childcare Funds	£000	£000
Balance brought forward	0	0
Allocation received in year	<u>244</u>	<u>220</u>
	244	220
Expenditure	(244)	(218)
Virements	<u>0</u>	<u>(2)</u>
Balance carried forward	<u>0</u>	<u>0</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 2023	Year Ended 31 July 2022
26 HE Discretionary	£000	£000
Balance brought forward	200	227
Allocation received in year	<u>143</u>	<u>165</u>
	343	392
Expenditure	(151)	(114)
Repaid to SAAS as Clawback	<u>(192)</u>	<u>(78)</u>
Balance carried forward	<u>0</u>	<u>200</u>
Represented by:		
Repayable to SAAS as Clawback	0	192
Retained by College for Students	<u>0</u>	<u>8</u>
	<u>0</u>	<u>200</u>

27 Capital Commitments

The College has no capital commitments at 31 July 2023.

28 Contingent Liabilities

The College has no contingent liabilities at 31 July 2023.

29 Post Balance Sheet Events

There are no post balance sheet events to note.

30 Table of Non-cash allocation

	31 July 2023	31 July 2022
	£000	£000
Deficit before other gains and losses	(3,598)	(4,662)
Depreciation budget for government funded assets (net of deferred capital grant) for academic year	613	613
Operating deficit on Central Government accounting basis	(2,985)	(4,049)

Following reclassification, incorporated Colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the college recorded an operating deficit of £3,598k for the year ended 31 July 2023. After adjusting for the non-cash allocation provided under Government rules, the College shows an “adjusted” deficit of £2,985k on a Central Government accounting basis. The deficit is attributable to other factors reflected in the adjusted operating table and also the impact of factors such as inflationary pressures and geopolitical issues as explained in the Performance Report on pages 3 to 36.

31 Accounting estimates and judgements

The financial statements contain estimated figures that are based on assumptions by management about the future, or that are otherwise uncertain. Estimates are made taking into consideration historical experience, current trends and other relevant factors based on the information available to management at the time of preparing the financial statements. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the College’s Balance Sheet at 31 July 2023 for which there is a risk of material adjustment in the forthcoming financial year are as follows:

- Valuation of property - the valuation of the College’s estate which is periodically revalued are subject to significant estimation due to a number of factors, including ongoing changes to estimates around the costs of replacing existing assets, the market value fluctuation of comparable assets used for valuation, the current condition and future maintenance costs of assets, changes to regulatory standards and the remaining useful economic lives of the assets. Given the material nature of the College’s estate, there is a high likelihood that changes in these estimates will result in material changes in the valuation of assets on the balance sheet. The total value of the College’s assets at 31 July 2023 is outlined and broken down by asset category at note 13.
Land and Buildings were independently valued for the purposes of the financial statements by D M Hall. The basis of valuation was depreciated replacement cost. The latest full valuation for all 3 campuses at Alloa, Falkirk and Stirling was undertaken as at 31 July 2023. This resulted in all the buildings being revalued upwards, totalling an increase in revaluation reserve of £10.5m.
- 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 an asset to the College, as assessed by the bank and confirmed as reasonable through an independent assessment. The interest rate swap fair value was an asset at 31 July 2023 but if the SONIA interest rates and other market factors change going forward there is the potential for the fair value of the swap to be assessed as a liability for the College rather than an asset, or for the asset 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 21. The actuarial FRS102 results schedule at 31 July 2023 shows a net asset position in the fund. It is management’s view that a minimum funding requirement for future service exists, nor that is there an unconditional right to any refund from the scheme. As such, an asset ceiling adjustment for the full net asset amount of £10.0m was applied to the balance sheet position, bringing the net balance to zero.

- 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 21).
- Staff pay awards - the agreement for staff pay awards remains unresolved for 2022-23. The College has accrued backpay for all staff employed during the year based on the current pay offer made to Unions of £2,000 per FTE. The total accrued expense including associated pension and national insurance costs is £1.3m as at 31 July 2023.
- Job Evaluation - the national Job Evaluation scheme is an ongoing exercise whereby both roles and salary costs are being reviewed for corporate support staff across the College sector. Changes to salary costs would be effective from 1 September 2018 (with 4 year conservation of salaries), and therefore any resulting increases in pay will be backdated. Colleges Scotland prepared estimated costings for the sector which Scottish Funding Council has used to inform Colleges of the expected costs to be accounted for, with the corresponding grant income to fund these costs of implementation. In line with SFC guidance, the College has accrued the estimated backdated pay costs and the estimated grant income in the last five financial years. At 31 July 2023, the College had accrued for income and expenditure of £3.0 million. Payment of both the grant income and costs will not be made until the exercise has fully concluded, and until then the estimated income and costs are subject to change.

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.
- Prior Period adjustment – Following the substantial increase in land and building valuations at 31 July 2023, we requested a review of the property values from our surveyor, DM Hall for the prior year end 31 July 2022. As a consequence of the material change from the carrying value in the prior year financial statements, we restated our opening balances and revaluation reserves as a prior period adjustment. The impact of this adjustment was to increase opening land and buildings net book value and the revaluation reserves by £39.426 million.

Appendix 1 Accounts Direction from Scottish Funding Council

1. It is the Scottish Funding Council's direction that institutions comply with the 2019 Statement of Recommended Practice: Accounting for Further and Higher Education (SORP) in preparing their annual report and accounts.
2. Institutions must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC).
3. Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2022-23 (FReM) where applicable. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.
4. Incorporated colleges must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2023.
5. The annual report and accounts should be signed by the Chief Executive Officer / Executive Director and by the Chair, or one other member of the governing body.
6. Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
20 July 2023