

# **Colleges Scotland Financial Statements for the Year Ended 31<sup>st</sup> July 2021**

**Scottish Charity Number: SC023848**  
**Registered in Scotland Number: SC143210**

## Contents

<u>Report of the Directors for the Year Ended 31<sup>st</sup> July 2021</u>	1
<u>Statement of Directors' Responsibilities for the Year Ended 31<sup>st</sup> July 2021</u>	18
<u>Independent Auditor's Report to the Trustees of Colleges Scotland</u>	19
<u>Statement of Financial Activities (SOFA)</u>	23
<u>Balance Sheet as at 31<sup>st</sup> July 2021</u>	24
<u>Statement of Cash Flows for the year ended 31<sup>st</sup> July 2021</u>	25
<u>Notes to the Financial Statements for the Year Ended 31<sup>st</sup> July 2021</u>	26

## Report of the Directors for the Year Ended 31<sup>st</sup> July 2021

The Directors (who are the Trustees for the purposes of charity law) present their report and audited financial statements for the year ended 31<sup>st</sup> July 2021.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's Memorandum and Articles of Association, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)".

### Objectives and Activities

Colleges Scotland's objectives and principal activities remained throughout 2020/21 to promote the advancement of college education for the public benefit.

The board of Colleges Scotland comprises of all 13 regional chairs, the Chief Executive of the charity, the Chair of the College Principals' Group and three college principals, who were elected by their peers. The board is supported by a committee structure in place.

The vision, mission, and values statements for the organisation throughout 2020/21 were as follows:

#### Our Vision

Colleges Scotland aims to be at the heart of a world class college sector that is recognised, valued, and available to all.

#### Our Mission

Colleges Scotland is the collective voice of the college sector. We will support and champion the sector by leading and influencing policy, enhancing and maintaining strong partnerships, and demonstrating the positive impacts of the sector.

#### Our Values

- **Respect** – we will act with respect, integrity, openness, and honesty.
- **Support** – we will strive for excellence, provide effective leadership, understand and respond to the needs of colleges and regional strategic bodies.
- **Trust** – we will use truthfulness as the guiding principle for everything we do and it is essential to our success.
- **Inclusivity** – we will advocate diversity and equality.

Colleges Scotland Strategic Plan 2019-2023 sets out the strategic aims for Colleges Scotland over five years, these are:

**Aim 1:** Strengthen the college sector's position as a key deliverer of professional, technical, and skills education as well as training opportunities for both learners and businesses

**Aim 2:** Enhance sustainable partnerships and communicate with a single sector voice

**Aim 3:** Implement National Bargaining objectives

**Aim 4:** Demonstrate Colleges Scotland is effective, efficient, and sustainable

Specific activities performed by the management and staff of Colleges Scotland includes:

- Supporting the Colleges Scotland Board.
- Supporting the committees of the Colleges Scotland Board. These arrangements ensure collective consideration of substantive policy issues.
- Developing a range of briefing papers on various issues impacting upon the sector and formal responses to consultations on behalf of the sector.
- Active participation with key stakeholders to influence strategic dialogue.

## Achievements and Performance

2020/21 has been another extraordinary year in which Colleges Scotland continued to deliver throughout the Covid-19 pandemic. The small team of dedicated staff at Colleges Scotland have worked incredibly hard and shown resilience to support the college sector from our homes. Despite pandemic challenges, the organisation has achieved success in many areas, and some of these are highlighted in the table below:

Colleges Scotland, worked hard with Scottish Government and Scottish Funding Council to ensure colleges had the necessary guidance, resources, and support to continue to deliver education and training in these unprecedented times. The staff at Colleges Scotland helped our colleagues in colleges to navigate the ever-changing circumstances and encouraged and facilitated cohesive and collaborative working to assist the sector and ensure the safety and welfare of students and staff. Helping colleges to achieve the best possible outcomes for students has been front and centre of our work throughout this pandemic.

Sector leaders and all staff in colleges have gone the extra mile to deliver outcomes for students. All of us at Colleges Scotland are proud to be part of the college sector – a sector which transforms lives for so many people, and has continued to do so despite several lockdowns, social distancing rules and public health guidelines in place.

As we move into 2021/22, Colleges Scotland looks forward to taking on board the recommendations of an organisational review to ensure that we are stronger and can continue to meet the needs of the sector in the most effective way. Key priorities for the sector will be sustainable funding and economic recovery, and Colleges Scotland will continue to support and promote the critical role that colleges will play as we emerge from the pandemic.

Colleges Scotland has continued to maintain a focus on building and enhancing relationships with stakeholders and influencing the policy agenda on behalf of the college sector. Key achievements including the response to Covid-19 are below:

Activity	Strategic Aims			
	1	2	3	4
<b>Corporate</b>				
Colleges Scotland achieved a successful audit for Year End 31 July 2020.				√

Activity	Strategic Aims			
	1	2	3	4
The organisation became an accredited Living Wage Employer in November 2020.				√
The Colleges Scotland board met 6 times during 2020/21 due to increased activity because of the ongoing global pandemic. The board began a review of the governance of Colleges Scotland which is due to conclude in early 2022, including a refreshed College Sector Statement of Ambition which was published in December 2021.				√
<b>Response to Covid-19</b>				
Our chair, chief executive, and sector leaders regularly participated in the Further and Higher Education Covid-19 Ministerial Leadership Group as part of the Covid-19 response, which met from summer 2020 until March 2021. From January to June 2021, two additional Taskforces were also established with considerable Colleges Scotland engagement – the Learner Journey Taskforce and the Student Hardship Taskforce. Since June 2021, the Advanced Learning Covid Recovery Group has absorbed the work of the two aforementioned taskforces, again with high engagement from Colleges Scotland and the sector. These meetings allowed for high level strategic advocacy and engagement for the college sector with Ministers and senior civil servants.	√	√		√
Colleges Scotland and sector representatives worked extensively with SQA around arrangements for the alternative assessment model for qualifications for 2020/21.	√	√		√
Our policy experts worked with the Scottish Government and sector representatives to draft and review sector guidance for college operations during the pandemic, for the Route Map, Strategic Framework and the level system, as well as consulting on all subsequent updates to the guidance.	√	√		√
Worked with representatives from across the sector to ensure the safe reopening of campuses in line with public health guidance and mitigate impacts of further lockdown restrictions for students and staff.	√	√		√
Successfully campaigned for an additional £4.4m funding to colleges to develop mental health and resilience packages and support students and staff struggling to cope with the mental health impacts of Covid-19.	√	√		√
As part of Covid-19 consequential funding, College Scotland successfully engaged with the SFC to ensure that an additional £5m of funding was secured for the sector to support digital learning in colleges.	√	√		√

Activity	Strategic Aims			
	1	2	3	4
Advocated to ensure asymptomatic testing was made available for students in term time accommodation and, from Easter 2021 onwards, self-testing for all staff and students attending campuses in person. Over 100,000 rapid flow test kits were distributed to colleges.	√	√		√
College Principals' Group meetings were held fortnightly throughout 2020/21. These meetings were critical forums for working together across the sector to keep students and staff safe, ensure learning was delivered, and courses could be completed. The role of Colleges Scotland, as the facilitator of the College Principals' Group, was appreciated by members during an exceptionally difficult time and with challenging circumstances.	√	√		√
<b>Policy Activity</b>				
Actively engaged with the Scottish Government and SFC, including meetings with the Cabinet Secretaries and Ministers, to maximise the benefit to the college sector of the Budget for 2021/22. This resulted in the SFC setting a college revenue budget for academic year 2021/22 of £711.8 million, which represents an increase of £60.1 million (9.2%) compared with academic year 2020/21. A further £10 million has been set aside for short skills-based courses under the Young Person's Guarantee.	√	√		
Worked closely with colleges and the SFC to put forward the views of the sector at every step in the SFC Review of Coherent Provision and Sustainability. Many of the recommendations in the Review, if enacted, would support economic recovery and allow colleges to realise their potential to deliver world-class education, be anchor institutions in communities, and work more effectively with local, regional and national businesses.	√	√		
Worked closely with the Independent Commission on the College of the Future in developing and delivering both the College of the Future UK report in October 2020 and the Scottish College of the Future report in December 2020.	√	√		
Launched the Digital Ambition for Scotland's Colleges in October 2020, in partnership with College Development Network (CDN) and Jisc, following consultation with the sector and key partners in the digital industry.	√	√		

Activity	Strategic Aims			
	1	2	3	4
Convened a College Sector Infrastructure (ICT and Estates) workshop in June 2021 to analyse and identify the estate needs of the sector around core themes of “bricks and mortar”, digital and netzero commitment. In addition, a Digital Service Design session was held in June 2021 to explore how the college sector will work alongside key partners and stakeholders to deliver the relevant digital education, skills and training needed to support the ever-increasing demand in digital skills.	√	√		
Worked with CDN, ESP and other stakeholders to create a college sector Statement of Commitment on the Climate Emergency and secured commitment from all colleges to sign up to EAUC Race to Zero.	√	√		
Engaged with Scottish Council for Development and Industry (SCDI) in the development of the SCDI Blueprint ahead of publication in June 2021 to ensure the college sector features prominently in the 10-year vision for Scotland and associated recommendations for action.	√	√		
Established a Strategic Dialogue meeting between the Chairs and CEOs of Colleges Scotland and Skills Development Scotland, as well as setting up a regular Liaison Meeting, in order to facilitate regular discussions on key topics.	√	√		
Participated in an Advance HE Working Group for tackling the under representation of staff from minority ethnic groups in colleges. The focus of the group culminated in a comprehensive report and variety of resources for colleges to utilise to assist in tackling the issues.	√	√		
As part of the National Articulation Forum, Colleges Scotland worked with Universities Scotland and key stakeholders to listen to student views, review progress and to put together a report – published in August 2020 – with a set of 14 recommendations which are intended to promote progress with articulation. This work builds on, and from, the Commission on Widening Access.	√	√		
Colleges Scotland has worked closely with the Scottish Government on the Young Person’s Guarantee since its launch in autumn 2020, participating in the Implementation Planning Group with sector representatives to ensure that colleges are fully involved in this initiative. This is complemented by Colleges Scotland’s participation in the Colleges and Universities Strategic Group.	√	√		

Activity	Strategic Aims			
	1	2	3	4
<b>Communications and Public Affairs Activity</b>				
Throughout 2020/21, political engagement has been exceptionally high with MPs, MSPs, civil servants and government Ministers. Colleges Scotland in this period held 23 meetings with Scottish Ministers and MSPs to discuss the college sector in addition to the Ministerial taskforce sessions.	√	√		
Worked constructively with the Cabinet Secretary for Finance and the Economy, Kate Forbes MSP, in two sector specific meetings ahead of the Scottish Budget.	√	√		
Colleges Scotland met with MSPs and political parties to discuss party manifestos ahead of the Scottish Election in May 2021.	√	√		
Following the appointment of the new government, introductory meetings were held with the new Cabinet Secretary for Education and Skills, Shirley-Anne Somerville MSP, and the new Minister for Higher Education and Further Education, Youth Employment and Training, Jamie Hepburn MSP.	√	√		
Colleges Scotland wrote to all newly elected MSPs in May 2021 with key sector information and an invitation to engage on current issues.	√	√		
Keyfacts was published in June 2021. The booklet was distributed to colleges, parliamentarians and key stakeholders, and promoted via a month-long social media campaign.	√	√		
Colleges Scotland worked with the CDN Marketing and Communications Network and participated in a working group to deliver the #ChooseCollege marketing campaign and sponsored the Virtual College Showcase event in May 2021.	√	√		
Worked with the Marketing Department at West College Scotland to produce an animated video to promote the sector's involvement in the PACE Partnership.	√	√		
Engaged with the CDN Marketing and Communications Network which has been meeting fortnightly during the pandemic.	√	√		
The chief executive provided a keynote speech at the CDN Governance and Leadership Summit in June 2021.	√	√		
Colleges Scotland staff delivered 4 presentations to new college board members as part of the regular CDN Board Induction programme.	√	√		



Activity	Strategic Aims			
	1	2	3	4
Colleges Scotland is a member of the Scottish Government's Young Person's Guarantee MarComms Group which is leading on promotion of the Guarantee along with key stakeholders.	√	√		
Participated in International Women's Day with video content from the chief executive and college principals on social media.	√	√		
Participated in 4 parliamentary Cross Party Groups in 2020/21 and provided the secretariat to the Cross Party Group on Skills.	√	√		
<b>Employment Services Activity</b>				
22 colleges are fully signed to the National Recognition and Procedure Agreement (NRPA), with one college signed up for lecturers only.			√	
A Support Staff Pay and Terms and Conditions Agreement was reached for 2020/21 and an implementation note was produced.			√	
A Lecturing Staff Pay Agreement was reached for 2020/21 and an implementation note was produced.			√	
Reached a resolution with the EISFELA on the lecturing staff national dispute which concluded that there is no national plan to replace lecturers with tutor/assessor/instructor roles, and a circular was agreed in June 2021.			√	
Work on the Job Evaluation project continued at pace during 2020/21 with 21 colleges being evaluated as part of the National Job Evaluation Scheme. First scoring has been completed, and second scoring is scheduled to finish by the end of December 2021. Work around pay and grading has begun, with regular dialogue taking place between both the support staff and management sides to start forming the development and costing of revised pay and grade options.			√	
Work is progressing with the General Teaching Council for Scotland on professional registration for lecturing staff. A pilot project with three colleges – Dundee and Angus, Forth Valley and Glasgow Kelvin – began in November 2020 with approximately 400 lecturers now registered. The national roll out began in August 2021.			√	
Held two virtual Employers' Association events instead of the usual residentials in November 2020 and May 2021.			√	
22 colleges are Living Wage accredited, with the remaining colleges working towards accreditation.			√	

Activity	Strategic Aims			
	1	2	3	4
Consulted, engaged, and participated in various forums including the College Principals' Group, HR Strategic Group, HR Practitioners Group, Professional Development Network, and Finance Development Network.		√	√	
Serviced and participated in a number of working groups including the College Lecturer Registration Group, Job Evaluation Working Group, Pay Working Group, Policies Working Group, NRPA Working Group, and Technical Working Group.			√	

## Financial Review

Colleges Scotland has continued to deliver against its objectives and activities during the year. During 2020/21 Colleges Scotland reported net income of £37k (2019/20: net income of £150k) before other recognised gains or losses on the pension scheme. The net income result comprised net income of £27k on restricted funds and £10k on unrestricted funds (2019/20: £153k net income on restricted funds and net expenditure of £3k on unrestricted funds).

Other recognised losses associated with the defined benefit pension scheme, which do not represent the in-year operating position, resulted in a decrease in total funds of £537k (2019/20: decrease of £518k). Net liabilities on the balance sheet are £2.0m (2019/20: £1.5m). This is explained further within the reserves policy below.

## Principal Funding Sources

Colleges Scotland's Policy, Communications and Public Affairs, and Corporate continues to be funded through college subscriptions during the year at a level sufficient to meet the budgetary requirements agreed by the Board.

Colleges Scotland Employment Services Team is financed through a separate grant provided by the Scottish Funding Council (SFC) to support the implementation of National Bargaining across the college sector. Following the initial three-year funding period (2016-19), a further two-year period of funding (2019-2021) had been secured for the Employment Services Team, with a further one-year period of funding (2021/22) secured. In addition to this, the Job Evaluation Project Delivery Team has also received grant income to implement Job Evaluation for Scotland's colleges and this funding has been secured for a three-year period (2019-22).

## Investment Policy

Under the Memorandum and Articles of Association, Colleges Scotland has the power to invest in any way the Directors think fit. Having regard to the operational liquidity requirements, the Directors operate a policy of keeping funds required in the short to medium term in a non-interest bearing bank account, whilst funds not so required are held in an interest bearing bank account. Restricted funds (Employers' Association) are held in a separate non-interest bearing bank account.

## Reserves Policy

The Board of Directors have established a policy to build unrestricted funds to a level sufficient to cover any unexpected liabilities which cannot be met out of operational income in the year. The level of reserves has therefore been set giving cognisance to the main risks and potential liabilities faced by the company. This lends a degree of financial stability to the business in the event that income sources are lost or reduced to ensure continuity of service provision. The Directors intend to revisit this policy in future periods to quantify the level of reserves required to ensure that an appropriate level of reserves continues to be maintained.

For 2020-21, the main risks and potential liabilities faced are as set out in the risk management section of this report together with fluctuations in pensions liabilities arising under FRS102. The strategy is therefore to maintain reserves at a level sufficient to cover any potential liabilities arising.

The reserves position at 31<sup>st</sup> July 2021, excluding pensions liabilities, is therefore £680k (2019/20: £645k) and including pensions liabilities, a net liability position of £2,071k (2019/20: £1,534k). Of these reserves, £221k relates to restricted reserves (2019/20: £194k). The Directors are aware of the net liability position at the balance sheet date as a result of FRS102 – section 28 accounting for the Falkirk Pension Scheme and recognise that operational reserves are £459k and are therefore content that the reserves policy has been met.

## Plans for Future Periods

The board began a review of the governance of Colleges Scotland which is due to conclude in early 2022. This included the refreshed College Sector Statement of Ambition for 2021-2026 which reflects the many changes which have taken place in a short period of time, incorporating too the contributions from a range of stakeholders to the college sector in the past two years, including: the College of The Future Report; The Report of the Advisory Group on Economic Recovery; the Scottish Funding Council Review of Coherent Provision and Sustainability; and the Cumberford-Little Report, which strongly influenced the Statement of Ambition. These ambitions are supporting and innovating, supporting students, supporting communities, supporting industry, and supporting Scotland. The Colleges Scotland Strategic Plan will help deliver the college sectors' ambitions.

## Structure, Governance and Management

### Governing Document

Colleges Scotland is a charitable company limited by guarantee and registered as a charity in July 1995. The company was established under a Memorandum of Association which establishes the objects and powers of the charitable company and is governed under its Articles of Association. In the event of the company being wound up, members are required to contribute an amount not exceeding £1. Colleges Scotland is owned by the Regional Colleges and Regional Strategic Bodies.

### Legal Status

Colleges Scotland is a charitable company limited by guarantee in terms of the Companies Act 2006. There are 13 members – all of the regional colleges and regional strategic bodies in Scotland. The liability of each member is limited to £1.

## **Recruitment and Appointment of the Board of Directors**

The Board of Directors are also charity trustees for the purposes of charity law.

The Board consists of up to eighteen Board members: twelve Ministerially-appointed Regional Chairs of each regional member and the Regional Chair of Highlands and Islands as a University of Highlands and Islands court appointment, the Chair of the College Principals' Group, the Chief Executive and up to three Principals drawn from company members.

Under the requirements of the Memorandum and Articles of Association, with the exception of the Chief Executive who continues to hold office until termination of appointment, the Board of Directors are elected to serve for a period of not more than four years after which they may be re-appointed for a further four years provided that no member holds office for more than eight years in aggregate.

## **Director Induction and Training**

New Directors are provided with login details to a private members area where they are able to access an induction pack briefing them on their legal obligations; their duties as Board Members; the main documents which set out the operational framework for Colleges Scotland; including the Memorandum and Articles, financial performance, relevant policies and procedures and future plans and objectives. The Board are also given opportunities to meet staff and are encouraged to attend training events where these will facilitate the undertaking of their role.

The insurance policies are (Offices and Surgeries Package, Engineering Computers, Combined Business Travel/PA/Sickness, Fidelity Guarantee, and Cyber Liability).

## **Organisation**

The Board meets at least quarterly and formally constituted committees, with remits approved by the Board, are in place covering the following:

- Audit and Risk Assurance Committee
- Chairs' Committee
- Employers' Association
- Funding and Finance Committee

The advisory group is the College Principals' Group.

At present, there are eighteen members including the Chief Executive. The Chief Executive is appointed by the Board of Directors to manage the day-to-day operations of the company.

The Board of Colleges Scotland has chosen to adopt the Model Code of Conduct that is in place in the college sector to ensure that its conduct is consistent with the Ethical Standards in Public Life etc (Scotland) Act 2000.

The Board has also chosen to develop its own Code of Governance (the Code) which draws on the UK Code on Corporate Governance and the Code of Good Governance for Scotland's Colleges in setting out key principles and supporting provisions for effective governance.

Our Corporate Governance Code addresses: protocol for how decisions are made; what decisions are made by trustees; what decisions are delegated; and arrangements for setting pay and remuneration of key management personnel as outlined in the following four sections:

## **1. The Board Composition and Performance**

Colleges Scotland is headed by an effective Board, which is collectively responsible for the success of Colleges Scotland.

All Board members must take decisions objectively in the interests of Colleges Scotland and in pursuance of its charitable objects.

As part of their role as members of the Board, members should constructively challenge and help develop proposals on strategy. Board members should scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and those financial controls and systems of risk management are robust and defensible.

There should be a clear division of responsibilities within Colleges Scotland, between the running of the Board and the executive responsibility for the running of Colleges Scotland day to day operations. No one individual should have unfettered powers of decision. To achieve this, there are clear roles established for the Board, its Chair, the Chief Executive and also the Secretary to the Board.

In order to supply the Board in a timely manner with the information in a form and quality appropriate to enable it to discharge its duties, management has an obligation to provide relevant information in an appropriate form, but equally Board members should seek clarification or amplification where necessary.

The Board and its committees should have the appropriate balance of skills, experience, independence and knowledge of Colleges Scotland to enable them to discharge their respective duties and responsibilities effectively. Appointments to the Board must be made in accordance with the Articles of Association, and the Board retains oversight of the membership and tenure of its members and satisfies itself that plans are in place for orderly succession in relation to appointments to the Board.

All Board members receive an induction on joining the Board and should regularly update and refresh their skills and knowledge. They are supported in this by the various roles of the Chair of the Board, the Chief Executive and the Secretary to the Board.

The Board should undertake a formal annual evaluation of compliance with the provisions of this document, its own performance, that of its committees, individual Board members, the Chair of the Board and committee chairs.

Individual evaluation should aim to show whether each Board member continues to contribute effectively and to demonstrate commitment to the role (including commitment of time for Board and committee meetings and any other duties). The Chair should act on the results of the performance evaluation by recognising the strengths and addressing the weaknesses of the Board.

The board began a review of the governance of Colleges Scotland which is due to conclude in early 2022.

## **2. Remuneration**

The Board has determined that levels of remuneration should be set fairly to commensurate with the duties, responsibilities, skills and experience of the post, sufficient to attract and retain. There should be a formal and transparent procedure for developing policy on remuneration and for fixing the remuneration package of the Chief Executive and directors. The Chief Executive and directors should not be involved in deciding his or her own remuneration.

The Chairs' Committee is an advisory committee with limited decision-making authority on reserved matters and meets at least once per year. The Chairs' Committee is responsible for making recommendations to the Board for setting remuneration levels, salary awards, pensions, terms and conditions of employment and any other related matters for the Chief Executive and directors.

The Chairs' Committee works in conjunction with the Chief Executive, on the appointment process and appointment of directors/department heads within the organisation. The Chairs' Committee leads the appointment process of the Chief Executive and makes a recommendation for their appointment to the full board.

The Chairs' Committee reviews and agrees the performance management system of the organisation where the chair of the Colleges Scotland Board will be responsible for reviewing the performance of the Chief Executive and reporting findings annually to the board of management. The Chief Executive will be responsible for reviewing the performance of the directors/department heads within the organisation and reporting findings annually to members of the Chairs' Committee.

The Chairs' Committee will consider proposals and make recommendations to the board regarding pay awards for all staff.

The Chairs' Committee will monitor the staffing complement and structure and be consulted on any proposals for major changes to employee benefit structures/working conditions (e.g. location and make recommendations to the board as appropriate).

## **3. Accountability and Audit**

The Board has a responsibility to present a balanced and understandable assessment of Colleges Scotland's position and prospects. This extends to public reports and reports to regulators (particularly the Office of the Scottish Charity Regulator) as well as to information required to be presented by statutory requirements.

The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The Board should maintain sound risk management and internal controls systems.

The Board should establish formal and transparent arrangements for considering how they should apply the risk management and internal control principles and for maintaining an appropriate relationship with Colleges Scotland's auditors.

To this end, the Board has established an Audit and Risk Assurance Committee. The Audit and Risk Assurance Committee meets, as a minimum, twice a year but may meet with the external auditors in attendance if requested. The committee considers detailed reports together with the recommendations for the improvement of the systems of internal control and management's responses and implementation plans. An Annual Report is presented to the Board by the Audit

and Risk Assurance Committee expressing an opinion on whether it believes that the company has effective systems and processes in place regarding risk management, governance and financial control. The Audit and Risk Assurance Committee also recommends to the Board of Directors the annual budget.

The Audit and Risk Assurance Committee is also responsible for reviewing arrangements by which staff of Colleges Scotland may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The audit committee's objective should be to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

#### **4. Other Committees**

The Board is also supported in its duties by two additional committees and an advisory group. The two committees are the Funding and Finance, and Employers' Association. The advisory group is the College Principals' Group. These are all are sector-facing groups established to consider issues impacting the sector and help share the policy agenda in these areas. In addition, the Employers' Association is responsible for establishing and agreeing a mandate for the Management side negotiating position regarding National Bargaining.

## Reference and Administrative Information

Company Number:	SC143210
Registered Scottish Charity Number:	SC023848
Registered Office:	Argyll Court Castle Business Park Stirling FK9 4TY
External Auditor:	Johnston Carmichael LLP Chartered Accountants 227 West George Street Glasgow G2 2ND
Solicitors:	Thorntons LLP Whitehall House 33 Yeaman Shore Dundee DD1 4BJ
Bankers:	Bank of Scotland plc Business Banking PO Box 1984 Andover SP10 9GZ
Chief Executive	Shona Struthers
Company Secretary	Shona Struthers (1 March 2016 – 26 March 2021 and 2 July 2021 – 25 August 2021) Laura Anne Mitchell (26 March 2021 – 2 July 2021) Penny Davis (appointed 25 August 2021)



## Directors and Trustees

The Directors/Trustees of the Company during the year 1 August 2020 – 31 July 2021 and up to the date of this report were:

<b>Name</b>	<b>Position and Organisation</b>	<b>Date of Appointment</b>	<b>Date of Termination</b>
Kenneth Angus Milroy (Chair)	Regional Chair, North East Scotland College	22 April 2014	2 March 2022
Audrey Cumberland (Vice Chair)	Principal and Chief Executive, Edinburgh College	4 May 2021	
Carol Turnbull (Vice Chair)	Principal and Chief Executive, Ayrshire College	1 December 2016	30 April 2021
Elaine Cynthia Acaster	Interim Regional Chair, Borders College	5 March 2020	31 January 2022
Angus Campbell	Chair, Highlands and Islands Further Education Regional Board	28 October 2021	
Hugh Jonathan Carr	Interim Regional Chair, Dumfries and Galloway College	31 March 2020	31 January 2022
Elizabeth Connolly	Principal, West College Scotland	1 January 2020	
Dr Margaret Caldwell Cook	Principal and Chief Executive, Perth College UHI	15 November 2018	
Michael Foxley	Regional Chair, Highlands and Islands Further Education Regional Board	8 May 2014	11 October 2021
Dr Winnie Wai-Yin Hatton	Regional Chair, West College Scotland	3 March 2020	
Ann Louise Landels	Interim Regional Chair, Edinburgh College	1 November 2019	
Alexander Millar Linkston	Regional Chair, West Lothian College	1 November 2019	
Ray McCowan	Regional Chair, Borders College	1 February 2022	
Angela McCusker	Regional Chair, Dundee and Angus College	4 July 2014	
Janie Elizabeth McCusker	Regional Chair, Glasgow Colleges' Regional Board	8 January 2018	
William Mackie	Regional Chair, Ayrshire College	22 April 2014	2 March 2022

<b>Name</b>	<b>Position and Organisation</b>	<b>Date of Appointment</b>	<b>Date of Termination</b>
Robert Bruce Martin	Regional Chair, Forth Valley College	1 August 2017	
Lydia Daniela Rohmer	Principal, West Highland College, UHI	7 September 2015	
Ronald Schoular Smith	Regional Chair, The Lanarkshire Board	3 October 2019	
Caroline Stuart	Regional Chair, Dumfries and Galloway College	1 February 2022	
David Clark Watt	Regional Chair Fife College	19 March 2019	
Shona Struthers	Chief Executive	18 August 2014	

## Auditor

In accordance with Colleges Scotland's articles, the auditor will be reappointed at the forthcoming Annual General Meeting.

### Disclosure of Information to Auditor

Each of the Directors has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

The Director's report was approved by the Board of Directors.



Ken Milroy, Chair

02/03/2022

Date

## **Statement of Directors' Responsibilities for the Year Ended 31<sup>st</sup> July 2021**

The trustees (who are also directors of Colleges Scotland for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year. Under company law, the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## COLLEGES SCOTLAND

### INDEPENDENT AUDITOR'S REPORT

#### TO THE DIRECTORS AND TRUSTEES OF COLLEGES SCOTLAND

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##### Opinion

We have audited the financial statements of Colleges Scotland (the 'charitable company') for the year ended 31 July 2021 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the 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 FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2021 and of its incoming resources and application of resources, including its income and expenditure, 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

##### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

##### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' 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 charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

##### Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read 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.

## COLLEGES SCOTLAND

### INDEPENDENT AUDITOR'S REPORT

#### TO THE DIRECTORS AND TRUSTEES OF COLLEGES SCOTLAND (continued)

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##### **Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report has been prepared in accordance with applicable legal requirements.

##### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

##### **Responsibilities of trustees**

As explained more fully in the statement of trustees' responsibilities, set out on page 17, the trustees, who are also the directors of the charitable company for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine 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 trustees are responsible for assessing the charitable company'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 the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

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

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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.

##### **Extent to which an audit is considered capable of detecting irregularities, including fraud**

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. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

## COLLEGES SCOTLAND

### INDEPENDENT AUDITOR'S REPORT

#### TO THE DIRECTORS AND TRUSTEES OF COLLEGES SCOTLAND (continued)

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We obtained an understanding of the legal and regulatory frameworks that are applicable to the charitable company, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The most relevant frameworks we identified included FRS 102 and the Charities SORP, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

We gained an understanding of how the charitable company is complying with these laws and regulations by making enquiries of management. We corroborated these enquiries through our consideration of returns submitted by the charitable company and board meeting minutes.

We assessed the susceptibility of the charitable company's financial statements to material misstatement, including how fraud might occur, by meeting with management and those charged with governance to understand where it was considered there was susceptibility to fraud. This evaluation also considered how management and those charged with governance were remunerated and whether this provided an incentive for fraudulent activity. We considered the overall control environment and how management and those charged with governance oversee the implementation and operation of controls. In areas of the financial statements where the risks were considered to be higher, we performed procedures to address each identified risk.

The following procedures were performed to provide reasonable assurance that the financial statements were free of material fraud or error:

- Reviewing minutes of meetings of those charged with governance.
- Reviewing the level of and reasoning behind the charitable company's procurement of legal and professional fees.
- Performing audit work procedures over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, and reviewing judgements made by management in their calculation of accounting estimates for potential management bias.

Our audit procedures were designed to respond to the risk of material misstatements in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve intentional concealment, forgery, collusion, omission, or misrepresentation. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

## COLLEGES SCOTLAND

### INDEPENDENT AUDITOR'S REPORT

#### TO THE DIRECTORS AND TRUSTEES OF COLLEGES SCOTLAND (continued)

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##### Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



**Keith Macpherson (Senior Statutory Auditor)**  
for and on behalf of Johnston Carmichael LLP

10 / 03 / 2022

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**Chartered Accountants**  
**Statutory Auditor**

227 West George Street  
Glasgow  
G2 2ND



**Statement of Financial Activities (SOFA)  
(including Income & Expenditure Account)  
for the year ended 31 July 2021**

	Notes	2021 £'000 Restricted Funds	2021 £'000 Un- restricted Funds	2021 £'000 Total Funds	2020 £'000 Restricted Funds	2020 £'000 Un- restricted Funds	2020 £'000 Total Funds
<b>Income and endowments from:</b>							
Donations and legacies		-	-	-	-	-	-
Charitable activities	3	1,612	897	2,509	1,475	808	2,283
<b>Total</b>		<b>1,612</b>	<b>897</b>	<b>2,509</b>	<b>1,475</b>	<b>808</b>	<b>2,283</b>
<b>Expenditure on:</b>							
Charitable activities	4	1,585	887	2,472	1,322	811	2,133
<b>Total</b>		<b>1,585</b>	<b>887</b>	<b>2,472</b>	<b>1,322</b>	<b>811</b>	<b>2,133</b>
<b>Net expenditure</b>		<b>27</b>	<b>10</b>	<b>37</b>	<b>153</b>	<b>(3)</b>	<b>150</b>
<b>Transfer between funds</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net income / (expenditure) after transfers</b>		<b>27</b>	<b>10</b>	<b>37</b>	<b>153</b>	<b>(3)</b>	<b>150</b>
<b>Other recognised losses:</b>							
(Loss) on defined benefit pension scheme	15	-	(574)	(574)	-	(668)	(668)
<b>Net movement in funds</b>		<b>27</b>	<b>(564)</b>	<b>(537)</b>	<b>153</b>	<b>(671)</b>	<b>(518)</b>
<b>Reconciliation of funds:</b>							
Total funds brought forward		194	(1,728)	(1,534)	41	(1,057)	(1,016)
<b>Total funds carried forward</b>		<b>221</b>	<b>(2,292)</b>	<b>(2,071)</b>	<b>194</b>	<b>(1,728)</b>	<b>(1,534)</b>

The statement of financial activities includes all gains and losses recognised in the year. All incoming resources and resources expended derive from continuing activities in the above two periods.

## Balance Sheet as at 31 July 2021

	Notes	2021 £'000	2020 £'000
<b>Fixed assets:</b>			
Tangible assets	9	37	53
<b>Current assets:</b>			
Debtors	10	61	128
Cash at bank and in hand	11	916	797
		<b>977</b>	<b>925</b>
<b>Liabilities:</b>			
Creditors: Amounts falling due within one year	12	(306)	(312)
<b>Net current assets</b>		<b>671</b>	<b>613</b>
<b>Total assets less current liabilities</b>		<b>708</b>	<b>666</b>
Creditors: Amounts falling due after more than one year – dilapidations provision	13	(28)	(21)
<b>Net assets excluding pension liability</b>		<b>680</b>	<b>645</b>
Pension liabilities	15	(2,751)	(2,179)
<b>Total net liabilities</b>		<b>(2,071)</b>	<b>(1,534)</b>
<b>The funds of the charity:</b>			
<b>Restricted funds</b>	17	<b>221</b>	<b>194</b>
<b>Unrestricted funds:</b>			
General funds	18	459	451
<b>Designated funds:</b>			
Pension liability	18	(2,751)	(2,179)
<b>Total charity funds</b>		<b>(2,071)</b>	<b>(1,534)</b>

Approved and authorised for issue by the Board of Directors and signed on its behalf by:

*Shona Struthers*

Shona Struthers, Chief Executive

*Ken Milroy*

Ken Milroy, Chair

02/03/2022

Date

Colleges Scotland  
 Company Number: SC143210  
 Charity Number: SC023848

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

	Notes	2021 £'000	2020 £'000
<b>Cash flows from operating activities:</b>			
<b>Net cash provided by operating activities</b>	19	<b>124</b>	<b>252</b>
<b>Cash flows from investing activities</b>			
Fixed asset additions		(5)	-
<b>Cash provided by investing activities</b>		<b>(5)</b>	<b>-</b>
<b>Change in cash and cash equivalents in the year</b>			
Cash and cash equivalents at the beginning of the year		797	545
<b>Cash and cash equivalents at the end of the year</b>	11	<b>916</b>	<b>797</b>

## Notes to the Financial Statements for the Year Ended 31 July 2021

### 1. Accounting Policies

#### (a) General Information

These financial statements are presented in Pounds Sterling (GBP) rounded to £000, as that is the currency in which the company's transactions are denominated. They comprise the financial statements of the charitable company drawn up for the year ended 31 July 2021.

The continuing activities of Colleges Scotland is to promote the advancement of college education for the public benefit.

Colleges Scotland is a charitable company limited by guarantee and is incorporated in Scotland. The charitable company's registered charity number is SC023848 and its registered company number is SC143210.

The address of the charitable company's registered office is Argyll Court, Castle Business Park, Stirling, FK9 4TY.

#### (b) Basis of accounting

The financial statements have been prepared in accordance with the Financial Reporting Standard 102 as issued by the Financial Reporting Council, the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)", the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006.

The charitable company has availed itself of s396 of the Companies Act 2006, as permitted in paragraph 4(1) of Schedule 1 of SI 2008 No 409, and adapted the Companies Act formats to reflect the special nature of the charitable company's activities.

Colleges Scotland meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transition value unless otherwise stated in the relevant accounting policy.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires trustees to exercise their judgements in the process of applying the accounting policies. Use of available information and application of judgement are inherent in the formation of estimates. Actual outcomes in the future could differ from such estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

#### (c) Going concern

The Board has not identified any material uncertainty with respect to going concern. The Board is of the view that it would be reasonable to assume that Colleges Scotland will continue to operate for the foreseeable future, being at least 12 months from the date of approval of these financial statements, and, accordingly, the financial statements have been prepared on the going concern basis. The directors are aware of the net liability balance at the year end, this relates to the FRS 102 accounting for the charitable company's participation in the FCPF defined benefit pension scheme. As the net liabilities do not fall due in any one year, the directors are satisfied that Colleges Scotland is able to meet all the annual cash contributions payable to the pension scheme using its current working capital and therefore it has been considered appropriate to adopt the going concern basis of preparation for the preparation of these financial statements.

## Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)

### 1. Accounting Policies (continued)

#### (d) Fund accounting

All funds are classified as follows:

- Restricted funds represent grant monies from the Scottish Funding Council to specifically support the Employment Services Team.
- Unrestricted funds are available for use at the discretion of the Board of Directors in furtherance of the general objectives of the company.
- Designated funds are unrestricted funds earmarked by the Board of Directors for particular purposes.

#### (e) Income recognition

Income is included in the Statement of Financial Activities when the charitable company is entitled to the income, receipt is probable and the amount can be reliably measured.

- Subscription income is recognised in the period in which the charity provides the services and so is entitled to the income, receipt is probable and the amount can be measured reliably.
- Grants and donations are recognised when the charity is entitled to the income, receipt is probable and the amount can be measured reliably. Where there are terms or performance related conditions attached, income is recognised to the extent that the conditions have been met.
- Incoming resources from charitable trading activities are accounted for when earned.

#### (f) Expenditure

Expenditure is included in the Statement of Financial Activities (SOFA) on an accruals basis and is recognised when there is a legal or constructive obligation to pay for expenditure. All costs have been directly attributed to one of the functional categories of expenditure in the SOFA and include any VAT which cannot be recovered.

- Charitable expenditure comprises those costs incurred by Colleges Scotland in the delivery of its activities and services for its beneficiaries. It includes both costs that can be allocated directly to such activities and those of an indirect nature necessary to support them.
- Governance costs include those costs associated with meeting the constitutional and statutory requirements of Colleges Scotland and include costs linked with strategic management.
- Support costs include central functions and have been allocated to activity cost categories on a basis consistent with the use of resources.

#### (g) Taxation

The company is potentially exempt from taxation in respect of income or capital gains received within categories covered by section 466 to 493 of Corporation Tax Act 2010 to the extent that such income or gains are applied to exclusively charitable purposes.

Non-recoverable Value Added Tax arising from expenditure on activities is charged to the income and expenditure account in the year in which it is incurred.

## Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)

### 1. Accounting Policies (continued)

#### (h) Tangible fixed assets

Tangible fixed assets are included in the balance sheet at net book value, being cost less depreciation. Depreciation is provided to write off the cost on a straight line basis over the expected useful lives of the assets, which for computer equipment is between 3 and 5 years, and furniture & fittings 5 years.

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

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying value of any fixed asset may not be recoverable. Shortfalls between the carrying value of fixed assets and their recoverable amounts are recognised as impairments.

#### (i) Debtors

Trade debtors are amounts due from members for membership services and sponsorship. Trade debtors are recognised at the undiscounted amount of cash receivable, which is normally the invoiced amount, less any allowance for doubtful debts.

#### (j) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, balances with banks which are readily convertible, being those with maturities of three months or fewer from inception. Cash and cash equivalents are measured at amortised cost.

#### (k) Creditors

Trade creditors are obligations to pay for goods or services that have been acquired. Accounts payable are classified as creditors falling due within one year if payment is due within one year or less. If not, they are presented as creditors falling due after one year.

Trade creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

#### (l) Financial assets and liabilities

Financial instruments are recognised in the balance sheet when the charitable company becomes a party to the contractual provisions of the instrument. Financial instruments are initially measured at transaction price. Subsequent to initial recognition, they are accounted for as set out below.

Financial instruments are classified as either 'basic' or 'other' in accordance with Section 11 and 12 of FRS 102.

At the end of each reporting period, basic financial instruments are measured at amortised cost using the effective interest method.

Financial assets are derecognised when the contractual rights to the cash flows from the asset expire, or when the charitable company has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised only once the liability has been extinguished through discharge, cancellation or expiry.

## Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)

### 1. Accounting Policies (continued)

#### (m) Pensions

Retirement benefits to the employees of the company are provided by Falkirk Council (FCPF) and Aegon. FCPF is a defined benefit scheme. For defined benefit retirement benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each reporting date. Actuarial gains and losses arising from experience adjustments and changes in assumptions are recognised immediately in the Statement of Financial Activities. All costs related to the defined benefit plan are recognised in the Statement of Financial Activities within employee benefit costs.

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting is limited to the present value of available refunds or reductions in future contributions to the plan.

The company also participates in a defined contribution scheme with Aegon. The assets of the scheme are held separately from those of the company in an independently administered fund. Pension costs charged to the statement of financial activities represent the contributions payable by the charity in the year.

#### (n) Leases

Rentals payable and receivable under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

#### (o) Employee Benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the company is demonstrably committed to terminate the employment of an employee or to provide termination benefits."

### 2. Critical judgements and estimates

In preparing the financial statements, trustees make estimates and assumptions which affect reported results, financial position and disclosure of contingencies. Use of available information and application of judgement are inherent in the formation of the estimates, together with past experience and expectations of future events that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates.

Critical judgements are made in the application of income recognition accounting policies, and the timing of the recognition of income in accordance with the Charities SORP (FRS 102).

In measuring the defined benefit pension liability in note 15, the directors take advice from the actuaries on the appropriate actuarial assumptions required to value the liabilities arising. The estimate is necessarily sensitive to the actual assumptions chosen as follows:

- A 0.1% decrease in the real discount rate would increase the defined benefit obligation by 2% (£141,000)
- A 0.1% increase in the salary increase rate would increase the defined benefit obligation by 0% (£16,000)
- A 0.1% increase in the pension increase rate would increase the defined benefit obligation by 2% (£123,000)

**Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)**

**3. Income from charitable activities**

	2021 £'000	2021 £'000	2021 £'000	2020 £'000	2020 £'000	2020 £'000
	Restricted Funds	Un- restricted Funds	Total Funds	Restricted Funds	Un- restricted Funds	Total Funds
Subscriptions	-	875	875	-	786	786
Contracts and support services	-	22	22	-	22	22
Grant funding from SFC	1,612	-	1,612	1,475	-	1,475
<b>Total</b>	<b>1,612</b>	<b>897</b>	<b>2,509</b>	<b>1,475</b>	<b>808</b>	<b>2,283</b>

**4. Expenditure on charitable activities**

	Policy & Comms £'000	Employment Services £'000	Job Evaluation £'000	GTCS £'000	2021 Total £'000	2020 Total £'000
Staffing costs	655	300	982	-	1,937	1,664
Other costs associated with support to colleges	209	131	13	145	498	431
SLA support costs (see note 5)	19	11	-	-	30	30
Governance costs (see note 5)	4	3	-	-	7	8
<b>Total</b>	<b>887</b>	<b>445</b>	<b>995</b>	<b>145</b>	<b>2,472</b>	<b>2,133</b>
Analysis between funds						
Unrestricted					887	811
Restricted					1,585	1,322
					<b>2,472</b>	<b>2,133</b>

**5. Analysis of support and governance costs**

	Basis of allocation £'000	Support Costs £'000	Governance £'000	2021 Total £'000	2020 Total £'000
Service charge Costs	Direct	30	-	30	30
Board meeting Costs	Direct	-	-	-	1
Audit fees	Direct	-	7	7	7
<b>Total</b>		<b>30</b>	<b>7</b>	<b>37</b>	<b>38</b>



## Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)

### 6. Board remuneration

The emoluments of key management, including the Chief Executive, are disclosed in note 7. No other member of the Board either received or waived any emoluments during the year (2020: £nil).

Out of pocket expenses relating to travel and subsistence costs were reimbursed to Board members as follows:

	2021 No.	2020 No.	2021 £'000	2020 £'000
Travel	0	0	0	0

### 7. Staff costs

	2021 £'000	2020 £'000
<b>Core Staff</b>		
Wages and salaries	717	658
Social security costs	67	67
Other pension costs	214	162
FRS 102 defined benefit adjustments	(32)	(15)
<b>Short-term and temporary staff</b>		
Consultants	971	792
<b>Total</b>	<b>1,937</b>	<b>1,664</b>

The average monthly headcount was 14 staff (2020: 15 staff).

The number of staff including the Chief Executive and senior post-holders who received emoluments within the following ranges was:

	2021	2020
£60,000 - £69,999	2	3
£80,000 - £89,999	1	1

The emoluments of key management are made up as follows:

	2021 £'000	2020 £'000
Salary	226	221
Benefits in Kind	2	2
Pension Contributions	52	50
Secondment Costs	0	0
<b>Total Emoluments</b>	<b>280</b>	<b>273</b>

Key management personnel is defined as the Trustees, Chief Executive, the Director of Employment Services and the Director of Sector Policy. The above emoluments include amounts payable to the Chief Executive, Shona Struthers, who is also a trustee for the purposes of charity law of £87,212 (2020: £85,197). Contributions to pension schemes on behalf of the Chief Executive were £25,398 (2020: £24,281). The Chief Executive also received benefits in kind of £749 (2020: £763).

As authorised by the charitable company's Articles of Association, the above noted remuneration to Shona Struthers is for her role in the day to day running of the charitable company.

**Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)**

**8. Net expenditure for the year**

	2021 £'000	2020 £'000
This is stated after charging:		
External Auditor's remuneration		
- Audit	7	7
- Non-audit	-	-
Rental Payable in respect of Operating Leases	67	67
Depreciation	21	20
Pension	182	147
	<b>277</b>	<b>241</b>

**9. Tangible fixed assets**

	2021 £'000	2021 £'000	2021 £'000	2020 £'000	2020 £'000	2020 £'000
	Equipment	Furniture & Fittings	Total	Equipment	Furniture & Fittings	Total
Cost at 1 <sup>st</sup> August	87	5	92	84	5	89
Additions in year	5	-	5	3	-	3
<b>Cost at 31<sup>st</sup> July</b>	<b>92</b>	<b>5</b>	<b>97</b>	<b>87</b>	<b>5</b>	<b>92</b>
Depreciation at 1 <sup>st</sup> August	36	3	39	17	2	19
Charge for year	20	1	21	19	1	20
<b>Depreciation at 31<sup>st</sup> July</b>	<b>56</b>	<b>4</b>	<b>60</b>	<b>36</b>	<b>3</b>	<b>39</b>
<b>Opening Net Book Value</b>	<b>51</b>	<b>2</b>	<b>53</b>	<b>67</b>	<b>3</b>	<b>70</b>
<b>Closing Net Book Value</b>	<b>36</b>	<b>1</b>	<b>37</b>	<b>51</b>	<b>2</b>	<b>53</b>

**10. Debtors**

	2021 £'000	2020 £'000
Trade Debtors	8	-
Other debtors (out with 1 year)	36	36
Prepayments and accrued income	17	92
<b>Total</b>	<b>61</b>	<b>128</b>

**11. Cash and cash equivalents**

	2021 £'000	2020 £'000
Cash at bank and in hand	916	797
<b>Total</b>	<b>916</b>	<b>797</b>

**Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)**

**12. Creditors**

	2021 £'000	2020 £'000
Trade creditors	64	94
Taxes and social security costs	43	-
Accruals and other creditors	199	218
<b>Total</b>	<b>306</b>	<b>312</b>

**13. Provisions**

	2021 £'000	2020 £'000
Balance at 1 August	21	14
Increased in the year	7	7
<b>Balance at 31 July</b>	<b>28</b>	<b>21</b>

The above dilapidations provision has been recognised in relation to the lease of the office premises expiring in 2022.

**14. Lease commitments**

Future minimum lease payments falling due under non-cancellable operating leases are:

	2021 £'000	2020 £'000
In less than 1 year	67	67
Within 2-5 years	29	96
<b>Total</b>	<b>96</b>	<b>163</b>

## Notes to the Financial Statements for the Year Ended 31 July 2020 (continued)

### 15. Pension costs

Colleges Scotland is a member of the Falkirk Council Pension Fund (FCPF) and operates the Aegon scheme. Colleges Scotland also contributes into a personal pension plan for employees on request.

The total employer's pension cost for the period was as follows:

	2021 £'000	2020 £'000
Contribution to FCPF	191	141
Contribution to Aegon scheme	25	27
<b>Total pension cost</b>	<b>216</b>	<b>168</b>

Contributions outstanding at the year-end were £16,110 (2020: £2,225).

### Falkirk Council Pension Fund (FCPF)

The FCPF is a funded defined benefit scheme where the assets are held in a separate, trustee-administered fund. The fund is open to all Colleges Scotland staff above an agreed grade, all other members of staff are able to join the Aegon Scheme.

Colleges Scotland paid contributions of 28.5% of pensionable pay for the period 1 August 2020 to 31 March 2020 then Colleges Scotland paid contributions of 30.3% of pensionable for the period 1 April 2021 to 31 July 2021 plus £98,333 for the period from 1 August 2020 to 31 July 2021.

Actuarial valuations determine the level of employer contribution to the scheme and are as follows:

From 1 April 2016	10% of pensionable pay plus £5,100
From 1 April 2017	10% of pensionable pay plus £5,300
From 1 April 2018 to 31 July 2018	10% of pensionable pay plus £16,667
From 1 August 2018 to 31 March 2020	28.5% of pensionable pay plus £50,000 per annum
From 1 April 2020 onwards	30.3% of pensionable pay plus £45,000 per annum

Anticipated employer contributions to the scheme for the year ending 31<sup>st</sup> July 2022 will be approximately £146,000.

Employees' contribution rate is calculated on a tiered contribution basis dependant on pensionable salary.

The following information is based upon a full actuarial valuation of the Fund at 31<sup>st</sup> March 2020 updated to 31<sup>st</sup> July 2021 by a qualified independent actuary, Hymans Robertson LLP.

### Financial Assumptions

	At 31 <sup>st</sup> July 2021	At 31 <sup>st</sup> July 2020
Rate of increase on pensions	2.85%	2.2%
Rate of increase on salaries	3.45%	2.6%
Discount rate for liabilities	1.60%	1.4%

### Major categories of plan assets as a percentage of total plan assets

	At 31 <sup>st</sup> July 2021	At 31 <sup>st</sup> July 2020
Equities	62%	60%
Bonds	30%	30%
Property	5%	5%
Cash	3%	5%

**Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)**

**15. Pension costs (continued)**

**Mortality**

	At 31 <sup>st</sup> July 2021 Males	At 31 <sup>st</sup> July 2021 Females	At 31 <sup>st</sup> July 2020 Males	At 31 <sup>st</sup> July 2020 Females
Current Pensioners	20.5 years	23.2 years	20.5 years	22.8 years
Future Pensioners	21.9 years	25.2 years	21.7 years	24.3 years

The fair value of scheme assets attributed to Colleges Scotland, which are not intended to be realised in the short term and may be subject to significant change before they are realised, and the present value of scheme liabilities attributed to Colleges Scotland which are derived from cash flow projections over a long period and thus inherently uncertain, were:

	Value at 31 <sup>st</sup> July 2021 £'000	Value at 31 <sup>st</sup> July 2020 £'000
Total Fair Value of assets	3,265	2,403
Present Value of scheme liabilities	(6,016)	(4,582)
<b>Net liabilities</b>	<b>(2,751)</b>	<b>(2,179)</b>

**Analysis of amount charged to other financial income**

	2021 £'000	2020 £'000
Service cost	159	134
Past service cost	-	(8)
<b>Total operating charge</b>	<b>159</b>	<b>126</b>

**Analysis of net return on pension scheme**

	2021 £'000	2020 £'000
Expected return on pension scheme assets	35	52
Interest on pension liabilities	(65)	(83)
<b>Net return</b>	<b>(30)</b>	<b>(31)</b>

**Analysis of amount recognised in statement of financial activities**

	2021 £'000	2020 £'000
Current service cost	159	134
Past service cost	-	(8)
Contributions	(191)	(141)
Interest cost	65	83
Interest income on plan assets	(35)	(52)
<b>Total included in statement of financial activities</b>	<b>(2)</b>	<b>16</b>

**Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)**

**15. Pension costs (continued)**

**Movement in deficit during the year**

	2021 £'000	2020 £'000
Deficit in scheme at beginning of year	(2,179)	(1,495)
Current service cost	(159)	(134)
Past service cost	-	8
Contributions paid	191	141
Actuarial (loss)/gain	(574)	(668)
Net return on assets	(30)	(31)
<b>Deficit in the scheme at end of year</b>	<b>(2,751)</b>	<b>(2,179)</b>

**Reconciliation of defined benefit obligation**

	2021 £'000	2020 £'000
<b>Opening Defined Benefit Obligation</b>	<b>4,582</b>	<b>3,921</b>
Current service cost	159	134
Past service cost	-	(8)
Interest cost	65	83
Contributions by members	26	26
Actuarial losses/(gains)	1,251	488
Estimated benefits paid	(67)	(62)
<b>Closing Defined Benefit Obligation</b>	<b>6,016</b>	<b>4,582</b>

**Reconciliation of fair value of employer assets**

	2021 £'000	2020 £'000
<b>Opening Fair Value of Employer Assets</b>	<b>2,403</b>	<b>2,426</b>
Expected return on assets	35	52
Contributions by members	26	26
Contributions by employers	191	141
Actuarial gains/(losses)	677	(180)
Benefits paid	(67)	(62)
<b>Closing Fair Value of Employer Assets</b>	<b>3,265</b>	<b>2,403</b>

**The Aegon Scheme**

The Aegon scheme is a defined contribution scheme, open to all staff in Colleges Scotland. Pension costs charged to the income and expenditure account represent the contributions payable by the company in the year and are based upon a fixed percentage of employee salary aligned to salary band.

**Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)**

**16. Analysis of net assets among funds**

	Restricted funds £'000	Unrestricted designated fund £'000	Unrestricted general funds £'000	Total funds 2021 £'000	Total funds 2020 £'000
Net assets	221	-	487	708	666
Net pension liability	-	(2,751)	-	(2,751)	(2,179)
Provisions	-	-	(28)	(28)	(21)
<b>Total</b>	221	(2,751)	459	(2,071)	(1,534)

For the year ended 31 July 2020

	Restricted funds £'000	Unrestricted designated fund £'000	Unrestricted general funds £'000	Total funds 2020 £'000	Total funds 2019 £'000
Net assets	194	-	472	666	493
Net pension liability	-	(2,179)	-	(2,179)	(1,495)
Provisions	-	-	(21)	(21)	(14)
<b>Total</b>	194	(2,179)	451	(1,534)	(1,016)

**17. Analysis of restricted funds**

	Balance at 1 <sup>st</sup> August 2020 £'000	Income (inc.gains) £'000	Expenditure £'000	Transfers £'000	Recognised gain/(loss) £'000	Balance at 31 <sup>st</sup> July 2021 £'000
Employers' Association	194	1,612	(1,585)	-	-	221
<b>Total</b>	194	1,612	(1,585)	-	-	221

	Balance at 1 <sup>st</sup> August 2019 £'000	Income (inc.gains) £'000	Expenditure £'000	Transfers £'000	Recognised gain/(loss) £'000	Balance at 31 <sup>st</sup> July 2020 £'000
Employers' Association	41	1,475	(1,322)	-	-	194
<b>Total</b>	41	1,475	(1,322)	-	-	194

Restricted funds represent grant monies from the Scottish Funding Council to specifically support the Employment Services Team.

**Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)**

**18. Analysis of unrestricted funds**

	Balance at 1 <sup>st</sup> August 2020 £'000	Income (inc. gains) £'000	Expenditure £'000	Transfers £'000	Recognised gain/(loss) £'000	Balance at 31 <sup>st</sup> July 2021 £'000
General funds	451	895	(887)	-	-	459
<b>Designated funds:</b>						
Pension liability	(2,179)	2	-		(574)	(2,751)
<b>Total</b>	<b>(1,728)</b>	897	(887)	-	(574)	<b>(2,292)</b>

	Balance at 1 <sup>st</sup> August 2019 £'000	Income (inc. gains) £'000	Expenditure £'000	Transfers £'000	Recognised gain/(loss) £'000	Balance at 31 <sup>st</sup> July 2020 £'000
General funds	438	808	(795)	-	-	451
<b>Designated funds:</b>						
Pension liability	(1,495)	-	(16)		(668)	(2,179)
<b>Total</b>	<b>(1,057)</b>	808	(811)	-	(668)	<b>(1,728)</b>

The Pension Liability Fund represents the potential long term pension liabilities under section 28 of FRS 102.

**19. Reconciliation of net expenditure to net cash flow from operating activities**

	2021 £'000	2020 £'000
<b>Net expenditure for the reporting period</b>	<b>37</b>	<b>151</b>
<b>Adjustment for:</b>		
Interest received	-	-
(Increase)/Decrease in debtors	67	(37)
Increase/(Decrease) in creditors	(6)	98
Depreciation charge	21	20
Dilapidations Provision	7	7
Defined benefit pension scheme	(2)	16
<b>Net cash flows from operating activities</b>	<b>124</b>	<b>252</b>



## Notes to the Financial Statements for the Year Ended 31 July 2021 (continued)

### 20. Analysis of changes in net funds

	At 1 August 2020 £'000	Cash Flows £'000	At 31 July 2021 £'000
<b>Cash at bank and in hand</b>	<b>797</b>	<b>119</b>	<b>916</b>

The charitable company had no debt during the year.

### 21. Related parties

Subscription income of £859,546 (2020: £686,715) has been received from 10 Regional Colleges and 3 Regional Strategic Bodies whose Chairs are members of our Board.

Facilities time income totalling £15,401 has been invoiced to 12 Regional Colleges whose Chairs are members of our Board.

Facilities time costs totalling £nil (2020: £2,562) was paid to no Colleges (2020: three), whose Chairs are members of our Board. These payments enabled Union Representatives to participate in national negotiations.

Role Analysts on the Job Evaluation Project from across the sector and secondment costs during 2020/21 of £394,602 (2020: £697,763) were paid to Colleges whose Chairs are members of our Board.

Forth Valley College, whose Chair is a member of our Board, provides Finance and HR Services and catering services to Colleges Scotland. During the year £45,000 (2020: £34,443) was paid to Forth Valley in respect of these services. Role Analyst costs of £69,905 (2020: £46,812) for the Job Evaluation Project was also paid to Forth Valley during the year.