

Colleges Scotland Financial Statements for the Year Ended 31 July 2023

Scottish Charity Number: SC023848
Registered in Scotland Number: SC143210

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Report of the Directors

The Directors (who are the Trustees for the purposes of charity law) present their report and audited financial statements for the year ended 31 July 2023.

The Financial Statements have been prepared in accordance with the accounting policies set out in note 1 to the Financial Statements 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

The Colleges Scotland Strategic Plan 2022-2026 was published in June 2022 and will help deliver the college sector's ambitions.

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 and purpose statements for the organisation from 2022 are as follows:

Vision

When Colleges Thrive, Scotland Thrives. Colleges Scotland as the voice of the sector supports the delivery of thriving colleges at the heart of a thriving Scotland.

Purpose

Colleges Scotland exists to promote, influence and exemplify colleges as they deliver world-class education and training to students and their contribution to Scotland's economic, climate, social, and international ambitions.

Colleges Scotland Strategic Plan 2022-2026 sets out the strategic aims for Colleges Scotland over five years, these are:

Aim 1: Lead and influence policy

Aim 2: Raise the Profile and Enhance the Reputation of Scotland's Colleges Sector

Aim 3: Advocate for the delivery of Increased Sector Resource

Aim 4: Be an Enabler, Supporter and Connector of the Sector Membership, both internally and externally

Aim 5: Be an Improving Organisation providing Value for Money for our Members.

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.
- Carrying out policy research and data gathering to inform and influence policy matters affecting the college sector.
- Advocate with key stakeholders on behalf of the college sector to influence policy and funding decisions
- Developing a range of briefing papers on various issues impacting upon the sector and formal responses to consultations on behalf of the sector.
- Raising the profile and enhancing the reputation of the sector.
- Actively participate with key stakeholders to influence strategic dialogue.

Achievements and Performance

The past year stands out as a year of progress and change, alongside some challenging circumstances for our members.

There has been marked progress in our interaction with Scottish Government on the future of the college sector. Our staff and members have made significant contributions to landmark reports and reviews which are sure to see major structural changes coming to colleges in the future.

On the theme of change, as an organisation we have adapted to new ways of working following the pandemic and fully embraced our strategic plan, bringing good results for our members.

But conditions for our members are undoubtedly challenging. Colleges Scotland has worked tirelessly to promote the college story and to advocate for more resources for our members, even as our own running costs are impacted by inflation.

Colleges Scotland has collaborated with Ministers, civil servants, Scottish Funding Council (SFC), and other key partners, such as Skills Development Scotland, training agencies, and College Development Network, to ensure the sector is best placed to continue to provide world-class and inclusive learning opportunities for everyone.

The brand of College Employers Scotland was implemented and embedded during 2022/23 and has become the recognised voice of the employers for industrial relations in the college sector.

When colleges thrive, Scotland thrives.

Key achievements are below:

Activity	Strategic Aims				
	1	2	3	4	5
Corporate					
Colleges Scotland has been an accredited Living Wage Employer since November 2020.					√
Corporate Social Responsibility is a key part of the Colleges Scotland strategy. Staff are supported to volunteer and take part in fundraising which reflects their personal interests and encourage professional development. A number of our staff also sit on charity boards as trustees.					√
The Colleges Scotland board met 4 times during 2022/23 and the Annual General Meeting was held in March 2023.					√
Colleges Scotland achieved a successful audit for Year End 31 July 2022.					√
Our digitally connected meeting rooms at Argyll Court, Stirling have been utilised throughout the year for sector meetings and events. It has also been used by members as a hub, as well as being offered as a commercial venue for non-members.					√
We continue to provide accommodation for two sub-tenants – ESP (Energy Skills Partnership) and WorldSkills UK, Scotland.					√
Policy Activity					
Colleges Scotland has invested significant time throughout the year advocating for the future direction of the college sector through the opportunities provided by both the various reviews and workstreams that occurred during the course of the year, as well as through supporting the Think the Unthinkable workstream.	√	√	√	√	
Colleges Scotland co-ordinated the timings and ensured consistent messaging in relation to policy areas. We sought college sector views, input these into the consultation processes, and spoke directly to individuals involved in the following key work areas this year: <ul style="list-style-type: none"> National Discussion on Education Independent Review of the Skills Delivery Landscape Independent Review of Qualifications and Assessment Scottish Government’s Purpose and Principles for Post-school Education, Research and Skills. 	√	√	√	√	
Colleges Scotland facilitated and steered the work of the senior sector leaders over the past 12 months regarding the Think the Unthinkable work. Colleges Scotland convened 5 Conventions during the year with all chairs and principals, and co-ordinated 4 Working Groups with the purpose of drawing on the sector’s appetite for the changes envisaged and desired. By the end of the year, these initial thoughts were crystallising, and implementation	√	√	√	√	

Activity	Strategic Aims				
	1	2	3	4	5
plans starting to form, to ensure the continued input into the thinking of the Scottish Government at this critical time.					
The work around Think the Unthinkable included facilitating a webinar for sector leaders with the Organisation for Economic Co-operation and Development (OECD) to hear case study evidence of other vocational and tertiary systems. This was a well appreciated session and offered members valuable information of other country systems.	√	√	√	√	
Colleges Scotland also supported meetings of the College Principals' Group and College Chairs' Group.				√	√
Working in partnership with the Mental Health Foundation Scotland to deliver a report on student mental health and wellbeing. The Thriving Learners research, funded by The Robertson Trust, prompted a series of recommendations from the Mental Health Foundation and Colleges Scotland including calls for sustained Scottish Government investment in mental health and wellbeing support in colleges.	√		√		
Assembling and delivering thematic documents, communications, and papers to the Scottish Covid-19 Inquiry, as well as leading on three roundtables with college principals to enable early input into the direction of the ongoing Inquiry.	√		√		
Continuing to engage with the SFC regarding implementing various workstreams emanating from the SFC Review on Cohesion and Sustainability, including advocating for the sector on working groups covering topics such as the review of the Funding Model and a new Tertiary Quality Framework, as well as the development of an Infrastructure Delivery Plan for the college sector and updated estates conditions survey.	√	√	√		
Developing deeper relationships with the UK Government at a time of increased direct funding and interventions from Westminster. This has included developing strong links with both the Scotland Office and the Department of Levelling Up, Housing and Communities, as well as establishing regular stakeholder engagement meetings with the Under Secretary of State for Scotland.	√	√	√		
Facilitating knowledge exchange and research related to the opportunities for the college sector in relation to the green industries and mitigation of climate change.	√	√	√		
Commissioning the Fraser of Allander Institute to undertake updated research to show the economic value of the college sector.		√			
Successful advocacy resulting in £2.4m funding for mental health counsellors, which was funded until July 2023, with a further one-	√		√		

Activity	Strategic Aims				
	1	2	3	4	5
off fund of £3.21m for colleges and universities to utilise in 2023/24.					
Working in partnership with sportscotland and Scottish Student Sport to secure investment of up to £1.45m over the next two years to create a new Active Campus Network in colleges across the country through the appointment of new Active Campus Coordinators who will work to increase participation opportunities for students.	√	√	√		
Strong engagement with the Scottish Government to secure a continuation of £10m from the Young Person's Guarantee, which was not available to the sector at the start of the year.	√	√	√		
Sustained intervention and advocacy resulting in the SFC prioritising additional funding of £350k for WorldSkills to allow its work to continue in Scotland. This funding solution also allows candidates from Scotland to continue in the competitions.	√	√	√		
Communications and Public Affairs Activity					
Throughout 2022/23, political engagement remained high with MPs, MSPs, civil servants, and government Ministers. Colleges Scotland in this period held 15 meetings with Scottish Ministers and MSPs to discuss the college sector.		√			
Humza Yousaf MSP was appointed as the new First Minister of Scotland in March 2023 and a cabinet reshuffle followed with Jenny Gilruth MSP being appointed as the new Cabinet Secretary for Education and Skills and Graeme Dey MSP as the new Minister for Higher and Further Education; and Minister for Veterans. Colleges Scotland facilitated early engagement with the sector through an all chairs and principals' meeting in Stirling with both the Cabinet Secretary and Minister.				√	
Parliamentary activity has been high throughout the year, in particular with the Education, Children and Young People Committee conducting an inquiry into College Regionalisation. The Chief Executive and Director of Strategic Policy gave evidence to the Education, Children and Young People's Committee, and Colleges Scotland offered support to the seven college representatives who also gave evidence to the same Committee, culminating in a report being published in March 2023 which reinforced the financial challenges of the sector.	√	√	√	√	
We participated in and arranged speakers from the sector for 6 parliamentary Cross Party Groups in 2022/23 and providing the secretariat to the Cross Party Group on Skills, as well as supporting Universities Scotland with the Cross Party Group on Colleges and Universities.		√		√	

Activity	Strategic Aims				
	1	2	3	4	5
Our annual Parliamentary Reception, hosted by Michael Marra MSP, did not go ahead as planned due to parliamentary business running late into the night, however, the evening did allow for some great networking and the opportunity to meet many colleagues from across the sector face-to-face for the first time since the pandemic.		√		√	
We held a successful event in March 2023 – an all chairs and principals’ session in Stirling with two panel discussions followed and a dinner in the evening at Forth Valley College which was attended by a range of stakeholders.				√	
Colleges Scotland has been working closely with CDN on a variety of initiatives and events throughout the year. This has included setting out a range of joint projects around data and research with their Enhancement Centre, our Chair and Chief Executive presenting at the CDN Poverty Symposium, and Colleges Scotland exhibiting at the CDN College Expo.				√	
Colleges Scotland has been an active part of designing and delivering the successful annual #ChooseCollege and #LoveScotlandsColleges marketing campaigns in partnership with CDN and the Marketing Development Network.		√			
A Summer Blog Series was created and published on the Colleges Scotland website in July 2023, where thinkers and experts outwith the sector were invited to give their views on colleges in Scotland and on what the future may hold.		√			
Our Head of Communications and Public Affairs sat on the judging panel for the NUS Scotland Annual Awards and we attended the ceremony in Edinburgh to celebrate with the nominated college students.		√			
In person events and networking returned in 2022/23, providing Colleges Scotland many opportunities to advocate for the sector. These included attending SCDI events, the Scottish Women in Business Reception, AoC Parliamentary Reception, NUS 50th Anniversary, Universities Scotland Parliamentary Reception, Commonwealth Education Day, Holyrood Festival of Education, Skills and Employability Summit, ESP Climate Emergency Skills Event, CDN College Awards, and the first Four Nations Study Visit to Belfast.		√			
Media activity remained high and we continued to provide members with regular communications.		√		√	
College Employers Scotland Activity					
Enhanced delivery of National Bargaining activity for the benefit of the college sector was supported through SFC confirmation of £800k in funding for Academic Year 2022/23. This increased					√

Activity	Strategic Aims				
	1	2	3	4	5
resource allowed College Employers Scotland (CES) to recruit a new National Bargaining Lead (Lecturing and Central Committee) and a full-time Communications and Public Affairs Officer, while also strengthening administrative support.					
David Watt, Regional Chair of Fife College's Board of Governors, was appointed Chair of CES in November 2022. He took over from Alex Linkston, Regional Chair of the Board of West Lothian College, who stepped down after five years as CES Chair.					√
A new National Menopause Policy was developed and agreed in partnership with the trade unions and adopted by all colleges in Scotland. It will ensure every colleague experiencing the menopause receives adequate levels of support, including reasonable adjustments to working arrangements if required.					√
Significant progress has been made on the development of a National Disciplinary Policy and work has now begun on the model procedure for all college staff. This is being developed within the National Joint Negotiating Committee (NJNC), in partnership with trade unions and employers.					√
The General Teaching Council for Scotland (GTCS) approved the new Provisional (Conditional) Registration route for college lecturers, supporting staff professional development and underpinning the world-class learning offer at colleges. This achievement has been secured thanks to close partnership working between GTCS, CES, the Scottish Government, and the EIS-FELA.					√
A full and final Lecturing Staff Pay Offer of a £3,500 cumulative rise over AYs 2022/23 and 2023/24 was made. This was promoted with strong communications across CES digital and social media channels, and through written correspondence.					√
A full and final Support Staff Pay Offer of a £3,500 cumulative rise over AYs 2022/23 and 2023/24, along with commitments regarding Terms and Conditions, Job Evaluation and job security, was made. This was promoted with strong communications across CES digital and social media channels, and through written correspondence.					√
As part of the National Job Evaluation Scheme, progress was made with rank orders which were issued to 22 colleges. Proposals were agreed by employers to take forward two workstreams and commence discussions with the support staff trade unions.					√
CES provided written evidence to the College Regionalisation Inquiry undertaken by the Scottish Parliament's Education, Children and Young People Committee. A detailed response was also submitted to the Committee that set out how colleges have					√

Activity	Strategic Aims				
	1	2	3	4	5
addressed the recommendations of the Strathesk Lessons Learned Report.					

Financial Review

Colleges Scotland has continued to deliver against its objectives and activities during the year. During 2022/23 Colleges Scotland reported net income of £81k (2021/22: net loss of £176k) before other recognised gains or losses on the pension scheme. The net income result comprised net loss of £50k on restricted funds and net surplus £131k on unrestricted funds (2021/22: £87k net loss on restricted funds and £89k on unrestricted funds).

Other recognised gains associated with the defined benefit pension scheme, which do not represent the in-year operating position, resulted in an increase in total funds of £366k (2021/22: increase of £2,302k). Net assets on the balance sheet are £597k (2021/22: £231k). This is explained further within the reserves policy below.

The reported net income during 2022/23 was not foreseen as part of the forecasts for Colleges Scotland. This was down to various circumstances, these are noted below:

1. The full cost of upgrading the video conferencing equipment was capitalised, as per last year's audit recommendations and therefore led to an underspend for Colleges Scotland.
2. There was a delay in the Board agreeing an extension to the lease beyond 2024 which meant that work to install movable walls in the Kildean meeting room was put on hold and again led to an underspend for Colleges Scotland.
3. Costs for carrying out a research study on behalf of the sector (report by Fraser of Allander Institute) was reduced due to College Development Network sharing half the costs which led to an underspend for Colleges Scotland.

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 Employers Scotland is financed through a separate grant provided by the SFC to support the implementation of National Bargaining across the college sector. In February 2022, a new top sliced funding model was agreed by employers and the SFC, with further agreement on a two-year transition period for the top slice model in 2022/2023 and 2023/2024.

In addition to this, the Job Evaluation Project Delivery Team sought further funding from SFC for a six-month period between August 2022 and January 2023, to allow for the completion of the Quality Assurance Process in order to conclude during Stage Two (Evaluation of Roles) of the Job Evaluation project which is in place to implement national Job Evaluation across the college sector. The total additional funding for this award period was £187,000. Funding was to cover the costs of the core project management team, consultancy support and FEDRA license and software costs.

Investment Policy

Under the Memorandum and Articles of Association, Colleges Scotland has the power to invest in any way the Directors see 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 for College Employers Scotland are held in a separate non-interest bearing bank account.

Value Added Tax

Colleges Scotland is not VAT registered.

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 2022/23, 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 July 2023, excluding pensions liabilities, is therefore £597k (2021/22: £604k) and including pensions liabilities, a net asset position of £597k (2021/22: £231k). Of these reserves, £84k relates to restricted reserves (2021/22: £134k). The Directors are aware of the net asset 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 £513k and are therefore content that the reserves policy has been met.

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.

Plans for Future Periods

Following publication of the college sector's [Statement of Ambition 2021-2026](#) which highlighted the five-pronged plan to support a green national recovery programme, to extend its reach within local communities, to develop work-based training, to grow regional partnerships, and to provide locally focused and targeted learning for every student, an updated Colleges Scotland [Strategy 2022-2026](#) was agreed by the Colleges Scotland Board at its meeting in May 2022.

Between September 2022 and September 2023, college sector leaders undertook a range of work under the Think the Unthinkable heading. This identified a number of potential changes to the delivery of skills provision in Scotland, which were subsequently highlighted within the Skills Delivery Landscape Review carried out by James Withers.

The Colleges Scotland Strategic Plan 2022-2026 published in June 2022 continues to help deliver the college sector's 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 members drawn from the College Principals' Group.

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 (Business Assist, Offices and Surgeries Package, Combined Business Travel/PA/Sickness, Cyber Package, Engineering Computers, Definitive Crime, and Combined 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
- Finance and General Purposes Committee
- College Sector Finances Committee.

In addition, the Governing Body of College Employers Scotland was formed under the auspices and authority of Colleges Scotland Board and is the forum through which the employers support the continued delivery and implementation of the Scottish Government's policy of National Bargaining. Through an agreed Memorandum of Authority, the Governing Body of College Employers Scotland has full decision-making authority on all matters related to National Bargaining.

The advisory groups are the College Chairs' Group, College Principals' Group, and the Good Governance Steering 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, 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 Board Secretary.

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. The Board should retain oversight of membership and tenure and satisfy 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 Board Secretary.

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 concluded its Governance Review for Colleges Scotland and College Employers Scotland at the end of 2022. A workplan around this area was agreed by the board in January 2023 and work continues to be progressed. A significant change during this period included a revised Memorandum of Authority between Colleges Scotland and College Employers Scotland. This was agreed by the Colleges Scotland Board in June 2023 and formally came into operation at the start of Academic Year 2023/24.

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 senior leadership team. The Chief Executive and senior leadership team should not be involved in deciding his or her own remuneration.

The Finance and General Purposes Committee is an advisory committee with limited decision-making authority on reserved matters and meets at least once per year. The Finance and General Purposes 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 senior leadership team.

The Finance and General Purposes Committee works in conjunction with the Chief Executive on the appointment process and appointment of senior leadership team within the organisation. The Finance and General Purposes Committee leads the appointment process of the Chief Executive and makes a recommendation for their appointment to the full board.

The Finance and General Purposes 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 senior leadership team within the organisation and reporting findings annually to members of the Finance and General Purposes Committee.

The Finance and General Purposes Committee will consider proposals and make recommendations to the board regarding pay awards for all staff.

The Finance and General Purposes 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 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 should review arrangements by which staff of Colleges Scotland may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Audit and Risk Assurance 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/Advisory Groups

The Board is supported in its duties by a further committee, College Sector Finances Committee. This is an advisory committee and is authorised to negotiate on behalf of the Board in relation to all aspects of funding for the sector, including negotiating the quantum, the allocation process and student support funding.

In addition, within its structure, the Board has three advisory groups (College Chairs' Group, College Principals' Group, and the Good Governance Steering Group).

These are all sector-facing groups established to consider issues impacting the sector and help share the policy agenda in these areas. Furthermore, College Employers Scotland is the body recognised by the Board of Colleges Scotland, through the Memorandum of Authority, as the forum through which National Bargaining is to be implemented by employers. The Governing Body of College Employers Scotland appoints an Executive Group and a National Joint Negotiating Committee (NJNC) Management Side Negotiating Team.

Related Parties

There are 24 colleges which operate in 13 regions across Scotland (10 Regional Colleges and 3 Regional Strategic Bodies) whose Chairs are members of our Board. The Chair of the College Principals' Group and three college principals, are also members of our Board who are elected by their peers.

Annual Colleges Scotland membership subscriptions are received from the 10 Regional Colleges and 3 Regional Strategic Bodies.

College Employers Scotland Facilities Time income was received from 24 individual colleges. Of these Colleges, 10 are Regional Colleges and 14 are Assigned Colleges as part the 3 Regional Strategic Bodies. Facilities Time will be reimbursed to 9 colleges.

Role Analyst Secondment costs for the Job Evaluation Project were paid to 2 Regional Colleges.

Forth Valley College, whose Chair is a member of our Board, provided Finance & HR Services and catering services to Colleges Scotland.

Reference and Administrative Information

Company Number:	SC143210
Registered Scottish Charity Number:	SC023848
Registered Office:	Argyll Court Castle Business Park Stirling FK9 4TY
External Auditor:	Chiene + Tait LLP (trading as CT) 61 Dublin Street Edinburgh EH3 6NL
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	Frances Harrower (1 May 2023 – current) Shona Struthers (20 April 2022 – 30 April 2023)

Directors and Trustees

The Directors/Trustees of the Company during the year 1 August 2022 – 31 July 2023 and as at 11 December 2023 were:

Name	Position and Organisation	Date of Appointment	Date of Termination
Dr Winnie Wai-Yin Hatton (Chair)	Regional Chair, West College Scotland	3 March 2020	
Angus Campbell	Further Education Regional Lead and Vice-Chair of UHI Regional Strategy Committee, University of the Highlands and Islands	28 October 2021	
Joanna Campbell (Vice Chair)	Principal and Chief Executive, Dumfries and Galloway College	12 September 2023 (*)	
Elizabeth Connolly	Principal and Chief Executive, West College Scotland	1 January 2020	
Margaret Cook	Principal and Chief Executive, UHI Perth	15 November 2018	
Trudi Craggs	Interim Regional Chair, Forth Valley College	26 January 2023	
Audrey Cumberland MBE (Vice Chair)	Principal and Chief Executive, Edinburgh College	4 May 2021	12 September 2023 (*)
Laurence O'Donnell	Regional Chair, Dundee and Angus College	27 October 2022	
Susan Elston	Regional Chair, North East Scotland College	26 January 2023	
John Henderson	Interim Regional Chair, North East Scotland College	3 March 2022	31 October 2022
Alexander Linkston	Regional Chair, West Lothian College	27 June 2016	
Ross Martin	Regional Chair, Forth Valley College	1 August 2017	29 November 2022
Raymond McCowan	Regional Chair, Borders College	1 February 2022	
Janie McCusker	Regional Chair, Glasgow Colleges' Regional Board	8 January 2018	
Fiona McQueen	Regional Chair, Ayrshire College	3 March 2022	

Name	Position and Organisation	Date of Appointment	Date of Termination
Lydia Rohmer	Principal and Chief Executive Officer, UHI North, West and Hebrides	7 September 2015	7 September 2023
Nora Senior	Regional Chair, Edinburgh College	27 October 2022	
Derek Smeall	Principal and Chief Executive, Glasgow Kelvin College	20 November 2023	
Ronald Smith	Chair, The Lanarkshire Board	3 October 2019	
Caroline Stuart	Regional Chair, Dumfries and Galloway College	1 February 2022	
David Watt	Regional Chair, Fife College	19 March 2019	
Shona Struthers	Chief Executive, Colleges Scotland	18 August 2014	

(*) change in appointment as Chair of the College Principals' Group

Directors' Responsibilities in Relation to the Financial Statements

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.

Auditor

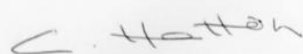
In accordance with Colleges Scotland's articles, the auditor will be reappointed at the forthcoming Annual General Meeting.

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.



Dr Waiyin Hatton, Chair

25 January 2024

Date

COLLEGES SCOTLAND

Independent Auditor's Report to the Directors and Members of Colleges Scotland for the year ended 31 July 2023

Opinion

We have audited the financial statements of Colleges Scotland (the 'charitable company') for the year ended 31 July 2023 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cashflows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 July 2023, 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, Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 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 charity 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 directors 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 directors 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 directors 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.

COLLEGES SCOTLAND

Independent Auditor's Report to the Directors and Members of Colleges Scotland for the year ended 31 July 2023 (continued)

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.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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.

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 (as amended) requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors (who are also the trustees of the charitable company for the purposes of charity 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 directors 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 directors 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 directors either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

COLLEGES SCOTLAND

Independent Auditor's Report to the Directors and Members of Colleges Scotland for the year ended 31 July 2023 (continued)

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.

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.

We gained an understanding of the legal and regulatory framework applicable to the charitable company and industry in which it operates and considered the risks of acts by the charitable company which were contrary to applicable laws and regulations, included fraud. These included but were not limited to the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended).

We focussed on laws and regulations that could give rise to a material misstatement in the financial statements. Out tests included, but were not limited to:

- agreement of the financial statement disclosures to underlying supporting documentation;
- enquiries of management;
- review of minutes of Board and other Committee meetings throughout the period; and
- obtaining and understanding of the control environment in monitoring compliance with laws and regulations.

There are inherent limitations in an audit of financial statements 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. We also addressed the risk of management override of internal controls, including testing journals and evaluating whether there was evidence of bias by the Board that represented a material misstatement due to fraud.

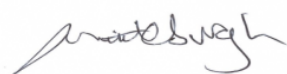
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

COLLEGES SCOTLAND

Independent Auditor's Report to the Directors and Members of Colleges Scotland for the year ended 31 July 2023 (continued)

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 directors, 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 directors 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 charity's directors as a body, for our audit work, for this report, or for the opinions we have formed.



Jeremy Chittleburgh CA (Senior Statutory Auditor)
For and on behalf of
CT
Chartered Accountants and Statutory Auditor
61 Dublin Street
Edinburgh
EH3 6NL

Chiene + Tait LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Date: 29 Jan 2024

COLLEGES SCOTLAND

STATEMENT of FINANCIAL ACTIVITIES

for the year to 31 July 2023

	Note	Unrestricted Funds £000s	Restricted Funds £000s	2023 Total £000s	2022 Total £000s
Income:					
Charitable activities	3	919	1,073	1,992	2,130
Investments	4	1	-	1	-
Total		920	1,073	1,993	2,130
Expenditure:					
Charitable activities	5	789	1,123	1,912	2,306
Total Expenditure		789	1,123	1,912	2,306
Net Income/(Expenditure)		131	(50)	81	(176)
Transfers between funds		-	-	-	-
Net Income/(Expenditure) after transfers		131	(50)	81	(176)
Other recognised gains					
Actuarial gain on pension fund	16	285	-	285	2,478
Net Movement in Funds		416	(50)	366	2,302
Funds brought forward		97	134	231	(2,071)
Funds carried forward		513	84	597	231

All income and expenditure derive from continuing activities.

The statement of financial activities includes all gains and losses recognised during the year.

The notes on pages 27 to 37 form part of these financial statements.

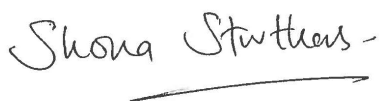
COLLEGES SCOTLAND

BALANCE SHEET

As at 31 July 2023

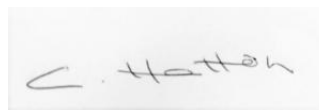
	Notes	2023 £000s	2022 £000s
FIXED ASSETS			
Tangible assets	10	48	16
CURRENT ASSETS			
Debtors	11	259	139
Cash at bank and in hand	12	740	801
		<u>999</u>	<u>940</u>
CURRENT LIABILITIES			
Creditors: amounts falling due within one year	13	(414)	(317)
NET CURRENT ASSETS		<u>585</u>	<u>623</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		633	639
Creditors : amounts falling due after one year	14	(36)	(35)
NET ASSETS EXCLUDING PENSION LIABILITY		<u>597</u>	<u>604</u>
Pension Asset / (Liability)	16	-	(373)
NET ASSETS	18	<u>597</u>	<u>231</u>
FUNDS			
Restricted funds	17	84	134
Unrestricted funds :			
General funds	17	513	470
Designated funds – Pension Asset / (Liability)	17	-	(373)
TOTAL CHARITY FUNDS	18	<u>597</u>	<u>231</u>

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



Chief Executive

Shona Struthers



Chair

Dr Waiyin Hatton

DATE:25 January 2024.....

Company Registration Number: SC143210
Charity number: SC023848

The notes on pages 27 to 37 form part of these financial statements.

COLLEGES SCOTLAND

STATEMENT of CASH FLOWS

For the year ended 31 July 2023

	Notes	2023 £000s	2022 £000s
Reconciliation of net movement in funds to net cash inflow from operating activities			
Net movement in funds		81	(176)
Interest received		(1)	-
Increase in debtors		(120)	(78)
Increase in creditors		97	11
Depreciation charge		24	21
Dilapidations Provision		1	7
Defined benefit Pension scheme		(88)	100
Net cash used by operating activities		(6)	(115)
Cash flows from investing activities			
Interest received		1	-
Purchase of tangible fixed assets		(56)	-
Cash provided by investing activities		(55)	-
Decrease in cash and cash equivalents in the year		(61)	(115)
Cash and cash equivalents at beginning of year		801	916
Cash and cash equivalents at end of year	12	740	801

The notes on pages 27 to 37 form part of these financial statements.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023

1. Accounting Policies

General Information

College 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.

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

Basis of preparation

The financial statements have been prepared in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102), the Charities SORP (FRS102) and the Charities Accounts (Scotland) Regulations 2006. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Colleges Scotland meets the definition of a public benefit entity under FRS 102.

The financial statements have been prepared under the historical cost convention. These financial statements are presented in Pounds Sterling (GBP), which is the functional currency of the charitable company, and rounded to the nearest £1,000.

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 a going concern basis.

Income recognition

Income is recognised in the Statement of Financial Activities when the charitable company is entitled to the income, receipt of income is probable and the amount can be reliably measured. The following specific policies are applied to particular categories of income:

- Subscription income is recognised in the period in which the charitable company provides the services.
- Grants, where entitlement is not conditional on the delivery of a specific performance by the charitable company, are recognised when the charitable company becomes unconditionally entitled to the grant.
- Grants, where related to performance and specific performance by the charitable company, are accounted for as the charitable company earns the right to the consideration by its performance. Income is deferred for grants which have claw back conditions.
- Investment income consists of bank interest and is included when receivable.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023

1. Accounting Policies (continued)

Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

All expenditure is accounted for on an accruals basis and is classified by activity. Expenditure includes VAT to the extent that it cannot be fully recovered. The following specific policies are applied to particular categories of expenditure:

- Charitable expenditure comprises those costs incurred by the charitable company 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 the charitable company 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.

The basis on which costs have been allocated are set out in notes 5 and 6.

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 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 benefit 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.

Leases

Rental 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.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023

1. Accounting Policies (continued)

Employee Benefits

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

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.

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 VAT arising from expenditure on activities is charged to the statement of financial activities in the year in which it is incurred.

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 2022/23, the main risks and potential liabilities faced are as set out in the risk management section of this report together with fluctuations in pension 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 July 2023, excluding pensions liabilities, is therefore £597k (2021/22: £604k) and including pensions liabilities, a net asset position of £597k (2021/22: £231k). Of these reserves, £84k relates to restricted reserves (2021/22: £134k). The Directors are aware of the net asset 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 £513k and are therefore content that the reserves policy has been met.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023 (continued)

1. Accounting Policies (continued)

Tangible fixed assets

Tangible fixed assets are carried at cost, net of depreciation and any provision for impairment. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Equipment	-	3-5 years straight line
Furniture & Fittings	-	5 years straight line

The capitalisation threshold for fixed asset expenditure is £3,000.

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. Any impairment is recognised in the Statement of Financial Activities.

Debtors

Debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid net of any discounts due.

Cash at bank and in hand

Cash at bank and in hand includes cash in hand and bank deposits with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

Creditors

Creditors are obligations to pay for goods or services that have been acquired. Creditors are classified as creditors falling due within one year if payment is due within one year or less. Any amounts due after one year are recognised as creditors falling due after one year. Creditors are recognised at the undiscounted amount owed to the supplier, which is normally the invoice price.

Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the Board of Directors in furtherance of the general objectives of the company.

Designated funds comprise unrestricted funds that have been set aside by the Board of Directors for particular purposes.

Restricted funds represent grant monies from the Scottish Funding Council to specifically support College Employers Scotland.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023 (continued)

2. Judgements and estimates

In preparing the financial statements, directors 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, 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% (£72,000)
- A 1 year increase in member life expectancy would increase the defined benefit obligation by 4% (£131,000)
- A 0.1% increase in the salary increase rate would increase the defined benefit obligation by 0% (£7,000)
- A 0.1% increase in the pension increase rate would increase the defined benefit obligation by 2% (£66,000)

3. Income from charitable activities

	2023	2022
	£000s	£000s
<i>Unrestricted</i>		
Subscriptions	893	893
Contracts and support services	26	25
	<hr/> 919	<hr/> 918
<i>Restricted</i>		
Grant Funding from SFC	888	1,151
Facilities time	185	61
	<hr/> 1,073	<hr/> 1,212
Total income from charitable activities	<hr/> 1,992	<hr/> 2,130

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023 (continued)

4. Income from investments

	2023 £000s	2022 £000s
<i>Unrestricted</i>		
Bank Interest	1	-

5. Expenditure on charitable activities

2023	Colleges Scotland £000s	College Employers Scotland £000s	Job Evaluation £000s	GTCS £000s	Total £000s
Staffing Costs	613	520	152	-	1,285
Other costs associated with support to colleges	151	389	35	-	575
Service Level Agreement costs	19	21	-	-	40
Governance costs	6	6	-	-	12
Total	789	936	187		1,912

Analysis between funds

Unrestricted	789	-	-	-	789
Restricted	-	936	187	-	1,123
	789	936	187	-	1,912

2022	Colleges Scotland £000s	College Employers Scotland £000s	Job Evaluation £000s	GTCS £000s	Total £000s
Staffing Costs	753	369	559	-	1,681
Other costs associated with support to colleges	229	238	12	106	585
Service Level Agreement costs	19	11	-	-	30
Governance costs	6	4	-	-	10
Total	1,007	622	571	106	2,306

Analysis between funds

Unrestricted	1,007	-	-	-	1,007
Restricted	-	622	571	106	1,299
	1,007	622	571	106	2,306

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023 (continued)

6. Analysis of support and governance costs

2023	Basis of allocation	Support Costs £000s	Governance £000s	Total £000s
Service Level Agreement costs	Direct	40	-	40
Audit fees	Direct	-	12	12
Total		40	12	52
2022	Basis of allocation	Support Costs £000s	Governance £000s	Total £000s
Service Level Agreement costs	Direct	30	-	30
Audit fees	Direct	-	10	10
Total		30	10	40

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023 (continued)

7. Staff costs

	2023	2022
	£000s	£000s
Core Staff		
Wages and salaries	919	832
Social security costs	79	72
Other pension costs	241	205
FRS 102 defined benefit adjustment	(95)	55
Total staff costs	<u>1,144</u>	<u>1,164</u>
Short-term and temporary staff		
Consultants	141	517
Total	<u>1,285</u>	<u>1,681</u>
 <i>Average staff numbers</i>		
Employees	<u>18</u>	<u>14</u>

The number of staff who received emoluments above £60,000 (excluding employer pension contributions) fell within the following ranges as follows:

	2023	2022
£60,000 - £69,999	1	1
£70,000 - £79,999	2	2
£80,000 - £89,999	-	1
£90,000 - £99,999	1	-

Key management personnel is defined as the Trustees, Chief Executive, the Director of Strategic Policy and Corporate Governance, the Director of College Employers Scotland and the Head of Communications and Public Affairs. Total remuneration of key management was as follows:

	2023	2022
	£000s	£000s
Salary	236	192
Benefits in kind	2	2
Pension contributions	72	56
Total Emoluments	<u>310</u>	<u>250</u>

The above emoluments include amounts payable to the Chief Executive, Shona Struthers, who is also a trustee for the purposes of charity law, of £90,785 (2022: £88,272). Contributions to pension schemes on behalf of the Chief Executive were £27,508 (2022: £26,746). The Chief Executive also received benefits in kind of £1,042 (2022: £772). 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.

8. 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. (2022 - £nil).

During the year, Directors received reimbursement of expenses of £457 (2022 - £nil).

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023 (continued)

9. Net expenditure for the year

This is stated after charging:

	2023 £000s	2022 £000s
Depreciation of tangible fixed assets	24	21
Auditors remuneration – audit	12	10
Operating lease rentals	65	64
Pension contributions	146	260
	<hr/>	<hr/>

10. Tangible fixed assets

	Equipment £000s	Furniture & Fittings £000s	Total £000s
Cost:			
At 1 August 2022	92	5	97
Additions during the year	56	-	56
At 31 July 2023	<hr/>	<hr/>	<hr/>
	148	-	153
Accumulated depreciation:			
At 1 August 2022	76	5	81
Provided during the year	24	-	24
At 31 July 2023	<hr/>	<hr/>	<hr/>
	100	-	105
Net book value			
31 July 2023	<hr/>	<hr/>	<hr/>
	48	-	48
31 July 2022	<hr/>	<hr/>	<hr/>
	16	-	16

11. Debtors

	2023 £000s	2022 £000s
Debtors	186	84
Other debtors	36	36
Prepayments and accrued income	37	19
	<hr/>	<hr/>
	259	139

12. Cash and cash equivalents

	2023 £000s	2022 £000s
Cash at bank and in hand	740	801
	<hr/>	<hr/>

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023 (continued)

13. Creditors: Amounts falling due within one year

	2023 £000s	2022 £000s
Creditors	84	87
Taxes and social security costs	34	23
Accruals and other creditors	296	207
	<u>414</u>	<u>317</u>

14. Provisions

	2023 £000s	2022 £000s
Opening balance	35	28
Increase in year	1	7
Closing balance	<u>36</u>	<u>35</u>

The above dilapidations provision has been recognised in relation to the lease of the office premises expiring in 2024.

15. Lease commitments

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

	2023 £000s	2022 £000s
In less than 1 year	67	67
Within 2-5 years	28	95
	<u>95</u>	<u>162</u>

16. Pension commitments and other post-retirement benefits

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:

	2023 £000s	2022 £000s
Contribution to FCPF	218	185
Contribution to Aegon	23	20
Total pension cost	<u>241</u>	<u>205</u>

Contributions outstanding at the year-end were £27,336 (2022 : £18,861)

The estimated employer contributions to the defined benefit scheme (Falkirk Council Pension Fund) for the next financial year will be approximately £216,000.

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023 (continued)

16. Pension commitments and other post-retirement benefits (continued)

The following information is based upon a full actuarial valuation of the Fund at 31st July 2023 by a qualified independent actuary, Hymans Robertson LLP.

Changes in the Fair Value of Plan Assets, Defined Benefit Obligation and Net Liability						
	2023			2022		
	Asset	Obligations	Net (liability) / asset	Asset	Obligations	Net (liability) / asset
	£000s	£000s	£000s	£000s	£000s	£000s
Fair value of plan assets	3,577	-	3,577	3,265	-	3,265
Present value of funded obligations	-	3,950	(3,950)	-	6,016	(6,016)
Opening position as at 31	3,577	3,950	(373)	3,265	6,016	(2,751)
Service Cost						
Current service cost	-	139	(139)	-	216	(216)
Past service cost	--	-	-	-	-	-
Effect of settlements	-	-	-	-	-	-
Total Service Cost	-	139	(139)	-	216	(216)
Net interest						
Interest income on plan assets	129	-	129	53	-	53
Interest cost on defined benefit obligation	-	140	(140)	-	98	(98)
Total Net Interest	129	140	(11)	53	98	(45)
Total defined benefit cost recognised in SOFA	129	279	(150)	53	314	(261)
Cashflows						
Participants' contributions	37	37	-	29	29	-
Employer contributions	238	-	238	161	-	161
Benefits paid	(69)	(69)	-	(65)	(65)	-
Unfunded benefits paid	-	-	-	-	-	-
Contributions in respect of unfunded benefits paid	-	-	-	-	-	-
Expected closing position	3,912	4,197	(285)	3,443	6,294	(2,851)
Remeasurements						
Changes in demographic assumptions	-	(50)	50	-	(21)	21
Changes in financial assumptions	-	(1,117)	1,117	-	(2,335)	2,335
Other experience	-	243	(243)	-	12	(12)
Return on assets excluding amounts included in net interest	(90)	-	(90)	134	-	134
Adjustment for amounts not recognised in balance sheet	(549)	-	(549)	-	-	-
Total remeasurements recognised in SOFA	(639)	(924)	285	134	(2,344)	2,478
Fair value of plan assets	3,273	-	3,273	3,577	-	3,577
Present value of plan liabilities	-	3,273	(3,273)	-	3,950	(3,950)
Closing position	3,273	3,273	-	3,577	3,950	(373)

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023 (continued)

16. Pension commitments and other post-retirement benefits (continued)

The principal actuarial assumptions used at the balance sheet date are as follows:

	2023	2022
	%	%
Pension Increase Rate	3.00	2.75
Salary Increase Rate	3.60	3.35
Discount Rate	5.05	3.50
	Males	Females
	Years	Years
Current pensioners	19.8	22.5
Future pensioners (assumed to be aged 45 at last formal valuation date)	21.0	24.5

An allowance is included for future retirements to elect to take 50% of the maximum additional tax-free cash up to HRMC limits for pre-April 2009 service and 75% of the maximum tax-free cash for post-April 2009 service.

The major categories of plan assets as a percentage of total plan assets were as follows:

	2023	2022
	%	%
Equities	60	61
Bonds	31	28
Property	5	6
Cash	4	5

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023 (continued)

17. Fund reconciliation

2023	At 1 August 2022	Income	Expenditure	Transfers	Other Gains/ (Losses)	At 31 July 2023
	£000s	£000s	£000s	£000s	£000s	£000s
Unrestricted funds						
General fund	470	920	(877)	-	-	513
Designated Funds: Pension Liability	(373)	88	-	-	285	-
Total Unrestricted Funds	97	1,008	(877)	-	285	513
Restricted funds						
College Employers Scotland	134	1,073	(1,123)	-	-	84
Total Restricted funds	134	1,073	(1,123)	-	-	84
Total funds	231	2,081	(2,000)	-	285	597
2022	At 1 August 2021	Income	Expenditure	Transfers	Other Gains/ (Losses)	At 31 July 2022
	£000s	£000s	£000s	£000s	£000s	£000s
Unrestricted funds						
General fund	459	918	(907)	-	-	470
Designated Funds: Pension Liability	(2,751)	-	(100)	-	2,478	(373)
Total Unrestricted Funds	(2,292)	918	(1,007)	-	2,478	97
Restricted funds						
College Employers Scotland	221	1,212	(1,299)	-	-	134
Total Restricted funds	221	1,212	(1,299)	-	-	134
Total funds	(2,071)	2,130	(2,306)	-	2,478	231

COLLEGES SCOTLAND

Notes to the Financial Statements

for the year ended 31 July 2023 (continued)

18. Funds analysis

2023	Restricted	Unrestricted Designated Funds	Unrestricted General Funds	Total Funds
	£000s	£'000s	£000s	£000s
Net assets	84	-	549	633
Net pension asset / (liability)	-	-	-	-
Provisions	-	-	(36)	(36)
	<u>84</u>	<u>-</u>	<u>513</u>	<u>597</u>
2022	Restricted	Unrestricted Designated Funds	Unrestricted General Funds	Total Funds
	£000s	£000s	£000s	£000s
Net assets	134	-	505	639
Net pension asset / (liability)	-	(373)	-	(373)
Provisions	-	-	(35)	(35)
	<u>134</u>	<u>(373)</u>	<u>470</u>	<u>231</u>

19. Related party transactions

From Subscription income totalling £892,665, £876,740 has been received from 10 Regional Colleges and 3 Regional Strategic Bodies whose Chairs are members of our Board.

From Facilities Time income totalling £185,028, £184,274 has been received from 24 individual Colleges. Of these Colleges, 10 are Regional Colleges and 14 are Assigned Colleges as part the 3 Regional Strategic Bodies, all of whose Chairs are members of our Board. A total of £185,028 for Facilities Time will be reimbursed to 9 colleges.

Role Analyst Secondment costs for the Job Evaluation Project of £75,890 were paid to 2 Regional Colleges whose Chairs are members of the Board.

Forth Valley College, whose Chair is a member of our Board, provides Finance & HR Services and catering services to Colleges Scotland. During the year £28,617 was paid to Forth Valley College in respect of these services.