

Colleges Scotland

Financial Statements for the Year Ended 31 July 2022

Scottish Charity Number: SC023848
Registered in Scotland Number: SC143210



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Report of the Directors for the Year Ended 31 July 2022

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 2022.

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

Colleges Scotland's objectives and principal activities remained throughout 2021/22 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 2021/22 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

The past year was one which threw up so many challenges as we transitioned from lockdown to our new normality.

Here at Colleges Scotland our staff showed the adaptability, resilience, and ingenuity we saw throughout the pandemic to support the sector in a rapidly changing world.

As the country yo-yoed between a safe partial re-opening, back into lockdown and, finally, into an end to restrictions, we ensured the nation's colleges and their students were supported by the correct policies, received additional financial support when available and were kept informed and received guidance to protect and support them throughout.

But, despite so much change and uncertainty along with increasingly restricted budgets, we have still worked relentlessly and successfully to deliver the best possible outcomes for the entire college sector.

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.

We have also significantly increased awareness of the importance of colleges and the leading role they have played and continue to play in delivering the government's key goals of economic transformation, delivering a green revolution and eradicating child poverty.

The many successes across the sector, which we have highlighted across mainstream and social media, are testament to the incredible work done by the leaders and staff at each of the 26 colleges and regional strategic bodies we represent.

During the year we saw the creation of College Employers Scotland, which will ensure greater focus on negotiations with trade unions while allowing Colleges Scotland to more effectively lead and influence policy, improve and strengthen partnerships and demonstrate the positive impacts of the sector within communities and in the wider economy.

Despite the end of lockdown restrictions, the coming year will have many different but equally difficult challenges. However, we are confident that, with the strengths and qualities shown over the past two years by everyone within the sector, and in our own small but effective Colleges Scotland team, we will overcome them and put colleges at the very heart of Scotland's skills-led

recovery. When colleges thrive, Scotland thrives.

Key achievements are below:

Activity	Strategic Aims			
	1	2	3	4
Corporate				
Colleges Scotland continues to be an accredited Living Wage Employer.				√
The Colleges Scotland board met five times during 2021/22 with the March meeting being incorporated into an away day which allowed for more in-depth discussions and strategic dialogue with key stakeholders as well as the Annual General Meeting. The Minister for Higher Education and Further Education, Youth Employment and Training, Jamie Hepburn MSP, attended for a Q&A session with sector leaders.				√
The board concluded its review of Colleges Scotland and published a refreshed College Sector Statement of Ambition in December 2021 and published a new Strategy for the organisation in June 2022.				√
Colleges Scotland achieved a successful audit for Year End 31 July 2021.				√
Response to Covid-19				
Colleges Scotland's chair, chief executive, and sector leaders, regularly participated in key meetings in regard to the ongoing impacts of Covid-19 on the sector. This included the Advanced Learning Covid Recovery Group and the College Sector Covid Leads. These meetings allowed for high level strategic advocacy and engagement for the college sector with Ministers and senior civil servants. Colleges Scotland also secured a place for the sector at the Scottish Government Expert Advisory Group.	√	√		√
Colleges Scotland worked hard to ensure that the continuing fallout and impact on the college sector from Covid-19 was not forgotten, and to ensure adequate mitigations were put in place. This included working with SQA around arrangements for the alternative assessment model for qualifications for 2021/22.	√	√		√
Our policy experts worked with the Scottish Government and sector representatives to draft and review sector guidance for college operations during the pandemic, including working 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.	√	√		√

Activity	Strategic Aims			
	1	2	3	4
College Principals' Group meetings were held monthly throughout 2021/22. 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.	√	√		√
Policy Activity				
Following additional Covid-19 monies provided to the college sector in 2021/22, this was not forthcoming in the budget settlement for 2022/23, resulting in an overall reduction in revenue income. Colleges Scotland advocated on behalf of the sector which resulted in an increase of 1% across the sector in Teaching grant to colleges and an additional £8.8m for Foundation Apprenticeships.	√	√		
The team actively engaged with the Scottish Government, SFC, and other key stakeholders, including holding meetings with Cabinet Secretaries and Ministers, to maximise the benefits to the college sector.	√	√		
Colleges Scotland also engaged closely with the Scottish Government and Sandy Begbie CBE, Scottish Financial Enterprise, in relation to the Young Person's Guarantee, which resulted in securing the continuation of £10m of funding for the college sector for another year to support young people into further study or jobs.	√	√		
In addition, we have worked to successfully secure considerable flexibilities with SFC in how colleges can operate and utilise their scarce resource. Further work is required in this area and discussions are continuing with the SFC.	√	√		
Having worked closely with colleges and the SFC as the SFC Review of Coherent Provision and Sustainability was developed, Colleges Scotland then engaged further to ensure implementation of sector priorities were taken forward. 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, working more effectively with business and industry, and to address the key areas of poverty and climate change.	√	√		
One key workstream for the policy team has been the work around developing the strategic Statement of Intent for the college sector, due to be set out in a series of statements around principles and purpose. Engagement with Scottish Government Ministers and officials has already started, and this work will continue as this key programme is taken forward.	√	√		

Activity	Strategic Aims			
	1	2	3	4
Our input also delivered the continuation of provision of flexible additional funding for supported learners for a five-year period, up from the three years previously agreed. This was implemented for the commencement of academic year 2022/23.	√	√		
Colleges Scotland also secured access for Asylum Seekers to the Higher Education Discretionary Fund. This commenced at the beginning of Academic Year 2022/23. Asylum Seekers previously did not have access to this funding in order to support learning and teaching activity.	√	√		
We developed a Cross-Portfolio Working Document to support high level strategic engagement for the college sector across Scottish Government Cabinet Secretaries Portfolios, to aid in maximising the understanding of the role of colleges to assist in delivering priorities across different portfolios in Scottish Government, and thereby seeking to maximise financial resource into the sector.	√	√		
Worked with the sector and other stakeholders through both the Student Support Task Force and the Advisory Group to secure additional support funding for students, including emergency access to further support for Ukrainian learners.	√	√		
Worked with the SFC and the Business Development Directors Group to secure additional funding and flexibilities for the delivery of Flexible Workforce Development Fund activity in response to the economic challenges of Covid-19, including access to SMEs.	√	√		
Worked with sector representatives to outline college sector expectations of the reforms and evolution in regard to how assessments should be delivered, and the qualifications and inspectorate bodies.	√	√		
Worked in partnership with the Mental Health Foundation to oversee the largest independent survey of college student mental health and wellbeing ever conducted in Scotland over the Spring of 2022, with results due to be published in the Autumn of 2022. Also worked collaboratively with Universities Scotland and NUS Scotland in relation to funding for mental health support services and the Scottish Government's Student Mental Health Action Plan.	√	√		
Worked with the Lead Principals for Digital to develop a Business Case for Strategic Investment from the Scottish Government for a Future Technology Partnership, whilst representing the sector on the Scottish Government Computing Science Working Group.	√	√		

Activity	Strategic Aims			
	1	2	3	4
Worked in partnership with the SFC to develop an Infrastructure Strategy for the college sector to be published in 2022, incorporating a programme of sector engagement workshops and a sector survey of current levels of Infrastructure related requirements.	√	√		
Engaged with Skills Development Scotland around current Modern Apprenticeship arrangements and reached agreement with Construction Industry Training Board to progress a proposal around potential single, national contract model for the college sector in Scotland.	√	√		
Worked with the Career Review Programme Board around the launch of the Career Review in February 2022 and the implementation of the Review recommendations in the college sector, establishing a college sector framework across practitioner-level and Vice Principal Groups.	√	√		
Worked closely with the WorldSkills UK Director for Scotland, Martin McGuire, to develop and submit a proposal paper for strategic investment in a WorldSkills Centre of Excellence for Scotland from the Scottish Government.	√	√		
Engaged with sportscotland around strategic investment in the college sector to support health and wellbeing and employability initiatives, whilst taking forward work around a strategy for college sport and wellbeing.	√	√		
And more widely, Colleges Scotland has facilitated Strategic Dialogue between the college sector and a wide range of key stakeholders.	√	√		
Communications and Public Affairs Activity				
Throughout 2021/22, political engagement continued to be exceptionally high with MPs, MSPs, civil servants and government Ministers. Colleges Scotland in this period held 22 meetings with Scottish Ministers and MSPs to discuss the college sector.	√	√		
The Colleges Scotland brand was refreshed in December 2021. The updated branding builds on the corporate identity which has been in place since 2012 with a more modern look and feel as we move forward with our advocacy work into the future.	√	√		
The Colleges Scotland website was refreshed in December 2021 to not only complement the new branding but to improve content, navigation, and accessibility.	√	√		

Activity	Strategic Aims			
	1	2	3	4
Worked closely with the Colleges Scotland board to publish the College Sector Statement of Ambition which was officially launched by the Minister for Higher Education and Further Education, Youth Employment and Training, Jamie Hepburn MSP, at North East Scotland College in Aberdeen in December 2021. The Statement was created with input from all colleges, setting out the conditions and commitments needed for success for students, staff, and for colleges as organisations.	√	√		
Held a successful stakeholder dinner in March 2022 which was the first in-person event Colleges Scotland had held since the pandemic began. The dinner was attended by a range of key stakeholders and MSPs with a keynote address provided by the Cabinet Secretary for Education and Skills, Shirley-Anne Somerville MSP.	√	√		
Worked closely with the Colleges Scotland board to launch the new Strategy for Colleges Scotland in June 2022.	√	√		
Keyfacts was published in June 2022. The booklet was distributed to colleges, parliamentarians, and key stakeholders, and promoted via a social media campaign.	√	√		
Colleges Scotland continued to work closely with the Marketing and Communications network throughout 2021/22. This included joint working with CDN on a stakeholder mapping project as well as the annual #ChooseCollege sector marketing campaign.	√	√		
The fortnightly Policy Briefing Note was revamped and is now a monthly Policy Update which keeps members abreast of the latest policy developments.	√	√		
Participated in and arranged speakers from the sector for six parliamentary Cross Party Groups in 2021/22 and provided the secretariat to the Cross Party Group on Skills.	√	√		
College Employers Scotland Activity				
A business case, with a top-sliced funding model, was approved by College Employers Scotland in February 2022 to enhance delivery of employment relations activity for the benefit of the sector.			√	
The Employers' Association rebranded to College Employers Scotland (CES) in March 2022 and now has its own visual identity, website, and social media presence.			√	
Gavin Donoghue started as the new Director for College Employers Scotland in April 2022.			√	

Activity	Strategic Aims			
	1	2	3	4
23 colleges are fully signed to the National Recognition and Procedure Agreement (NRPA) with one college signed up to Lecturing only.			√	
All NRPA signatory colleges are now Living Wage accredited.			√	
A lecturing staff Pay Agreement was reached for 2021/22 and an implementation note was produced and issued, as well as a joint communication from CES and EIS-FELA welcoming the agreement.			√	
A support staff Pay Agreement was reached for 2021/22 and an implementation note was produced and issued, as well as a joint communication from CES and the support staff unions (UNISON, GMB and Unite) welcoming the agreement.			√	
Work on the Job Evaluation project, as part of the National Job Evaluation Scheme, continued throughout 2021/22. The evaluation process for around 2,500 roles across 22 colleges concluded in December 2021, subject to several roles which are still being finalised as part of the College Failure to Agree process. The final quality assurance checks commenced in January 2022 and, as part of the verification process, the project team will present and discuss the outcomes with college HR departments.			√	
Work around pay and grading as part of the job evaluation project has continued and once verified scores are available, the Pay Working Group will use them to assist with the development and costing of pay and grading options.			√	
College Employers Scotland held two virtual events instead of the usual residentials in November 2021 and May 2022.			√	

Financial Review

Colleges Scotland has continued to deliver against its objectives and activities during the year. During 2021/22 Colleges Scotland reported net loss of £176k (2020/21: net income of £37k) before other recognised gains or losses on the pension scheme. The net loss result comprised net loss of £87k on restricted funds and £89k on unrestricted funds (2020/21: £27k net income on restricted funds and net expenditure of £10k on unrestricted funds).

Other recognised losses associated with the defined benefit pension scheme, which do not represent the in-year operating position, resulted in an increase in total funds of £2,302k (2020/21: decrease of £537k). Net liabilities on the balance sheet are £231k (2020/21: £2.0m). 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 Employers Scotland 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 (2016-2019), a further two-year period of funding (2019-2021) was secured, with a further one-year period of funding (2021/2022) secured. In February 2022, a new topsliced funding model was agreed by employers and the SFC, with further agreement on a two-year transition period for the topslice model in 2022/2023 and 2023/2024.

In addition to this, the Job Evaluation Project Delivery Team has also received grant income from the SFC to implement Job Evaluation for Scotland's colleges and this funding was secured up until July 2022. In June 2022, Colleges Scotland sought from the SFC a five-month extension to the funding for the project, to permit the core project team to remain in place and allow for the conclusion of Stage Two of the project as soon as possible.

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 (Colleges Scotland Employers' Association now called College Employers Scotland) 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 2021-22, 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 2022, excluding pensions liabilities, is therefore £604k (2020/21: £680k) and including pensions liabilities, a net asset position of £231k (2020/21: £2,071k). Of these reserves, £134k relates to restricted reserves (2020/21: £221k). 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 £470k and are therefore content that the reserves policy has been met.

Plans for Future Periods

The refreshed College Sector Statement of Ambition for 2021-2026 was published in December 2021 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 2022-2026 was published in June 2022 and will help deliver the college sector's ambitions.

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

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, Combined Business Travel/PA/Sickness, Fidelity Guarantee, and Cyber Risk Insurance, Computer Insurance, Definitive Crime Policy, Liability Insurance).

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
- College Employers Scotland
- Funding and Finance Committee

The advisory groups are the College Principals' Group, All Chairs' 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 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 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 groups are the College Principals' Group, All Chairs' Group, and the Good Governance Steering 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:	Chiene + Tait LLP 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	Shona Struthers (2 July 2021 - 24 August 2021 and 20 August 2022 - Present) Penny Davis (25 August 2021-31 July 2022)

Directors and Trustees

The Directors/Trustees of the Company during the year 1 August 2021 – 31 July 2022 and up to the date of this report were:

Name	Position and Organisation	Date of Appointment	Date of Termination
Kenneth Angus Milroy (Chair)	Regional Chair, North East Scotland College	22 April 2014	2 March 2022
Dr Winnie Wai-Yin Hatton (Chair)	Regional Chair, West College Scotland	3 March 2020	
Audrey Cumberford (Vice Chair)	Principal and Chief Executive, Edinburgh College	4 May 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, UHI Perth	15 November 2018	
Trudi Cragg	Interim Regional Chair, Forth Valley College	26 January 2023	
Susan Elston	Regional Chair, North East Scotland College	26 January 2023	
Michael Foxley	Regional Chair, Highlands and Islands Further Education Regional Board	8 May 2014	11 October 2021
John Gunn Henderson	Interim Regional Chair, North East Scotland College	3 March 2022	31 October 2022
Ann Louise Landels	Interim Regional Chair, Edinburgh College	1 November 2019	3 July 2022
Alexander Millar Linkston	Regional Chair, West Lothian College	27 June 2016	
Raymond David McCowan	Regional Chair, Borders College	1 February 2022	

Name	Position and Organisation	Date of Appointment	Date of Termination
Angela McCusker	Regional Chair, Dundee and Angus College	4 July 2014	3 July 2022
Janie Elizabeth McCusker	Regional Chair, Glasgow Colleges' Regional Board	8 January 2018	
Fiona Catherine McQueen	Regional Chair, Ayrshire College	3 March 2022	
William Mackie	Regional Chair, Ayrshire College	22 April 2014	2 March 2022
Robert Bruce Martin	Regional Chair, Forth Valley College	1 August 2017	29 November 2022
Laurie O'Donnell	Regional Chair, Dundee and Angus College	27 October 2022	
Lydia Daniela Rohmer	Principal, UHI West Highland	7 September 2015	
Ronald Schoular Smith	Regional Chair, The Lanarkshire Board	3 October 2019	
Caroline Jean Stuart	Regional Chair, Dumfries and Galloway College	1 February 2022	
David Clark Watt	Regional Chair, Fife College	19 March 2019	
Nora Senior	Regional Chair, Edinburgh College	27 October 2022	
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.



Dr Waiyin Hatton, Chair



Date

Statement of Directors' Responsibilities for the Year Ended 31 July 2022

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.

INDEPENDENT AUDITOR'S REPORT TO THE DIRECTORS AND TRUSTEES OF COLLEGES SCOTLAND

Opinion

We have audited the financial statements of Colleges Scotland (the 'charitable company') for the year ended 31 July 2022 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 2022, 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 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 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.

Opinion 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 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 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 directors' report included within the trustees' report.

We have nothing to report in respect of the following matters where 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 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 prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemption in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the Trustees' Responsibilities Statement set out on page 19, the trustees (who are also the directors of the charitable company for the purposes 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.

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 the 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 focused on laws and regulations that could give rise to a material misstatement in the financial statements. Our 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 an 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.

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.

Jeremy Chittleburgh CA (Senior Statutory Auditor)

For and on behalf of

CHIENE + TAIT LLP

Chartered Accountants and Statutory Auditor

61 Dublin Street, Edinburgh, EH3 6NL



Jeremy Chittleburgh (Feb 28, 2023,

5:19pm)
Date:

28 Feb 2023

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

Statement of Financial Activities (SOFA)
(including Income & Expenditure Account)
for the year ended 31 July 2022

		2022 £'000	2022 £'000	2022 £'000	2021 £'000	2021 £'000	2021 £'000
	Notes	Restricted Funds	Un- restricted Funds	Total Funds	Restricted Funds	Un- restricted Funds	Total Funds
Income and endowments from:							
Donations and legacies		-	-	-	-	-	-
Charitable activities	3	1,212	918	2,130	1,612	897	2,509
Total		1,212	918	2,130	1,612	897	2,509
Expenditure on:							
Charitable activities	4	1,299	1,007	2,306	1,585	887	2,472
Total		1,299	1,007	2,306	1,585	887	2,472
Net expenditure		(87)	(89)	(176)	27	10	37
Transfer between funds		-	-	-	-	-	-
Net income / (expenditure) after transfers		(87)	(89)	(176)	27	10	37
Other recognised losses:							
Gain/(Loss) on defined benefit pension scheme	15	-	2,478	2,478	-	(574)	(574)
Net movement in funds		(87)	2,389	2,302	27	(564)	(537)
Reconciliation of funds:							
Total funds brought forward		221	(2,292)	(2,071)	194	(1,728)	(1,534)
Total funds carried forward		134	97	231	221	(2,292)	(2,071)

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.

The notes on pages 26-39 form part of these financial statements.

Balance Sheet as at 31 July 2022

	Notes	2022 £'000	2021 £'000
Fixed assets:			
Tangible assets	9	16	37
Current assets:			
Debtors	10	139	61
Cash at bank and in hand	11	801	916
		940	977
Liabilities:			
Creditors: Amounts falling due within one year	12	(317)	(306)
Net current assets		623	671
Total assets less current liabilities		639	708
Creditors: Amounts falling due after more than one year – dilapidations provision	13	(35)	(28)
Net assets excluding pension liability		604	680
Pension liabilities	15	(373)	(2,751)
Total net assets / (liabilities)		231	(2,071)
The funds of the charity:			
Restricted funds	17	134	221
Unrestricted funds:			
General funds	18	470	459
Designated funds:			
Pension liability	18	(373)	(2,751)
Total charity funds		231	(2,071)

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

Shona Struthers

Shona Struthers, Chief Executive

Dr Waiyin Hatton

Dr Waiyin Hatton, Chair

24/2/23

Date

Colleges Scotland
Company Number: SC143210
Charity Number: SC023848

The notes on pages 26-39 form part of these financial statements.

Statement of Cash Flows
for the year ended 31 July 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities:			
Net cash provided by operating activities	19	(115)	124
Cash flows from investing activities			
Fixed asset additions		0	(5)
Cash provided by investing activities		0	(5)
Change in cash and cash equivalents in the year		(115)	119
Cash and cash equivalents at the beginning of the year		916	797
Cash and cash equivalents at the end of the year	11	801	916

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022

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 2022.

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 financial statements 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 small net asset 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 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.

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (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.

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (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. The capitalisation threshold amount is £3,000.

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.

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (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% (£89,000)
- A 0.1% increase in the salary increase rate would increase the defined benefit obligation by 0% (£10,000)
- A 0.1% increase in the pension increase rate would increase the defined benefit obligation by 2% (£80,000)

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (continued)

3. Income from charitable activities

	2022 £'000	2022 £'000	2022 £'000	2021 £'000	2021 £'000	2021 £'000
	Restricted Funds	Un- restricted Funds	Total Funds	Restricted Funds	Un- restricted Funds	Total Funds
Subscriptions	-	893	893	-	875	875
Contracts and support services	-	25	25	-	22	22
Grant funding from SFC	1,212	-	1,212	1,612	-	1,612
Total	1,212	918	2,130	1,612	897	2,509

4. Expenditure on charitable activities

	Policy & Comms £'000	Employment Services £'000	Job Evaluation £'000	GTCS £'000	2022 Total £'000	2021 Total £'000
Staffing costs	753	369	559	-	1,681	1,937
Other costs associated with support to colleges	229	238	12	106	585	498
SLA support costs (see note 5)	19	11	-	-	30	30
Governance costs (see note 5)	6	4	-	-	10	7
Total	1,007	622	571	106	2,306	2,472
Analysis between funds						
Unrestricted					1,007	887
Restricted					1,299	1,585
					2,306	2,472

5. Analysis of support and governance costs

	Basis of allocation £'000	Support Costs £'000	Governance £'000	2022 Total £'000	2021 Total £'000
Service charge Costs	Direct	30	-	30	30
Board meeting Costs	Direct	-	-	-	-
Audit fees	Direct	-	10	10	7
Total		30	10	40	37

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (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 (2021: £nil).

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

	2022 No.	2021 No.	2022 £'000	2021 £'000
Travel	0	0	0	0

7. Staff costs

	2022 £'000	2021 £'000
Core Staff		
Wages and salaries	832	717
Social security costs	72	67
Other pension costs	205	214
FRS 102 defined benefit adjustments	55	(32)
Short-term and temporary staff		
Consultants	517	971
Total	1,681	1,937

The average monthly headcount was 14 staff (2021: 14 staff).

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

	2022	2021
£60,000 - £69,999	1	2
£70,000 - £79,999	2	0
£80,000 - £89,999	1	1

The emoluments of key management are made up as follows:

	2022 £'000	2021 £'000
Salary	192	226
Benefits in Kind	2	2
Pension Contributions	56	52
Secondment Costs	0	0
Total Emoluments	250	280

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 £88,272 (2021: £87,212). Contributions to pension schemes on behalf of the Chief Executive were £26,746 (2021: £25,398). The Chief Executive also received benefits in kind of £772 (2021: £749).

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.

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (continued)

8. Net expenditure for the year

	2022 £'000	2021 £'000
This is stated after charging:		
External Auditor's remuneration		
- Audit	10	7
- Non-audit	-	-
Rental Payable in respect of Operating Leases	64	67
Depreciation	21	21
Pension	260	182
	356	277

9. Tangible fixed assets

	2022 £'000	2022 £'000	2022 £'000	2021 £'000	2021 £'000	2021 £'000
	Equipment	Furniture & Fittings	Total	Equipment	Furniture & Fittings	Total
Cost at 1 st August	92	5	97	87	5	92
Additions in year	-	-	-	5	-	5
Cost at 31st July	92	5	97	92	5	97
Depreciation at 1 st August	56	4	60	36	3	39
Charge for year	20	1	21	20	1	21
Depreciation at 31st July	76	5	81	56	4	60
Opening Net Book Value	36	1	37	51	2	53
Closing Net Book Value	16	-	16	36	1	37

10. Debtors

	2021 £'000	2021 £'000
Trade Debtors	84	8
Other debtors (out with 1 year)	36	36
Prepayments and accrued income	19	17
Total	139	61

11. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	801	916
Total	801	916

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (continued)

12. Creditors

	2022 £'000	2021 £'000
Trade creditors	87	64
Taxes and social security costs	23	43
Accruals and other creditors	207	199
Total	317	306

13. Provisions

	2022 £'000	2021 £'000
Balance at 1 August	28	21
Increased in the year	7	7
Balance at 31 July	35	28

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:

	2022 £'000	2021 £'000
In less than 1 year	67	67
Within 2-5 years	95	29
Total	162	96

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (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:

	2022 £'000	2021 £'000
Contribution to FCPF	185	191
Contribution to Aegon scheme	20	25
Total pension cost	205	216

Contributions outstanding at the year-end were £18,861 (2021: £16,110).

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 to 31 March 2022	30.3% of pensionable pay plus £45,000 per annum
From 1 April 2022 onwards	30.3% of pensionable pay plus £60,000 per annum

Anticipated employer contributions to the scheme for the year ending 31st July 2023 will be approximately £176,000.

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 31st March 2020 updated to 31st July 2022 by a qualified independent actuary, Hymans Robertson LLP.

Financial Assumptions

	At 31 st July 2022	At 31 st July 2021
Rate of increase on pensions	2.75%	2.85%
Rate of increase on salaries	3.35%	3.45%
Discount rate for liabilities	3.50%	1.6%

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

	At 31 st July 2022	At 31 st July 2021
Equities	61%	62%
Bonds	28%	30%
Property	6%	5%
Cash	5%	3%

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (continued)

Mortality

	At 31 st July 2022 Males	At 31 st July 2022 Females	At 31 st July 2021 Males	At 31 st July 2021 Females
Current Pensioners	20.4 years	23.0 years	20.5 years	23.2 years
Future Pensioners	21.6 years	25.0 years	21.9 years	25.2 years

	Value at 31 st July 2022 £'000	Value at 31 st July 2021 £'000
Total Fair Value of assets	3,265	2,403
Present Value of scheme liabilities	(6,016)	(4,582)
Net liabilities	(2,751)	(2,179)

Analysis of amount charged to other financial income

	2022 £'000	2021 £'000
Service cost	216	159
Past service cost	-	-
Total operating charge	216	159

Analysis of net return on pension scheme

	2022 £'000	2021 £'000
Expected return on pension scheme assets	53	35
Interest on pension liabilities	(98)	(65)
Net return	(45)	(30)

Analysis of amount recognised in statement of financial activities

	2022 £'000	2021 £'000
Current service cost	216	159
Past service cost	-	-
Contributions	(161)	(191)
Interest cost	98	65
Interest income on plan assets	(53)	(35)
Total included in statement of financial activities	100	(2)

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (continued)

Movement in deficit during the year

	2022 £'000	2021 £'000
Deficit in scheme at beginning of year	(2,751)	(2,179)
Current service cost	(216)	(159)
Past service cost	-	-
Contributions paid	161	191
Actuarial gain / (loss)	2,478	(574)
Net return on assets	(45)	(30)
Deficit in the scheme at end of year	(373)	(2,751)

Reconciliation of defined benefit obligation

	2022 £'000	2021 £'000
Opening Defined Benefit Obligation	6,016	4,582
Current service cost	216	159
Past service cost	-	-
Interest cost	98	65
Contributions by members	29	26
Actuarial gain / (loss)	(2,344)	1,251
Estimated benefits paid	(65)	(67)
Closing Defined Benefit Obligation	3,950	6,016

Reconciliation of fair value of employer assets

	2022 £'000	2021 £'000
Opening Fair Value of Employer Assets	3,265	2,403
Expected return on assets	53	35
Contributions by members	29	26
Contributions by employers	161	191
Actuarial gains/(losses)	134	677
Benefits paid	(65)	(67)
Closing Fair Value of Employer Assets	3,577	3,265

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.

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (continued)

16. Analysis of net assets among funds

	Restricted funds £'000	Unrestricted designated fund £'000	Unrestricted general funds £'000	Total funds 2022 £'000	Total funds 2021 £'000
Net assets	134	-	505	639	708
Net pension liability	-	(373)	-	(373)	(2,751)
Provisions	-	-	(35)	(35)	(28)
Total	134	(373)	470	231	(2,071)

For the year ended 31 July 2021

	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)
Total	221	(2,751)	459	(2,071)	(1,534)

17. Analysis of restricted funds

	Balance at 1 st August 2021 £'000	Income (inc.gains) £'000	Expenditure £'000	Transfers £'000	Recognised gain/(loss) £'000	Balance at 31 st July 2022 £'000
Employers' Association	221	1,212	(1,299)	-	-	134
Total	221	1,212	(1,299)	-	-	134

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

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

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (continued)

18. Analysis of unrestricted funds

	Balance at 1 st August 2021 £'000	Income (inc. gains) £'000	Expenditure £'000	Transfers £'000	Recognised gain/(loss) £'000	Balance at 31 st July 2022 £'000
General funds	459	918	(907)	-	-	470
Designated funds:						
Pension liability	(2,751)	-	(100)		2,478	(373)
Total	(2,292)	918	(1,007)	-	2,478	97

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

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

	2022 £'000	2021 £'000
Net expenditure for the reporting period	(176)	37
Adjustment for:		
Interest received	-	-
(Increase)/Decrease in debtors	(78)	67
Increase/(Decrease) in creditors	11	(6)
Depreciation charge	21	21
Dilapidations Provision	7	7
Defined benefit pension scheme	100	(2)
Net cash flows from operating activities	(115)	124

The notes on pages 26-39 form part of these financial statements.

Notes to the Financial Statements for the Year Ended 31 July 2022 (continued)

20. Analysis of changes in net funds

	At 1 August 2021 £'000	Cash Flows £'000	At 31 July 2022 £'000
Cash at bank and in hand	916	(115)	801

The charitable company had no debt during the year.

21. Related parties

Subscription income of £876,740 (2021: £859,546) has been received from 10 Regional Colleges and 3 Regional Strategic Bodies whose Chairs are members of our Board.

Facilities time income totalling £38,496 (2021: £15,400) has been invoiced to 12 Regional Colleges whose Chairs are members of our Board.

Role Analysts on the Job Evaluation Project from across the sector and secondment costs during 2021/22 of £227,893 (2021: £394,602) 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 £30,197 (2021: £45,000) was paid to Forth Valley in respect of these services. Role Analyst costs of £14,360 (2021: £69,905) for the Job Evaluation Project was also paid to Forth Valley during the year.

The notes on pages 26-39 form part of these financial statements.