Agenda

29 November 2016
FINANCE COMMITTEE

Falkirk Boardroom, Falkirk Campus at 4.30pm
(Refreshments available from 4.00pm.)

AGENDA

1. Declarations of interest

FOR APPROVAL

2. Minutes of meeting of 13 October 2016

(Elements of this paper is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

3. Matters Arising

   a) F16/006 FRS 102 Accounting Policies

4.	Procurement Strategy 2016-2018	Paul Johnstone
5.	Annual Report and Financial Statements 2015/16 (Joint item with Audit Committee)	Alison Stewart

(Elements of this paper is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

6.	Draft External Audit Annual Report to the Board of Management (Joint item with Audit Committee)	Henderson Loggie

FOR DISCUSSION

7.	Student Funding 2016/17	Louise Burnett
8.	Budget Monitoring - 2016/17 Qtr 1 (Oct 2016)	Irene Andrew

(Elements of this paper is withheld from publication on the Forth Valley College website under Section 33 Commercial Interests and the Economy of the Freedom of Information (Scotland) Act 2002.)

9. Review of Risk

10. Any other competent business

FOR INFORMATION
Programme of Committee Business
SFC Financial Return Internal Audit Report

2. Minute of meeting of 13 October 2016
For Approval

29 November 2016
FINANCE COMMITTEE

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

Present:	Mr Liam McCabe (Chair) Mr Ken Richardson Mr Andrew Carver Mrs Caryn Jack
Apologies:	Mr Andrew Carver
In Attendance:	Mrs Alison Stewart, Associate Principal and Executive Director of Finance Dr Ken Thomson, Principal Mrs Irene Andrew, Head of Finance Mr Alan Buchan, Student Association President (For item 4)

F/16/002 Declarations of Interest

The Chair declared an interest owing to the links between the College and University of Stirling in relation to certain degree level courses and under the Scottish Funding Council (SFC) HEI funded activity.

F/16/003 Minutes of Meeting held on 14 June 2016 and 16 August 2016.

The minutes of the meeting held on 13 June 2016 were approved.
The minutes of the meeting held on 24 August 2016 were approved

F/16/004 Matters Arising

a) F/15/031 Budget 2016-17

The Associate Principal and Executive Director of Finance updated members on the Fundraising Strategy. She explained that this had gone to the Strategic Development Committee in the first instance and they had requested that this be presented to the Board of Management. On that basis it hadn't been included on the agenda for this meeting.

Members asked that when presenting the Strategy to the Board that the Fundraising Manager covers the assumptions made, the financial targets set and the level of confidence in the achievement of these. Members also requested that the presentation covers intangible targets.

The Principal noted that there was a risk register in relation to Fundraising together with actions being taken and that the financial target will be monitored closely throughout the year.

b) F/15/031Budget 2016-17

[redacted]

[redacted]

c) F/15/033 FRS 102 – Accounting Policies

This is covered by agenda item 5.
d) F/16/001

Members queried if SFC had been made aware of the financial assumptions within the Full Business Case and in particular the on-going maintenance costs. The Principal confirmed that this was explicit in the letter sent to SFC. He also confirmed that at the SFC Council meeting a follow up paper was requested and had now been submitted and approval was expected within the next week or so.

The Associate Principal and Executive Director of Finance stated that the issue of maintenance had been highlighted within the SFC paper and that SFC recognised this was an issue for them and not the College to resolve.

F/16/005 Student Association Outturn for 2015/16 and Budget for 2016/17

The Student Association (SA) President presented his paper outlining the financial outturn for 2015/16 and Budget for the next academic year.

He highlighted the events which had taken place during 2015/16 and how successful the Association had been with the awards they had won. He highlighted that they had been unable to secure Funding from Barclays Bank of £4k for preparation of employment workshops and that savings had been made in salaries, with members being on secondment, which offset this. He also highlighted the very successful trip to a conference in Croatia on Innovation in Education.

The SA President also stated that for the 2016/17 Budget that the Student Partnerships in Quality Scotland (SPARQs) funding had now ceased and the Association was seeking a grant from Forth Valley College Foundation to support the salaries of the team.

Members queried who was applying to the Foundation for the grant. The Associate Principal and Executive Director of Finance confirmed that the application would come from the Student Association. She stated that she completed the grant application on behalf of the Association and that the President would sign this next before submitting this to the Foundation along with the College's application for funding for the new Falkirk Campus.

Members queried if the Student Association worked with the Fundraising Manager. The SA President confirmed that he intended meeting with the Fundraising Manager.

Members also highlighted potential other opportunities where additional funding may be available.

a) Members noted the Outturn for 2015/16 and approved the Budget for 2016/17

F/16/006 FRS 102 Accounting Choices and FVC Accounting Policies

The Head of Finance presented an update on the FRS 102 Accounting Policies. She explained that the College had now worked through the implications of the different options in relation to government capital grants and that the College had also sought further advice from both the internal and external auditors.

The Head of Finance explained there were 2 methods available for recognising income from government capital grants; accruals and performance. She stated that the accruals model is more closely aligned to the current practice where the grant is released over the life of the asset in line with the depreciation charge. The main difference being that instead of the unreleased part of the grant being held as a Reserve prior to its release it would be disclosed as a long term liability. The main issue with this treatment is to do with the presentation of the Balance Sheet which would result in a net liability position.
The Associate Principal and Executive Director of Finance stated this issue had been discussed with both the internal auditors and the new external auditors. They both confirmed that this was not unusual for a public sector organisation and as long as the net liabilities could be attributed to pension liabilities then there would be no issue from a going concern perspective. The Associate Principal and Executive Director also stated this was the approach being adopted by the rest of the sector.

The Head of Finance stated that under the performance method capital grants would be released in full to the Income and Expenditure Account once the performance conditions had been met e.g. when the construction of the building is completed. While this treatment resolves the issue of a net liability in the Balance Sheet it would lead to fluctuating operating surpluses/ deficits as there would be a significant increase in the depreciation charge when the new campus is built and no release of grant to offset this. Instead what would be released is the actual capital grant received in year which could fluctuate depending on the requirement for future capital expenditure.

Members discussed the 2 options in detail. Members expressed concern over the accruals method and the negative impact on the Balance Sheet. Members recognised that while being consistent with the rest of the sector was important, is was the duty of the Board and individual members to do what it considered to be in the best interests of Forth Valley College.

[redacted]

[redacted]

Members queried the treatment of the Scottish Teachers Superannuation Scheme (STSS) and whether it should be on Balance Sheet. The Associate Principal and Executive Director of Finance stated that following the June Finance Committee she had reconfirmed with the external auditors that the existing treatment was correct and that no liability required to be recorded on the Balance Sheet. This is because the scheme is unfunded and its libailities are met by the College as they fall due.

a) Members approved the accounting policies with the exception of the treatment of government capital grants.

b) Members requested that further work be completed to explain the impact of both methods for accounting for government capital grants and how this would be interpreted externally.

c) Members requested that a meeting be arranged with the Chair of the Finance Committee, the Associate Principal and Executive Director of Finance, the Head of Finance and the audit partner of the new external auditors

F/16/007 Budget Monitoring Report for 12 months to 31 July 2016

The Head of Finance presented the management accounts to 31 July 2016. She highlighted that the actual outturn was £235k ahead of the last reforecast which was predominately due to savings within operational costs. The Head of Finance went through the detail of these savings and confirmed that further work with the budget holders would be undertaken to ensure potential savings are identified earlier. The Head of Finance also explained that SFC were going to issue guidance on how the additional capital & maintenance budget was to be spent but it could not be used to cover estates development costs to 31 July 2016 as noted in the paper. On that basis the College will drawdown the required grant funding from the Foundation at 31 July 2016.

a) Members noted the financial position at 31 July 2016.

F/16/008 **Review of Risk**

Members noted the risks as outlined in the papers.

F/16/009 **Any other competent business**

None

4. Procurement Strategy 2016-2018
For Approval

29 November 2016
FINANCE COMMITTEE

1. Purpose

To seek approval from members on the new College Procurement Strategy for 2016-2018.

2. Recommendation

That members approve the content of the new College Procurement Strategy.

3. Background

The Procurement Reform (Scotland) Act 2014 ('Act') has introduced a regulatory duty on public bodies with over £5m procurement expenditure to publish its procurement strategy on the website by 31st December 2016.

This new procurement strategy will replace and build upon the existing strategy which has been in place since 2013.

4. Key Considerations

The Act has set out guidance outlining what must be included in the procurement strategy as a minimum:

- How the strategy aligns to the College's Regional Outcome Agreement and College Strategic Plan
- How the College intends to ensure that its regulated procurements will deliver value for money
- How the College intends to ensure that its regulated procurements will be carried out in compliance with its duty to treat economic operators equally and without discrimination
- How the College intends to ensure that its regulated procurements will be carried out in a transparent and proportionate manner
- How the College intends to ensure that its regulated procurements will be carried out in compliance with the sustainable procurement duty
- A Statement on the College's policy on the use of Community Benefits
- How the College will consult and engage with those affected by our procurements
- A Statement on the College's policy on the payment of a living wage to people involved in providing any services under a regulated contract procured by the College
- A Statement on the College's policy on promoting compliance of the Health and Safety at Work Act (1974) by contractors and sub-contractors
- A Statement on the College's policy on the procurement of fairly and ethically traded goods and services
- A Statement on the College's policy in relation to provision of food to improve health, wellbeing and education within the College and to promote the highest standards of welfare
- How the College intends to ensure, as far as reasonably practical, that payments to contractors and the supply chain are made no later than 30 days after an invoice is presented

The strategy also sets out an Action Plan with five procurement objectives which align to the Regional Outcome Agreement, Strategic Plan and the Scottish Government's Procurement and Commercial Improvement Programme (PCIP) themes. Further, the Action Plan contains a number of KPI's which will enable us to measure the performance of the College's procurement activity on an annual basis, which will then be reported at the end of the College's Financial Year via an Annual Report which must also be published on the College website in accordance with the Act.

The Strategy states the College will establish an operational group of staff involved in procurement, to ensure wider consultation as required by the legislation. It is proposed that this will be led by Paul Johnstone and comprise of representatives from departments across the college who have the most involvement with procurement. Initial thoughts are this would include a Head of Teaching Department, Claire Shiels (Head of Estates), Graeme Robertson (Head of IT).

Following the approval of the Strategy, the Colleges Procurement Policy and Procedures will be updated.

5. Financial Implications

Please detail the financial implications of this item – Not Applicable

6. Equalities

Assessment in Place? – Yes ☒ **No** ☐

Please summarise any positive/negative impacts (noting mitigating actions) – This Strategy should provide positive equalities impacts by seeking to ensure equality is a key consideration in our procurement activity and seeking to ensure that suppliers and contractors to the College play a positive role in supporting the College's policies in relation to equality.

7. Risk

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

	Likelihood	Impact
Very High		
High		
Medium		X
Low	X	
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – Strategy not being approved prior to the 31st December 2016 meaning the College would be in breach of the Procurement Reform (Scotland) Act 2014. Mitigate by having the Strategy approved.

Risk Owner – Alison Stewart **Action Owner –** Paul Johnstone

8. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – Yes ☒ **No** ☐ **Health and Safety – Yes** ☐ **No** ☒

Please provide a summary of these implications – The Strategy requires to be published on the College website by 31st December and should also be communicated to relevant staff and College stakeholders

Paper Author – Paul Johnstone **SMT Owner –** Alison Stewart

Procurement Strategy 2016 - 2018

Foreword

This Strategy has been designed to ensure legislative compliance with the Procurement Reform (Scotland) Act 2014 and other relevant legislation and is aligned with the College's and the Scottish Funding Council's key strategic outcomes as detailed in our Regional Outcome Agreement and Strategic Plan.

The key elements of the new legislation:

- require us to publish a procurement strategy and action plan
- require us to maintain a public contracts register on our external website
- increase the scope of our regulated procurements
- require us to publish an annual procurement report
- require us to meet the sustainable procurement duty

This Strategy sets us challenging but realistic goals for the development of our procurement activities over the next two years which will be subject to regular and transparent review.

The successful implementation of this Strategy can only be achieved by everyone involved in the procurement of goods, services and works on behalf of the College working in partnership with our Procurement Department and collaboratively with our partners across the wider education and public sector.

Working together we can significantly contribute to the future sustainability of the College through the reinvestment of resulting savings and efficiencies from our procurement activities to enhance our students learning experiences and outcomes and meet our Mission Statement **'Making Learning Work'** and the supporting Vision and Value Statements.

Alison Stewart
Associate Principal and Executive Director Finance

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1 Formation and approval of our Procurement Strategy

The formation of this Strategy has been guided throughout by the College's Procurement Department and Associate Principal and Executive Director Finance, and is the culmination of consultation and engagement with an appropriate and relevant range of staff across the College as well as external stakeholders.

This Strategy has also been informed by the Scottish Procurement's statutory guidance under the Procurement Reform (Scotland) Act 2014 with the support of APUC, the procurement centre of expertise for all of Scotland's colleges and universities.

The Strategy was approved by the College's Board of Management on the 8th December 2016 and subsequently published on our website.

The Procurement Department and Associate Principal and Executive Director Finance in consultation with APUC as appropriate, will as a minimum, review this Strategy annually in compliance with the Procurement Reform (Scotland) Act 2014, thus maintaining the alignment of our procurement activity with our broader priorities and allow the College where necessary to revise the Strategy and its related Action Plan.

The Finance Committee will approve, review and monitor the progress of the procurement strategy, reporting into a college's board of management or equivalent, where required.

In addition, the college will establish an operational group of staff involved in procurement, to ensure wider consultation as required by the legislation.

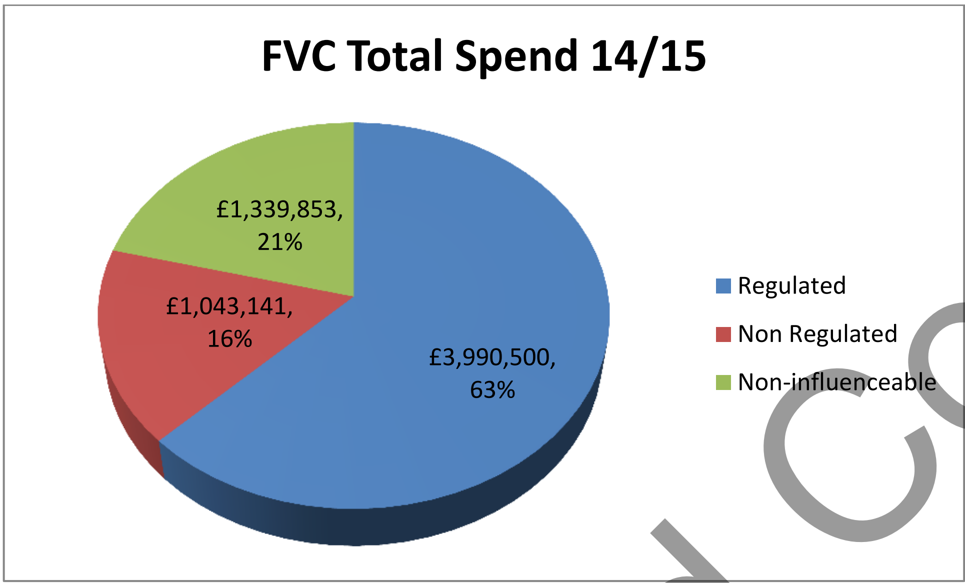
2 Context

This Procurement Strategy provides the framework within which the procurement activities of the College can develop and help support our strategic objectives and outcomes. It can also be understood as a procurement improvements journey based on a clear understanding of where the College is currently, in terms of our procurement practice and where we want and need to be, and how we should get there.

As above, the College is now legally required to have and maintain a procurement strategy as part of the requirements of the Procurement Reform (Scotland) Act 2014, which provides a national legislative framework for sustainable public procurement that supports Scotland's economic growth through improved procurement practice.

The Act focuses on a small number of general duties on contracting authorities regarding their procurement activities and some specific measures aimed at promoting good, transparent and consistent practice in procurement processes detailed in section 6 below.

The College's annual spend profile is displayed below with a total non-pay spend of £6,373,493 of which £1,339,853 is non-core or non-influenceable spend (2014-15).



Thus our annual influenceable procurement spend is £5,033,641 made up of £3,990,500 of regulated spend (above threshold) and £1,043,141 of non-regulated spend (below threshold).

This Strategy recognises that our procurement practice is based on the Scottish Model of Procurement which sees procurement as an integral part of policy development and service delivery and is essentially about achieving the best balance of cost, quality and sustainability.

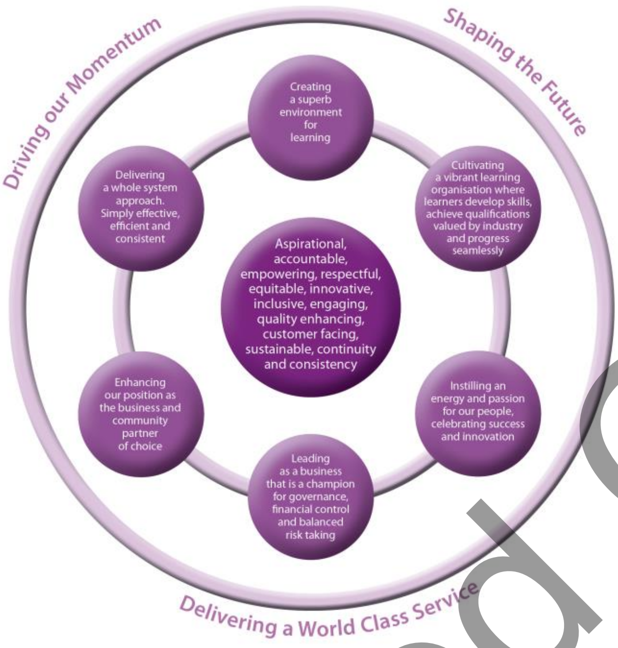
A key element of this Strategy is about moving the balance of procurement effort away from the buying or tendering phase and towards a greater emphasis on the planning and post contract phases of procurement. Included in this is an increasingly greater engagement with our internal and external stakeholders.

3 Procurement Mission

The Procurement mission for Forth Valley College is:

"To deliver a best in class, co-ordinated and efficient procurement function which is focused on achieving sustainable best value for all College stakeholders"

This aligns to the College's Business Model which is formed by our Mission Statement **'Making Learning Work'**, which is supported by the following Vision and Value statements:



The Procurement Department aims to ensure all procurement activities are carried out in the best interests of the College to support the College's Strategic Priorities and Objectives.

To achieve this, Procurement will ensure:

- We understand and respond to internal and external stakeholders' business needs and challenges and constantly changing market conditions;
- We will actively seek to use collaborative arrangements where they represent best value for the College;
- We will seek, establish and maintain supplier relationships to enhance the service we provide whilst obtaining best value for money and value added services;
- We will strive to improve processes to facilitate a streamlined approach for procurement of goods, services and works across the College, that drive innovation and reduce transactional costs through continuous improvement of the procurement process;
- We will take a lead role on strategic procurement initiatives
- We will always remain open and act in a transparent and proportionate manner in all of our procurement activities
- We will embed best practice Sustainable Procurement considerations in our procurement activities; and
- We will conduct all regulated procurements in line with the College's Procurement Policy and Procedures

- We will have due regard to whether Procurement Policy and Procedures will further the aims of the General Equality Duty, through consideration of Public Sector Equality Duty in our procurement activities

4 Procurement Policy

Our Procurement Policy and Procedures set out the operational framework of how we conduct procurement of goods, services and works across the College, and are based on the EU Treaty Principles of equal treatment, non-discriminatory, mutual recognition, transparency, proportionality.

Furthermore, these policies and procedures are largely based upon the Scottish Government's Procurement Journey. This will facilitate our regulated procurements being conducted in accordance with best practice in a legally compliant manner that is consistent with the rest of the Scottish public sector in achieving value for money for our stakeholders.

The policy is therefore intended to:

- Ensure that procedures are in accordance with standards of public accountability;
- Ensure that procedures are in accordance with the Supplier's Charter;
- Ensure that the College is compliant to its obligations under the Public Procurement (Scotland) Act 2015, the Procurement Reform (Scotland) Act 2014 and Procurement (Scotland) Regulations 2016; and
- Promote equality, diversity and sustainability through procurement matters.

5 Strategic Procurement Objectives

Our strategic procurement objectives form the core of our Procurement Strategy.

These procurement objectives are designed to link to each of the following:

- College Strategic Priorities and Objectives (Mission/Vision/Value Statements noted above)
- Scottish Funding Council (SFC) Strategic Aims, as detailed in the College's Regional Outcome Agreement
- The Scottish Model of Procurement

College Regional Outcome Agreement

The Regional Outcome Agreement for the Forth Valley region contains the following SFC Priority Outcomes:

- Efficient and Sustainable
- Right learning in the right place
- High quality learning
- A developed workforce
- Equalities

The Scottish Model of Procurement

The Scottish Model of Procurement is based upon achieving the best balance between cost, quality and sustainability (i.e. not simply focusing on cost and quality). This model is supported by a Value for Money Triangle, which consists of the following four objectives:

- Delivering savings and benefits
- Maximising efficiency and collaboration
- Improving supplier access to public contracts
- Embedding sustainability in all we do

Forth Valley College – Strategic Procurement Objectives – 2016-18

The Strategic Procurement Objectives (PO) for the period of this Procurement Strategy (2016-2018) are set out below:

> **PO1** - To maximise collaborative procurement opportunities in the delivery of value for money and efficiency
>
> **PO2** - To further develop a College wide approach to procurement which is co-ordinated, efficient and effective in the achievement of value for money, and which supports the delivery of high quality learning
>
> **PO3** - To develop sound and useful procurement management information in order to measure and improve procurement and supplier performance in support of the College Strategic Priorities and Objectives
>
> **PO4** - To embed relevant and appropriate procurement strategies to manage or reduce risk to the College
>
> **PO5** - To embed sound economic, social and environmental procurement policies, and to comply with relevant Scottish, UK and EU legislation in performance of the Sustainable Procurement Duty

The Procurement Action Plan in Section 8 shows how each of these link to the College Strategic Plan, Regional Outcome Agreement and Scottish Model of Procurement.

Furthermore, the Procurement Action Plan shows how these actions are measured and reported through our involvement in the Scottish Government's Procurement and Commercial Improvement Programme (PCIP) and through the publication of an Annual Procurement Report (see section 7).

6 Ensuring compliance with general duties and specific measures of the Procurement Reform (Scotland) Act 2014

As required by the Act the College must comply with a small number of general duties and some specific measures which will be embedded in our Procurement Policy and Procedures or in our Action Plan (section 8) but for clarity and to ensure full compliance with the Act are stated below:

General Duties/Specific Measures under the Act	What we will do
Contribute to the carrying out of our function and the achievement of our purposes	The College will analyse our non-pay expenditure to identify**:** EU regulated procurements Goods and Services greater than £164,176 Works worth more than £4,104,394); and Procurement Reform Act regulated procurements Goods and Services greater than £50,000 Works worth more than £2 million The College will ensure that all commodity strategies and project specific procurement strategies align to the College's strategic aims and objectives and in turn the College's Regional Outcome Agreement. This will be achieved through appropriate and effective consultation. The College will consider where appropriate the effective use of contract and supplier management to monitor and further improve the regulated procurement contract outcomes.
Deliver Value for Money "Value for money, as defined by the Scottish Model of Procurement, is not just about cost and quality but about the best balance of cost, quality and sustainability"	The College through its Procurement Policy and Procedures will seek to consistently apply the principle of Value for Money, albeit the balance of cost, quality and sustainability will vary for each procurement depending on the particular commodity, category and market. The College will consider the whole-life cost of what is being procured and when applying the above principle of value for money, ensure that it does so in a clear, transparent and proportionate manner; in line with the Treaty on the Functioning of the European Union of equal treatment, non-discrimination, transparency, proportionality and mutual recognition and in complying with the general duties of the Act as well as the sustainable procurement duty (see below)

Treating relevant economic operators equally and without discrimination	The College will conduct all its regulated procurements in compliance with the principles of the Treaty on the Functioning of the European Union ***(equal treatment, non-discrimination, transparency, proportionality and mutual recognition)*** and will consider early engagement with the supply market where relevant prior to the publication of a contract notice. All regulated procurements will be posted on portals such as Public Contracts Scotland (PCS) and Public Contracts Scotland-Tender(PCS-T) and shall strive to ensure the use of separate lots, where appropriate, with straightforward output based specifications and clear evaluation criteria to ensure the procurement is accessible to as many bidders as possible.
Acting in a transparent and proportionate manner	The College will ensure it engages with its local supply market and though the College's Procurement Policy will mandate the use of clear and precise language in its specifications. The College shall ensure contracts are awarded using appropriate quality, risk and sustainability factors as well as cost according to declared score weightings specific to each contract. The College will actively take steps to make it easier for smaller and local businesses to bid for contracts through: - the use of Public Contracts Scotland and Quick Quotes, - information contained on the Procurement page of the College website, - the provision of training and/or provide information on third party training opportunities (such as the Supplier Development Programme) - attending local supplier/buyer engagement events (such as Meet the Buyer)
The Sustainable Procurement Duty	The College will give consideration to the environmental, social and economic issues relating to all regulated procurements and how benefits can be accrued, on a contract-by-contract basis by taking proportionate actions to involve SMEs, third sector bodies and supported businesses in our procurement activities and in so doing benefit not only the College but the wider Forth Valley region. The College will endeavour to make use of available tools and systems such as the Scottish Public

	Procurement Prioritisation Tool, the Sustainability Test, Life Cycle Impact Mapping, the Scottish Flexible Framework as well as APUC's Code of Conduct, Sustain and Electronics Watch where relevant and proportionate to the scope of the procurement.
Policy on the use of community benefits	The College will consider for each of its procurements over £4m how it can improve the economic, social or environmental wellbeing of the Forth Valley region through the inclusion of community benefit clauses aligned with the College's own strategic outcomes as well as a number of the Scottish Government's National Outcomes namely outcomes 2, 3, 4 and 7: - We realise our full economic potential with more and better *employment opportunities* for our people; - We are better educated, more skilled and more successful, renowned for our *research and innovation*, - Our young people are successful learners, confident individuals, effective contributors and responsible citizens and - We have tackled the significant inequalities in Scottish society Examples of the scope of community benefits clauses may include, amongst others as appropriate, the delivery of training opportunities or subcontracting opportunities within the Forth Valley region, relevant and proportionate to the particular procurement. The College will strive to engage with internal stakeholders including students where relevant as well engage with the local and wider supplier community to ensure suppliers understand the use of community benefits and how to respond where they are included. Where possible and proportionate, such clauses may also be included in procurements below £4m
Consulting and engaging with those affected by its procurements	The College will take note of available good practice/principles of engagement including those detailed in the National Standards for Community Engagement as well as ensuring procurement staff have or will be developed to have the relevant communication and engagement skills. The College will consider each procurement, the community affected by the resultant contract and ensure any affected organisations/persons are

	consulted (e.g. impact on service for students, persons or groups with relevant protected characteristics where reasonable adjustments may be considered as part of a specification, or a local contract that could be combined with other similar institution's needs). Such consultation will always be on a scale and approach relevant to the procurement in question. All of the above will be embedded in the College's procurement practice.
The Living Wage	As an organisation who is a Living Wage employer, the College recognises the value of a well-motivated and dedicated workforce both in its own organisation and in those of its suppliers. In compliance with the Act the College will consider, before undertaking a procurement, whether it is relevant and proportionate to include a question on fair work practices along with other relevant criteria, whilst ensuring the appropriate balance between quality and cost of the contract, paying regard to the statutory guidance including the application the living wage.
Promoting compliance with the Health and Safety at Work Act 1974	The College is committed to contracting only with suppliers that comply with all appropriate and relevant legislation, including Health and Safety legislation. Where appropriate, and on a contract by contract basis, the institution will assess the legislation applicable to a procurement and take steps to ensure bidders comply with such legislation. Where proportionate, the College also seek to assess the compliance of subcontractors.
The procurement of fairly and ethically traded goods and services	As an organisation which holds Fairtrade status, the College actively supports the sourcing of goods that are fairly and ethically traded. Where directly relevant it shall make use of appropriate standards and labels in its procurements to take account of fair and ethical trading considerations as well as considering equivalent offerings from suppliers that can demonstrate they can meet the specified criteria without necessarily having the specific certification
The provision of food and improving the health, wellbeing and education of communities in the	The College will find practical ways to supply healthy, fresh, seasonal, and sustainably grown food which represents value for money whilst improving the health, wellbeing and education of our teaching and learning communities, coupled with promoting the highest

College's area, and the promotion of the highest standards of animal welfare	standards of animal welfare. The College will work to put in place affordable contracts, which meet the nutritional requirements for all users of our catering services and will use available good practice and guidance such as that made available by The University Catering Organisation (TUCO) and any other relevant bodies. The College utilises APUC and TUCO Framework Agreements for the vast majority of our food and catering requirements, and the products and services under these Frameworks must comply with all relevant legislation and standards.
Payment terms	The College recognises the importance of paying suppliers promptly once a service has been performed or goods delivered and that late payment is particularly detrimental to SMEs, third sector bodies and supported businesses. The College will comply with the Late Payment legislation and will review on a contract by contract basis whether such obligations should be enforced and monitored further down its supply chain

7 Annual Procurement Report

7.1 Statutory Requirement

In accordance with requirement of the Procurement Reform (Scotland) Act 2014 the College will publish an Annual Procurement Report as soon as practicable after College's financial year end and will describe as required by the Act how it has discharged its obligations under the Act and how it has exercised discretion and judgement as permitted by the public procurement rules to secure strategic objectives in compliance with the Act.

This report will also provide a commentary on the progress of this Strategy and its Action Plan.

7.2 Contents of our Annual Procurement Report

The Annual Procurement Report in compliance with the Act will contain as a minimum:

- A summary of the regulated procurements that have been completed during the year covered by the Report

- A review of whether these procurements complied with this Strategy
- The extent that any regulated procurements did not comply, a statement of how the College intends to ensure that future regulated procurements do comply
- A summary of any community benefit requirements imposed as part of a regulated procurement that were fulfilled during the year of the Report including for example; apprenticeships completed, curriculum support activities, business support activities, support to communities and resource efficiencies achieved in terms of materials, waste or water.
- A summary of any steps taken to facilitate the involvement of supported businesses in regulated procurements during the year covered by the Report
- A summary of the regulated procurements the College expects to commence in the next two financial years
- Such other information as the Scottish Ministers may by order specify and where applicable that demonstrate compliance with other legislation that places specific requirements on the College with respect to its procurement activities and the College will also consider including:
    - What it has learned from its consultation and engagement with stakeholders and those affected by its procurements, and what it is doing to respond to these views, including how procurement has furthered the College's work with regard to the General Equality Duty
    - What it is doing to improve its performance and impact, drawing on relevant information – for example spend analysis – and what improvements have been achieved since its last report; and
    - How it is working with other bodies – for example procurement centres of expertise – to maximise effectiveness and efficiency.

The College will seek to publish its annual procurement report in an inclusive way that takes into account equality and accessibility issues and allows stakeholders to form a clear view of the College's performance.

8 Procurement Action Plan

8.1 Introduction

The Action Plan consists of a number of specific actions and commitments in relation to each of the strategic objectives and their desired outcomes these are also cross referenced to the relevant section of the Procurement and Commercial Improvement Programme (PCIP).

Progress against this Action Plan (see below) will be regularly monitored by the College's Procurement Advisory Group.

As part of the formal annual review of this Strategy, as indicated in section 1 above, this Action Plan will be reviewed and updated as required, to maintain alignment of the College's procurement activity with its broader priorities.

Forth Valley College – Procurement Action Plan

SFC Priority Outcome	• **Efficient and Sustainable**
FVC Strategic Plan Value Statement	• **Leading as a business that is champion for governance, financial control and balanced risk taking** • **Delivering a whole system approach. Simply effective, efficient and consistent**
Scottish Model of Procurement Objective:	• **Maximising efficiency and collaboration** • **Delivering Savings and Benefits**

Procurement Objective 1	Target/Outcome	Main Actions	Benchmark Data/ Sources	KPI/Measure	Target Date	PCIP Ref	RAG
To maximise collaborative procurement opportunities in the delivery of value for money and efficiency	To maximise the use of collaborative Framework Agreements and Contracts (CAT A, B and C1)	• Review expenditure analysis on an annual basis to identify non-pay expenditure not covered by regulated contract	• Scottish Procurement Information Hub/FVC expenditure analysis • APUC Annual Benefits Statement	Increase uptake of available Collaborative Framework Agreements and Contracts annually (% of collaborative contracts used)	July 2017 then annually thereafter	• Dashboard • Assessment Q2.1 • Assessment Q3.3	
		• Develop forward contracting plan and identify opportunities to utilise collaborative opportunities • Identify any sectoral or regional opportunities to collaborate	• CoEs and other Publicly funded Bodies Contracts Registers				
		• Further embed collaborative procurement into policies and procedures (aligned to Procurement Journey) • Work with relevant College staff to maximise use of Framework Agreements where possible	• FVC procurement policy and procedures • Framework Agreement information on FVC SharePoint site • Periodic departmental review meetings				

SFC Priority Outcome	• **Efficient and Sustainable** • **High Quality Learning** • **Right Learning in the right place**
FVC Strategic Plan Value Statement	• **Leading as a business that is champion for governance, financial control and balanced risk taking** • **Delivering a whole system approach. Simply effective, efficient and consistent**
Scottish Model of Procurement Objective:	• **Maximising efficiency and collaboration** • **Delivering Savings and Benefits**

Procurement Objective 2	Target/Outcome	Main Actions	Benchmark Data/ Sources	KPI/Measure	Target Date	PCIP Ref	RAG
To further develop a College wide approach to procurement which is co-ordinated, efficient and effective in the achievement of value for money, and which supports the delivery of high quality learning	To increase the number of regulated contracts for College wide use for commonly purchased goods, services and works	• Review expenditure analysis to identify categories of goods, services and works which are not currently covered by a College wide contract • Engage with relevant departments/staff to understand common requirements and develop appropriate procurement strategy (including route to market) • Implement College wide contracts, including appropriate contract management approach	• Scottish Procurement Information Hub/FVC expenditure analysis • Stakeholder Focus Groups/Surveys • CoEs and other Publicly funded Bodies Contracts Registers • FVC Contracts Register (website) • FVC SharePoint page (intranet)	Increase the proportion of annual non-pay expenditure covered by a regulated contract (CAT A, B, C or C1) Increase in the number of regulated contracts in FVC Contracts Register	Annual	• Dashboard • Assessment Q3.3	
	To maximise efficiency of processes relating to the requisition and invoicing of goods, services and works	• Ensure procurement policy and procedures maximise efficiency relevant to value/risk of purchase	• Relevant staff/stakeholder survey/feedback • FVC procurement policy and procedures	Reduce total number of Purchase Orders and Invoices processed per annum	Quarter 1 2017 then annually thereafter	• Dashboard • Assessment Q2.3 • Assessment Q4.1	
		• Maximise use of available electronic processes and tools	• P2P purchasing system • Procurement Cards • PCS/PCS-T				
		• Reduce the cost of processing orders and invoices throughout the purchasing cycle	• P2P purchasing system/Finance system • Finance Reports				
	To improve the awareness of procurement policies and procedures amongst relevant College staff and suppliers through various sources of information	• Introduce a short Procurement induction course on Moodle for relevant new staff	• HR induction plan • Moodle Report	Total number of FVC staff to complete Moodle course Number of training	Quarter 1 2017 then Ongoing	• Assessment Q1.4 • Assessment Q1.5	

		• Introduce periodical review meetings/training opportunities with departments to provide relevant updates	• Records of meetings/training sessions held and relevant information discussed.	sessions delivered to FVC staff on Procurement topics	Ongoing		
		• Improve the awareness of procurement information available for College staff	• Periodical department meetings • Procurement SharePoint page • Relevant staff/stakeholder survey/feedback • E-Focus bulletins		Periodic	• Assessment Q1.5 • Assessment Q1.6 • Assessment Q2.3 • Assessment Q3.1 • Assessment Q3.2	
		• Improve the awareness of procurement information available for suppliers	• FVC website • Supplier survey/feedback as appropriate • Supplier engagement events	Outputs of staff and supplier surveys/feedback			
	To ensure that our procurement policies and procedures continue to deliver the requirements of the College in an efficient and effective manner	• Introduce new approaches to gathering feedback from College staff about the service provided by Procurement and suggestions for improvement • Continue to review and improve our policies and procedures based on feedback received	• Stakeholder Focus Groups/Surveys • Procurement SharePoint Page				

SFC Priority Outcome	• **Efficient and Sustainable**
FVC Strategic Plan Value Statement	• **Leading as a business that is champion for governance, financial control and balanced risk taking** • **Delivering a whole system approach. Simply effective, efficient and consistent**
Scottish Model of Procurement Objective:	• **Maximising efficiency and collaboration** • **Delivering Savings and Benefits**

Procurement Objective 3	Target/Outcome	Main Actions	Benchmark Data/ Sources	KPI/Measure	Target Date	PCIP Ref	RAG
To develop sound and useful procurement management information in order to measure and improve procurement and supplier performance in support of College Strategic Priorities and Objectives	To continue to record savings and efficiencies achieved through procurement activity	• Record local savings and efficiencies using agreed sector methodology • Review APUC Annual Benefits Statement for savings and efficiencies achieved through Frameworks	• FVC procurement savings report/Hunter database • APUC Annual Benefits Statement	Annual Report to Senior Management Team showing overall totals of: • Cash Savings • Non-Cash Savings • Added Value	Quarter 1 2017	Dashboard Assessment Q2.3 Assessment Q2.4	
	To report the benefits delivered by the Procurement function in support of College objectives	• Preparation of periodic reports that address the aims and objectives of the College, and the requirements of Procurement Reform (Scotland) Act 2014 • Prepare Annual Report on performance against Procurement Strategy	• FVC procurement savings report/Hunter database • FVC Contracts Register • Stakeholder Focus Groups/Surveys • PCIP report • Forward Contracting Plan	Annual Report showing the achievement of strategic objectives in line with the requirements of the Procurement Reform (Scotland) Act	Annual – as soon as possible after FY end	Assessment Q1.2 Assessment Q2.4	
	To seek to continually improve supplier performance through the management of performance on contracts	• Seek feedback from College staff/departments on key suppliers/contracts • Hold periodic supplier reviews with key suppliers and discuss feedback and/or provide feedback to relevant CoE's for Framework Agreements • Seek supplier feedback on performance and opportunities to deliver further improvements	• Stakeholder Focus Groups/Surveys • Contract KPI's/SLA's • Supplier feedback/performance improvement reports	Level of staff satisfaction/positive feedback on supplier performance from Focus Groups and Surveys	Periodic	Assessment Q3.1 Assessment Q3.2 Assessment Q3.3	

SFC Priority Outcome	• **Efficient and Sustainable**
FVC Strategic Plan Value Statement	• **Leading as a business that is champion for governance, financial control and balanced risk taking**
Scottish Model of Procurement Objective:	• **Delivering Savings and Benefits** • **Maximising efficiency and collaboration** • **Embedding Sustainability in all we do**

<table>
<tr><th>Procurement Objective 4</th><th>Target/Outcome</th><th>Main Actions</th><th>Benchmark Data/ Sources</th><th>KPI/Measure</th><th>Target Date</th><th>PCIP Ref</th><th>RAG</th></tr>
<tr><td rowspan="2">To embed relevant and appropriate procurement strategies to manage or reduce risk to the College.</td><td>To understand risks relating to key suppliers/contracts and implement relevant management approach</td><td>• Embed risk as a key consideration when developing contract/commodity strategy
• Through detailed spend analysis, identify supplier/contract risk levels and determine appropriate tactical and strategic approaches to supply markets and contract management
• Establish a procurement risk register to collate and manage all identified procurement risks
• Communicate appropriate risks to Senior Management Team for inclusion in College Risk Register</td><td>• FVC Commodity Procurement Strategy in conjunction with relevant FVC staff
• FVC Expenditure Analysis</td><td rowspan="2">Implement procurement risk register and identify key procurement risks

Total number of FVC staff to complete Moodle course

Number of training sessions delivered to FVC staff on Procurement topics</td><td>Quarter 1 2017 then ongoing</td><td rowspan="2">Dashboard
Assessment Q1.5
Assessment Q1.6
Assessment Q3.1</td><td></td></tr>
<tr><td>To reduce the College's exposure to any forms of risk relating to procurement activity</td><td>• Embed risk management processes into Policy and Procedures, including:
- Schemes of Delegation
- Conflict of Interest
- Gifts and Hospitality
- Counter Fraud
• Communicate Policy and Procedures to all FVC staff involved in procurement activity</td><td>• FVC procurement policy and procedures
• Procurement SharePoint page (intranet)
• Periodical departmental meetings
• Moodle induction</td><td>Ongoing</td><td></td></tr>
</table>

SFC Priority Outcome	• **Efficient and Sustainable** • **High Quality Learning** • **A developed workforce** • **Equalities**
FVC Strategic Plan Value Statement	• **Cultivating a vibrant learning organisation where learners develop skills, achieve qualifications valued by industry and progress seamlessly** • **Instilling an energy and passion for our people, celebrating success and innovation** • **Enhancing our position as the business and community partner of choice**
Scottish Model of Procurement Objective:	• **Embedding Sustainability in all we do** • **Improving supplier access to public contracts**

Procurement Objective 5	Target/Outcome	Main Actions	Benchmark Data/ Sources	KPI/Measure	Target Date	PCIP Ref	RAG
To embed sound economic, social and environmental procurement policies and to comply with relevant Scottish, UK and EU legislation in performance of the Sustainable Procurement Duty.	To maximise the economic, social and environmental outcomes from our procurement activity	• Embed sustainability considerations into relevant commodity procurement strategies through the use of the Sustainability Test (including Sustainable Procurement Duty considerations) • Identify and maximise Community Benefit opportunities from contracts where appropriate • Place at least one contract with a Supported Business • Seek to maximise opportunities for SME's and local businesses, particularly for below regulated procurement opportunities	• Scottish Government Public Procurement Prioritisation Tool • FVC Commodity Procurement Strategy in conjunction with relevant FVC staff • FVC Contracts Register (website) • FVC procurement policy and procedures • PCS/PCS-T	• Measure of sustainability outcomes secured in contracts awarded, including Sustainable Procurement Duty considerations • Award a contract to a Supported Business	Annual – as soon after FY end as possible Annually	Dashboard Assessment Q1.2 Assessment Q2.2 Assessment Q2.4 Dashboard Assessment Q2.4	
	To support the achievement of the College's overall Sustainability targets and objectives	• Actively participate in the College Sustainability Committee • Report on economic, social and environmental outcomes from our procurement activity • Maintain Level 2 of Flexible Framework as a minimum • Communicate Sustainable Procurement objectives to	• Sustainability Committee actions/Sustainable Procurement KPI's • Summary of outcomes contained in Award Recommendation Report • Annual Report • Flexible Framework Assessment/Action Plan • Procurement SharePoint	• Annual Report showing the achievement of strategic objectives in line with the requirements of the Procurement Reform (Scotland) Act • Maintain Level 2 of Flexible	Annual – as soon as possible after FY end Ongoing	Assessment Q1.2	

		College stakeholders	page	Framework		Assessment Q2.4	
	Increase supplier engagement in relation to FVC's sustainable procurement objectives	• Improve information available to suppliers on how to do business with the College, and sustainability objectives • Attend supplier engagement events in the Forth Valley area, such as Meet the Buyer	• FVC website • Supplier survey/feedback as appropriate • APUC SUSTAIN tool • Supplier engagement events	• Outputs of supplier surveys	Periodic		

5. Annual Report & Financial Statements 2015/16
For Approval

29 November 2016
FINANCE COMMITTEE

1. Purpose

To present to members the Annual Report and Financial Statements for the year to 31 July 2016.

2. Recommendation

Members consider the financial position of the College for the year ended 31 July 2016 and approve the Annual Report and Financial Statements for the year ended 31 July 2016.

3. Background

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

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

The SPFM and FReM both require additional disclosures. Key changes from previous years disclosures is the incorporation of a Performance Report in place of the Operating and Financial Review.

4. Key Considerations

The adoption of the Financial Reporting standard (FRS) 102 and the 2015 SORP in this reporting period has required changes to accounting policies, the key ones being in relation to the treatment of Government Grants and Financial Instruments both of which have had a significant impact on these Financial Statements. This combined with the government accounting restrictions on the ability to retain cash surpluses due to resource budgeting restrictions means it is becoming increasingly difficult to present the College's financial position in a way which informs readers of the true underlying financial sustainability of the College.

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

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

The Financial Performance section of the Performance Report provides a detailed review of the College's financial performance for the year ended 31 July 2016 and its financial position at 31 July 2016. The key points to note are

- The actual outturn was an increased operational surplus of £699k against the original budget, excluding non-cash adjustments and the estates development cost.

- The net liability position is distorted due to the technical accounting adjustments in relation to the treatment of government capital grants and pension liabilities. Also, the impact of reclassification where surplus cash has been donated to an arm's length foundation or spent to support the estates development programme impacts on the net liabilities

- The external auditors are content there are no going concern issues as the underlying financial position has been clearly demonstrated.

5. Financial Implications

SFC guidance states that for the financial period ended 31 July 2016 Colleges are permitted to report deficits equivalent to the net depreciation figure and FRS 17 pension charges and FRS 102 adjustments of £3.976m. The net depreciation at 31 March 2016 was £608k and the charge arising from FRS 17 Pension valuations of £1.973m means that FVC falls within the guidelines.

Reporting a deficit does have implications however, and to counter any queries or concerns by the users of the Financial Statements, SFC have issued a statement of assurance for Colleges to incorporate into their Financial Statements for the financial period ended 31 July 2016. . This statement stated the deficit should be viewed as a "technical" deficit and should not be interpreted, on its own, as a challenge to the College's ongoing financial sustainability. The full Statement is in Note 36 of the Accounts.

6. Banking Covenants

[redacted]

7. Equalities

Assessment in Place? – N/a

8. Risk

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

	Likelihood	Impact
Very High		x
High		
Medium	x	
Low		
Very Low		

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

[redacted]

Risk Owner – Alison Stewart

Action Owner – Irene Andrew

Paper Author – Alison Stewart

SMT Owner – Alison Stewart

FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2016

Scottish Charity No. SCO21191

The financial statements were approved and authorised for issue on 8 December 2016.

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PROFESSIONAL ADVISERS

Financial Statement Auditors:	Henderson Loggie 34 Melville Street Edinburgh EH3 7HA
Internal Auditors:	Scott Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
Vat Advisers:	RSM First Floor Quay 2 139 Fountainbridge Edinburgh EH3 9QG
	Campbell Dallas Titanium 1 King's Inch Place Renfrew PA4 8WF
Bankers:	Barclays Bank 120 Bothwell Street Glasgow G2 7JT
Solicitors:	MacRoberts Capella 60 York Street Glasgow G2 4TB
	CMS Cameron McKenna LLP 191 West George Street Glasgow G2 2LD
	Simpson & Marwick (t/a Clyde & Co) 144 West George Street Glasgow G2 2HG

PERFORMANCE REPORT

OVERVIEW

Principal and Chief Executive's statement

In 2015/16, thanks to the dedication of our staff and the hard work of our students, the College has continued to live up to its mission of "Making Learning Work".

The year has not been without its challenges. Continued 'flat cash' awards from the Scottish Funding Council and the inability to retain surpluses owing to reclassification as a public body have underlined the need for careful management of College resource to minimise the impact on our students.

In order to support our aspirations for the College, our commercial and apprenticeship activity has continued to play a vital role in the life of the College and the development of these and new markets have remained a key priority for the College. We are grateful for the continued support from existing stakeholders and welcome the opportunity to work with new partners locally, nationally and internationally.

The College has continued to make headway with our aspirations to deliver a new Falkirk headquarters campus to the standard of our Alloa and Stirling campuses. 2015/16 saw the Scottish Government reaffirm their commitment to this project by transferring it from an NPD funded project to a Capital project. We are excited to maintain the momentum of these developments and look forward to opening the new campus in 2019 for our students.

In 2015/16 the College also successfully undertook a full Education Scotland review. The review confirmed that the College's commitment to Creative Learning is key to maximising the resources on hand and to generate a worthwhile learning experience for students across all levels of study. Our staff have fully embraced the benefits to be gained from creative learning and this has led to a more engaging learning experience for students.

Further external recognition of the work of the College includes the College winning the TES Innovation in Learning and Teaching Award, a number of high profile visits from Scottish Ministers and Gold awards for Essential Skills and Creative Learning at the College Development Network awards.

Overall I am proud of how we have met the challenges facing us and have continued to deliver for students, our staff and other College stakeholders.

Dr Ken Thomson
Principal and Chief Executive
8 December 2016

Vision, purpose and activities

Legal Status

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

The Financial Statements cover all activities of the College.

Mission Statement

The College Mission Statement is: **Making Learning Work**

College Vision

The College Vision is:

Shaping the Future
Delivering a World Class Service
Driving Our Momentum

Strategic Themes

Forth Valley College of Further and Higher Education has 6 key strategic themes for the period 2014-2018. These are:

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

Performance Summary

2015/16 was a strong year for the College as we continued to progress our vision of 'Making Learning Work'.

Creating a superb environment for learning – We have continued to invest in our estates ensuring we offer the best possible learning environment for our students. The College is now progressing with a strategy to build a new £83m Falkirk Headquarters campus, supported by a £70m grant from Scottish Government.

A full Technical Team were appointed following relevant procurement exercises to assist the College in the preparation of the Full Business Case (FBC). This document was completed and submitted to Scottish Funding Council for approval in September 2016 and a decision is awaited. Extensive internal consultation has also occurred along with public events and meetings with key external stakeholders. The College has agreed to purchase land, conditional on final FBC approval, next to the existing intended site for the new campus. The Application for Approval of Matters Specified in Conditions (detailed planning permission) was also submitted in September 2016.

Throughout the process, governance arrangements have been in place with a specialist Falkirk Campus Project Board established to oversee progress. The Falkirk Campus Project Board comprises members of the Board of Management, a dedicated College Project Team, along with representation from College staff and the Scottish Futures Trust.

Our new campuses in Alloa and Stirling also continue to perform well, with high demand for the accommodation and positive feedback from students, staff, the local community and visitors on the quality of the facilities we offer.

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

In 2015/2016 we further developed our Curriculum Review process to ensure that our future curriculum developments continue to meet the needs of the employers of Forth Valley and beyond and to take full account of national priorities, such as the Scottish Government's Youth Employment Strategy and the latest available information about regional skills needs.

In 2015/2016 the College further developed its cutting edge Creative Learning initiative, with over 60 members of staff participating in a Creative Learning Action Community, through which they were supported to work collaboratively with colleagues, across departmental boundaries, to design and facilitate innovative and value-added learning experiences for their students. This initiative is proving so successful that in 2015/2016 it attracted two high profile sector awards – the College Development Network Learning and Teaching Award and the TES FE Award for Best Teaching and Learning Initiative.

We continued to operate our successful "Listening to Learners" focus group process, through which over 2,500 students contributed their views and helped to shape learning within their programmes of study. Satisfaction levels remain very high across all of the factors included on the focus group agendas.

Finally, in May 2016 the college's quadrennial Education Scotland external review report was published. The report highlighted a sector-leading nineteen areas of positive practice and three examples of Excellence, along with two areas for development, which were already embedded within the college's future plans. The full report can be viewed on the Education Scotland website at this link http://www.educationscotland.gov.uk/inspectionandreview/reports/othersectors/collegereviews/ForthValleyCollege.asp

Instilling an energy and passion for our people, celebrating success and innovation – This year the College was the only Scottish College to achieve the highly prestigious TES award for Best Teaching and Learning Initiative. This accolade once again put the College in an excellent position to develop further its ambition of recognising and celebrating success in creative learning.

Staff development processes have also been revamped and have proved to be successful in their innovative approach in engaging staff and creating a platform of ownership and pride in the delivery of learning and teaching as well as in increasing the knowledge base, skills and industrial experience of employees. The staff development theme of Creative Learning develops into its next stage of innovation and has seen staff throughout the organisation embracing this in their practice. The Ambassador role within the College has also moved onto the next stage with an interactive web page and blog which captures the benefits of representing Forth Valley College at a wide range of national and international events. This also gives more opportunities for staff to represent the College at a wide range of national and international events.

The total response rate for our second cultural survey was 340 completed surveys, which is around 54% of the college establishment. This figure is a slight drop of around 2.3% from the previous survey. Overall engagement of the cultural survey was extremely positive - achieving over 80% engagement across all 9 sections. Discussions are now in place to provide an action plan which will highlight key targets from the survey and focus on improvements.

Forth Valley College has officially been accredited as a UK Living Wage Employer.

Leading as a business that is a champion for governance, financial control and balanced risk taking – The Board of Management approved the adoption of the Code of Good Governance for Scotland's Colleges in March 2015. The College continues to work within this framework. During the year the College started a recruitment process for new Board members in line with the Sector Board Appointments: 2014 Ministerial Guidance. The appointments of 2 non-executive members and 1 co-opted member were approved by Scottish Ministers in November 2016. A formal induction process has been completed by all new members.

A full report on the College's financial performance is included within the Performance Analysis section of this report. The adoption of FRS102 for the first time has had a significant impact on the presentation of the financial statements. Overall the College's financial health continues to be strong which is demonstrated by the ability to generate significant levels of cash surplus on the day to day operational activities of the College. In 2015/16 this has been used to support our estates development programme for a new Falkirk campus. As an arms -length public body the College is not expected to retain reserves for future investment and is required to balance its Resource Budget.

Enhancing our position as the business and community partner of choice – Strong employer and stakeholder relationships are key to ensuring we maintain our position as a partner of choice. This has been a challenging year with the impact of the oil price drop when many of our partners have been adversely affected. We have however successfully managed to maintain and develop some key relationships; with Engineering Construction Industry Training Board (ECITB) we delivering a pre apprenticeship programme alongside the apprenticeship programme to ensure the talent is available when the oil and gas sector starts to recover. With Forth Electrical Services (FES) we have developed a bespoke management and leadership programme to provide a progression route for their apprenticeship programme. We have also maintained our position as a leading Modern Apprenticeship provider in the sector building on the engineering provision locally and have successfully extended our reach with the local SME market. Additionally we have developed our Vocational Qualification delivery direct to employers and are expanding this activity in a number of areas.

Partnerships are core to the College's vision of Making Learning Work both nationally and internationally. Relationships and collaborations have developed with both national organisations like CBI (Confederation of British Industry) and SCDI (Scottish Council for Development and Industry), and international ones like CBBC (China-Britain Business Council), SDI (Scottish Development International), the BC (British Council) as well as the University of Stirling and Glasgow Caledonian University. The international connections have created a sound platform from which we are building international activity and we have delivered COMPEX courses in Ghana and developed a skills partnership with educational institutes in Iraq.

All the relationships and activities with our key employers and stakeholders have generated a tangible benefit to the College supporting and making a contribution towards its financial sustainability.

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

We have continually improved our online application process, supported by the functionality for applicants to create a bespoke prospectus on our website, to provide a clear and supportive system to new and returning students. We have embedded our online student funding application which significantly improved the application process and helped to ensure faster decision making and communication to students. We also developed a schools portal in partnership with Falkirk Council, which allows local schools to see real-time information on school pupil applications to the College, which we hope will enable enhanced dialogue between all partners to enable students to successfully transition onto their correct course.

Through the development of a College Data dashboard we expanded the amount and range of real-time information available to appropriate staff throughout our organisation, and we have continued to develop our HR systems to allow staff access to a self-service "My Staff Record" area. For students we have further developed "My Info" to provide real-time access to initially timetable and attendance information, with the ability to access this portal from any mobile device.

Principal Risks and Uncertainties

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

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

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

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

- There will be inadequate facilities for learners due to lack of capital investment
- Failure to successfully exit from the current contractual obligations for the telecoms array on the West Block will negatively impact on College finances and estates development
- Strike action arising from National Bargaining negotiations will impact on the learning and teaching provision for students
- The current economic environment including Brexit will impact of the College's ability to generate commercial income
- Uncertainty over future SFC funding levels which impacts on curriculum planning and financial sustainability.

Going concern

The net liability position reported in these Financial statements is due to the adoption of Financial Reporting Standard (FRS)102 which resulted in the reclassification of Capital Government Grants previously treated as Reserves to Liabilities due greater than one year. The net liabilities include a Pension Provision for early retirements of £7.3m and Pension Liability of £16.8m for College's share of the Falkirk Council Local Government Pension Scheme (LGPS). To the extent that the pension deficit is not met from the College's other sources of income, it may only be met by future grants or Grant In Aid from the Scottish Funding Council. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need. The Board of Management of Forth Valley College has no reason to believe that future support will not be forthcoming. Given the above it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these annual accounts.

PERFORMANCE ANALYSIS

Performance Indicators

The College has adopted the core set of performance indicators which were developed by the Colleges' Finance Community of Practice. The table below details performance in 2015/16 and 2014/15.

	Year Ended 31 July 2016	Period Ended 31 July 2015 Restated
Operating surplus as % of total income: surplus on continuing activities after depreciation of assets at valuation, and exceptional items and before disposal of assets and tax expressed as percentage of total income.	**-6.2%**	-5.3%
Non SFC Income as % of total income: total of non-SFC income expressed as a percentage of total income.	**30.8%**	27.4%
Current assets : current liabilities: ratio of total current assets to the total of creditors: amounts falling due within one year.	0.65:1	0.69:1
Days cash: cash and short-term investments divided by total expenditure less depreciation and expressed in days.	**11**	14
Staff turnover: FTE staff on a permanent contract of employment that leave for whatever reason during the year divided by the total FTE permanent staff at the college at the period end.	**4%**	4%
Working days lost through sickness absence: Working days lost per staff FTE through sickness absence divided by the total FTEs employed at the institution at the period end (expressed as percentage).	**2%**	3%
WSUMs per staff FTE: actual WSUMs delivered in the year per FES return divided by total of FTEs involved in delivery of WSUMs.	***N/A***	*457*
Credits per staff FTE: actual Credits delivered in the year per FES return divided by total of FTEs involved in delivery of Credits.	***378***	*N/A*
Performance against Credits / WSUMs activity target: actual Credits / WSUMs delivered in the year divided by target Credits / WSUMs.	***100%***	*100%*

		Year Ended 31 July 2016	Year Ended 31 July 2015
Student outcomes: total enrolments for students completing programme with a national qualification aim, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	***70%***	*70%*
	FE Part time	***91%***	*88%*
	HE Full time	***75%***	*79%*
	HE Part time	***88%***	*89%*
Student retention: measures number of enrolments for which the student has completed the programme, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	***75%***	*77%*
	FE Part time	***95%***	*97%*
	HE Full time	***83%***	*86%*
	HE Part time	***92%***	*95%*
Early student retention: measures the number of enrolments for which the student has reached the 25% date for funding purposes, expressed as a percentage of all enrolments (per the student and staff performance indicator publication).	FE Full time	***96%***	*95%*
	FE Part time	***99%***	*99%*
	HE Full time	***98%***	*97%*
	HE Part time	***99%***	*98%*

Current & Future Developments

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

A continued specific focus for curriculum development during 2015/2016 was the Developing the Young Workforce agenda and the associated Scottish Government Youth Employment Strategy, which set out seven year plans for schools, colleges, apprenticeships, employers and equality.

One target within the Strategy is to increase the percentage of school pupils achieving vocational qualifications at SCQF level 5 or above. In pursuit of this aim, the College continued to develop and expand its portfolio of qualifications at SCQF levels 5-7 for senior phase school pupils from our three partner local authorities. This included a sixth HNC course and two pathfinder offerings of the newly developed Foundation Apprenticeships in Social Services and Healthcare and Children and Young People.

In terms of learning and teaching, in 2016/17 we will maintain our strong focus on developing a culture of creativity in learning, using a lively and engaging Creative Learning Conference for staff in August 2016 as a catalyst for all staff to develop personal objectives for creative learning which will be formalised and monitored through our PRD process throughout the year. In 2016/17 we will also build on the success of our current Learning Strategy: Empowering Learners and develop this into a new, future-focused Creative Learning and Learning Technology Strategy for 2017 - 2022, ensuring that we are fully prepared to maximise the benefits to learning and teaching that our new Falkirk Campus will bring.

In terms of curriculum, we will continue to rigorously review our future portfolio to ensure that it fully reflects SDS regional skills plans, maximises employer engagement and delivers on our Outcome Agreement targets. This will include further development of vocational provision for senior phase school pupils, including further SDS funded Foundation Apprenticeships. We will also continue to work closely with our HEI partners to maximise success and progression on our existing integrated degree programmes and to develop additional articulation agreements for HN graduates.

We are also continuing to develop the Graduate Level Apprenticeship with Heriot Watt and Glasgow Caledonian University in Instrumentation and Control, Mechanical and Electrical engineering. We are now part of the Technical Expert Group driving forward the frameworks for this programme and will seek to deliver in 2017/18.

Internationally we are connecting with the University of Stirling and Glasgow Caledonian University to offer a 2 plus 2 degree programme to international students in Biological Sciences and Engineering. The international students will be students of the university for the 4 year period with the college delivering years 1 and 2. This model will be based on our highly successful integrated degree programmes and other courses will be explored as an option for international students.

We have initiated an E-Portfolio project, One-File, to offer initially modern apprentices an electronic system for monitoring and assessing vocational qualifications. This will be piloted in construction, engineering and business development.

As we continue to develop and strengthen our employer relationships we have initiated the development of key systems to ensure data is recorded and maintained, and can provide KPIs for our key areas of delivery. For example our employer engagement system will support how we are engaging with employers and maintain key information and data about the employers and stakeholders we are working with. This will also be supported by an employer portal to provide employers with essential data on their employees in relation to attendance, progress and behaviours when attending College.

Financial Performance

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

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

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

The College's financial objectives are:

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

Adoption of FRS 102 and the Statement of Recommended Practice: Accounting for Further and Higher Education 2015 (2015 SORP)

The adoption of FRS 102 and the 2015 SORP in this reporting period has required changes to accounting policies in relation to the treatment of Government Grants and Financial Instruments both of which have had a significant impact on these Financial Statements.

Government Capital Grants – under the old SORP capital government grants given to the College to support any fixed asset purchases or construction were permitted to be accounted for as deferred capital grants on the balance sheet within reserves. The reserve was then released to the income and expenditure account in line with the depreciation charge of the respective fixed asset, in essence offsetting the depreciation charge within the income and expenditure account.

Under the 2015 SORP there is a choice of two accounting policies:
Accruals Model – in essence the same as the existing model however this is only permitted for government grants for non-land purchases. Also the deferred element of the capital grant must be retained within creditors as deferred income rather than in reserves.
Performance Model – under this model grants must be recognised within the income in full immediately when the performance conditions of the grant are met. This method would result in more volatile surpluses and deficits. Future Statements of Comprehensive Income would no longer benefit from the credit arising from the release of deferred capital grants which would reduce on-going reported surpluses or increase deficits.

The College has chosen to apply the accruals model for all government funded non-land capital grants and the performance model for all land grants. The impact of doing so has resulted in net liabilities as deferred capital grants which were previously classified as reserves have now been reclassified to Creditors amounts falling due within 1 year and more than 1 year.

Financial Instrument - the college uses an interest rate swap to adjust interest rate exposure in order to guarantee fixed interest payments for the bank loan where payments are variable and hence exposed to interest rate movements. Previously under UK GAAP this was not shown on the college's balance sheet. With the implementation of FRS102 the interest rate swap is now recorded at fair value on the balance sheet and the in-year movement accounted for through the Statement of Comprehensive Income.

Financial Outturn against Budget for the year ended 31 July 2016

The year ended 31 July 2016 is the first year where the College is required to adopt FRS 102. The table below summarises the financial outturn against the original budget which excluded the impact of adopting FRS 102 and pension valuations.

	Actual Year Ended 31 July 2016	Budget Year Ended 31 July 2016
	£000	£000
Operating Activities		
Income	33,152	33,278
Expenditure	32,390	33,215
	762	63
Pension Valuations	(1,037)	
FRS 102 - Interest Swap	(441)	
Estates Development		
Grant from Forth Valley College Foundation	370	1,800
Exceptional Estates Development Costs	(1,739)	(1,800)
	(2,085)	63
Actuarial loss/(gain) in respect of pension scheme	(2,498)	
Unrealised (deficit)/surplus on revaluation of land and buildings	(1,650)	
(Deficit) / surplus	(6,233)	63

Overall the College delivered an improved operating position of £699k against the original budget. The main reasons for this related to savings in operational expenses due to efficiency drives and effective procurement processes together with unutilised contingencies included within the original budget.

In October 2014 the Scottish Government announced funding for a new Falkirk campus through Scottish Future's Trust NPD (Not for Profit Distribution) programme. In April 2016 the College received confirmation from Scottish Government that the funding route was being changed to Capital Grant. The costs expensed through the Statement of Comprehensive Income have been identified as exceptional items and relate to professional advisors fees in the preparation of the College's Full Business Case for the new campus.

SFC issued assurance to the College that deficits which arise from non-cash transactions should not be interpreted as a challenge to the College's financial sustainability and these should be treated as a "technical" deficit. Audit Scotland accepts that a deficit arising from the use of cash funding originally provided for non-cash depreciation does not indicate an underlying financial sustainability concern. This is detailed in Note 36 to the Financial Statements.

Balance Sheet

As per FReM guidelines, due to the potential impairment of land held at the Middlefield site, a revaluation of this land was undertaken at 31 July 2016. This resulted in an impairment of £1,650k being recognised in the Balance Sheet.

The interest rate swap has been recorded as a liability on the balance sheet at fair value and accounted for at fair value through profit and loss. Under previous UK GAAP these were not re-valued to fair value or shown on the college balance sheet at the year-end. An adjustment was made to reflect the opening fair value as at April 2014 (£92k), and the movement during both 14/15 (£309k) and 15/16 (£441k) has been included within the Statement of Comprehensive Income.

The College has net liabilities of £3m (2015 - net assets £4m). The net liability position is due to the reclassification of Deferred Government Capital Grants from Reserves following the adoption of FRS102. A reconciliation of the net liability / asset position to the underlying historical cash surplus of the College is detailed in the following table.

	Year Ended 31 July 2016	Period Ended 31 July 2015
	£000	£000
Reserves		
Income & expendtiure	**(21,170)**	(17,076)
Revaluation	**18,563**	20,715
	(2,607)	3,639
Income & Expenditure	**(21,170)**	(17,076)
Non Cash adjustments		
Early Retirements Pension Provision	**7,317**	7,169
LGPS Pension Liability	**16,804**	13,416
FRS 102 - Interest Swap	**843**	402
Cash adjustments due to relcassifcation		
Donation to FVC Foundation	**5,500**	5,500
Utilisation of net depreciation	**1,234**	622
Other		
Estates Development Costs funded by reserves	**4,283**	4,283
Underlying historical operational cash surplus	**14,811**	14,316

Resource Outturn for the year ended 31 March 2016

A consequence of the college reclassification is that the College is required to report on its Resource Outturn to Scottish Government which is based on the government's financial year end of 31 March.

There are differences between the government accounting rules used for the Resource Outturn and the financial reporting accounting requirements used for these Financial Statements. One significant difference is the treatment of non-cash costs. Adherence to central government rules leaves the College unable to access accumulated cash reserves without the appropriate budget cover having been authorised from the Scottish Government. Any under-utilisation of allocated budget cover results in cash effectively being frozen. In order to minimise frozen cash in the College sector during the financial period being reported, the SFC granted Colleges additional budget cover up to the level of net depreciation at 31 March 16 (Scottish Government's financial year end). The net depreciation for the College was £613k. SFC authorisation was received to utilise this to support the proposed new estates development of our Falkirk Campus. This prevented that cash becoming inaccessible to the College.

A summary of the Resource Outturn reported to SFC and Scottish Government is noted below.

Resource Outturn 2015/16	RDEL Year Ended 31 July 2016	CDEL Year Ended 31 July 2016
	£000	£000
Total Income	(34,602)	(305)
Revenue Expenditure	34,458	305
Underspend on Resource Budget	(144)	0
Ringfenced RDEL		
Depreciation	613	
AME Expenditure	127	

The RDEL underspend of £144k is equivalent to the annual loan repayment the College has to make in relation existing borrowings entered into prior to the reclassification as an arm's length public body. Although the repayments utilise cash they do not score against the resource outturn.

The CDEL budget was fully utilised.

Creditor Payment Performance

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

Standard creditor terms are set on our finance system to be 30 days and can be amended to adhere to supplier terms if authorised by Finance Team Management. Invoices are paid on a weekly basis by the due date and only if they are authorised for payment on the finance system. The average number of days taken to pay suppliers in the financial period being reported was 23 days (2015 - 29 days).

Sustainability Report

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

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

The College has an established Sustainability Committee which performs a strategic function to set, and measure sustainability progress throughout the college. The Committee representatives agree a series of performance indicators annually, which are monitored and progressed. The Committee is led by our Associate Principal, HR & Organisational Development.

A significant area of measurement is the College Carbon Management Plan (CMP) which was developed as a result of the College signing the Universities and Colleges Climate Commitment for Scotland (UCCCfS) in partnership with the EAUC (Environmental Association of Universities and Colleges). The CMP reflects all carbon associated with waste, fleet travel and utilities at each site. The College's estate has altered considerably since the CMP baseline year of 2008/09, with the opening of our new campus in Alloa (2011) and new campus in

Stirling (2012) both of which received the BREEAM (Building Research Establishment Environmental Assessment Method) Excellent rating. The College remains on target to reduce total carbon dioxide (tCO2) levels by 25% from the baseline figure of 2,873.62 tCO2 by the year 2020. The figures for Session 2015/16 evidence that we are ahead of target with our gross carbon footprint reduced to 2,262 tCO2.

The College has targeted the majority of projects that have a positive carbon reduction with the lowest capital investment, however it is becoming increasingly challenging to identify further reductions without significant capital expense. The most significant project with low carbon benefits will be the fruition of the new Falkirk Campus, planned for completion in 2019.

In addition, the Scottish Government has made the reporting of carbon use mandatory from 2016, using a specific template created by Sustainable Scotland Network (SSN) in association with the EAUC. The College submitted its first SSN completed carbon reporting template for the deadline of 30 November 2015 as part of the voluntary initial pilot year and will continue to submit annual reports.

Dr Ken Thomson
Principal and Chief Executive
8 December 2016

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

Board of Management Report

Membership of the Board of Management

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

Mr H Hall, Chair	Regional Chair	
Mrs A Mearns, Vice Chair	Senior Independent Member / Non-executive member	
Dr K Thomson	Principal	
Mr C Alexander	Non-Executive member	
Mr A Buchan	Student	
Mr R Burns	Staff	Resigned July 2016
Mrs F Campbell	Non-Executive member	
Mr A Carver	Non-Executive member	
Ms T Craggs	Non-Executive member	Appointed November 2016
Ms Pamela Duncan	Staff	Elected August 2016
Ms L Dougall	Non-Executive member	
Mr D Flynn	Non-Executive member	Appointed November 2016
Ms B Hamilton	Non- Executive member	
Mr S Harrison	Staff	Elected August 2016
Mrs C Jack	Non-Executive member	
Mr L McCabe	Non-Executive member	
Mr K Richardson	Non-Executive member	
Ms Lorraine Simpson	Student	Resigned June 2016
Ms A Stephen	Staff	Retired June 2016
Mr N Scott	Non-Executive member	Resigned February 2016
Mr S Tolson	Non-Executive member	
Ms Karen Williams	Student	Resigned November 2016
Ms Amy Scobbie	Student	Elected November 2016
Ms A Winchester	Non-Executive member	Resigned November 2016

Membership of the Senior Management Team

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

Dr K Thomson	Principal
Mr D Allison	Associate Principal & Executive Director Information Services
Mrs F Brown	Associate Principal and Executive Director Curriculum & Quality
Mr T Gorman	Associate Principal and Executive Director Estates Development
Mr A Lawson	Associate Principal and Executive Director HR & Organisational Development
Mrs A Stewart	Associate Principal and Executive Director Finance
Mrs C Walker	Associate Principal and Executive Director Business Development

Conflicts of Interest procedures

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

Personal data related incidents

Section 417 of the Companies Act 2006 requires that organisations report on personal date related incidents. In 2015/16, the College had no reported personal data incidents.

Dr Ken Thomson
Principal and Chief Executive
8 December 2016

Statement of The Board of Management's Responsibilities

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

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

The Board of Management is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the College and enable it to ensure that the financial statements are prepared in accordance with the Further and Higher Education (Scotland) Act 1992, the 2015 Statement of Recommended Practice - Accounting for Further and Higher Education Institutions and other relevant accounting standards. In addition, within the terms and conditions of a Financial Memorandum agreed between the Scottish Funding Council and the College's Board of Management, the Board of Management, through its designated office holder, is required to prepare financial statements for each financial period which give a true and fair view of the College's state of affairs and of the surplus or deficit and cash flows for that period. These financial statements comply with the Accounts Direction issued by the Scottish Funding Council.

In preparing the financial statements, the Board of Management has ensured that:

- suitable accounting policies are selected and applied consistently
- judgements and estimates are made that are reasonable and prudent
- applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Institution will continue in operation. The Board of Management is satisfied that it has adequate resources to continue in operation for the foreseeable future: for this reason the going concern basis continues to be adopted in the preparation of the financial statements.

The Board of Management has taken reasonable steps to:

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

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

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

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

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

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

Auditor

The Auditor General for Scotland has appointed Henderson Loggie to undertake the audit for the year ended 31 July 2016.

Disclosure of information to auditors

The Board members who held office at the date of approval of this report confirm that, so far as they are each aware, there is no relevant audit information of which the College's auditors are unaware; and each Board member has taken all the steps that he or she ought to have taken to be aware of any relevant audit information and to establish that the College's auditors are aware of that information.

Approved by order of the members of the Board on 8 December 2016 and signed on its behalf by:

Hugh Hall
Chair

Governance Statement

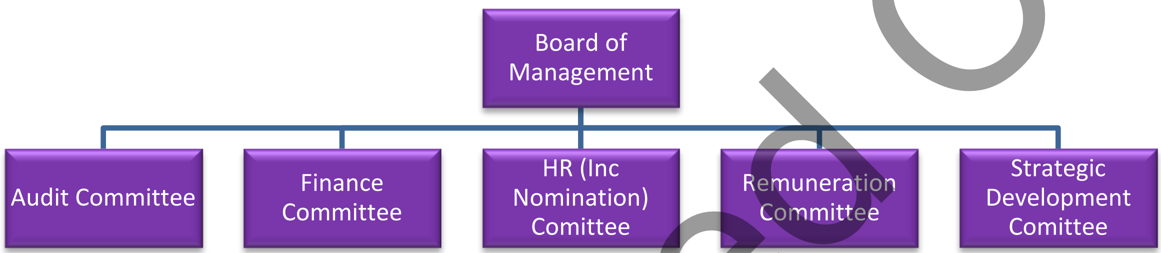
Introduction

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

This governance statement is designed to supplement the information provided in the financial statements. It sets out the governance structures, risk management and internal control processes that have been operating in Forth Valley College in the year to 31 July 2016 and reports the Board's assessment of the effectiveness of these arrangements.

Governance Structure

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



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

Board of Management Committees

Audit Committee

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

Finance Committee

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

HR Committee (Inc. Nomination Committee)

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

Remuneration Committee

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

Strategic Development Committee

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

Board of Management Members

In line with the requirements of the College Sector Board Appointments: 2014 Ministerial Guidance, the College undertook an open, fair and merit-based recruitment exercise in 2014/15 to fill the 12 non-executive positions on the Board. A skills matrix was developed to support the recruitment process and to ensure that the appointments would provide the correct mixture of skills to enable the Board to fully undertake their duties.

During 2015/16 one non-executive Board member resigned and a further recruitment process in line with the 2014 Ministerial guidance was undertaken. Following this process, the recommendations of the Board of Management were communicated to Scottish Ministers who approved the recommendation. This also resulted in the College maintaining, for the non-executive positions available, a 50-50 gender balance.

Membership now consists of 18 members as follows:

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

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

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

Board Effectiveness

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

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

Attendance

The Board of Management normally meets formally four times per year and has a number of committees which are formally constituted with terms of reference. During 2015/16 one meeting was cancelled.

	Status	Date of Appointment	Date of Retiral/Resignation (If Applicable)	Board of Management (Three Meetings)	Audit Committee (Four Meetings)	Finance Committee (Four Meetings)	HR (Inc. Nomination) Committee (Two Meetings)	Remuneration Committee (One Meeting)	Strategic Development Committee (Four Meetings)
Number of Meetings				3	4	4	2	1	4
Mr H Hall, Chair	Regional Chair	3/3/14	N/A	3				0	
Mrs A Mearns, Vice Chair	Senior Non-Exec	02/03/15	N/A	2			0	1	4
Dr K Thomson	Principal	01/08/13	N/A	3					
Mr C Alexander	Non-Exec	02/03/15	N/A	2	3				
Mr A Buchan	Student	26/03/15	N/A	3					4
Mr R Burns	Staff	26/03/15	29/07/16	2		4			
Mrs F Campbell	Non-Exec	02/03/15	N/A	3			2		2
Mr A Carver	Non-Exec	02/03/15	N/A	2		2			2
Ms L Dougall	Non-Exec	26/03/15	N/A	3	4				4
Ms B Hamilton	Non-Exec	02/03/15	N/A	3	4		2	1	
Mrs C Jack	Non-Exec	02/03/15	N/A	3		3			1
Mr L McCabe	Non-Exec	02/03/15	N/A	2		4			1
Mr K Richardson	Non-Exec	02/03/15	N/A	3		1			
Mr N Scott	Non-Exec	02/03/15	29/02/16	1	2		1		
Ms L Simpson	Student	11/09/14	26/06/16	3					3
Ms A Stephen	Staff	26/03/15	31/05/16	1					2
Mr S Tolson	Non-Exec	26/03/15	N/A	2			0		
Ms A Winchester	Non-Exec	26/03/15	N/A	2	1				1
Ms K Williams	Student	26/06/16	N/a	1					

Assessment of corporate governance

In the opinion of the Board of Management, we can confirm that corporate governance has been exercised throughout the period in accordance with the principles of the Code of Good Governance for Scotland's Colleges, the Scottish Public Finance Manual (SPFM) and the Financial Memorandum.

One exception to this is in relation to the role of a Secretary to the Board. The Code of Good Governance states; "The board secretary may be a member of the senior management team in their board secretary capacity, but they cannot hold any other senior management team position at the same time".

The Board of Management recognises the importance of the Board Secretary being able to report directly to the Chair independently of the Principal in order to prevent any conflicts of interests, however believe that this can be achieved without the requirement to appoint a Board Secretary without other Senior Management Team responsibilities. The Board of Management have appointed the Associate Principal and Executive Director of Finance as Secretary to the Board along with the Corporate Governance & Planning Officer as Deputy Secretary to the Board, both of whom will report directly to the Chair in relation to the Board Secretary duties. The Board of Management believes any risk of non-disclosure or non-compliance not being reported to the Board of Management due to a conflict of interest is mitigated by the appointment of two individuals with direct reporting to the Chair. The Board of Management considers that governance is strengthened rather than weakened by the Associate Principal and Executive Director of Finance having a dual role within the Senior Management Team. This arrangement is not unusual in either the public or the private sector, indeed a similar practice is adopted by the Scottish Funding Council.

Estates Strategy

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

The College's successful Outline Business Case for Phase 3, its new campus in Falkirk, has been followed by a Full Business Case submission to Scottish Funding Council in September 2016. Approval is awaited.

The new campus plans include servicing the current Falkirk Campus curriculum and will accommodate over 11,000 students of which almost 2000 will be full time. The proposed New Falkirk Campus will be located on the cleared 10.87 acre Middlefield Campus site and an additional section of land (4.8 acres) to the East of this, which the College has secured thorough conditional missives from Callendar Estates. The new facility will be 20,148 sqm and will incorporate state of the art and flexible teaching accommodation, as well as low carbon initiatives, such as Photovoltaics, a Ground Source Heat Pump system, Combined Heat and Power boilers, along with other sustainable functions required to meet the Building Research Establishment Environmental Assessment Method (BREEAM) standard.

Assuming the Full Business Case is approved by Scottish Government, the College will issue an ESPD/OJEU notice in November 2016, tender documents in April 2017, commence site operations in September 2017 and complete and occupy the new Campus in October 2019.

Risk Management

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

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

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

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

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

Internal Audit

The College has an internal audit service, the work of which concentrates on areas of key activities determined by an analysis of the areas of greatest risk, input from Senior Management Team and areas of significant change to operational systems/practices and in accordance with the annual internal audit plan approved by the Audit Committee. The internal auditors report to the Principal and to the Audit Committee on a regular basis and have direct access to the Chair of the Audit Committee. The internal auditors have issued an annual report which gives an opinion of the adequacy, reliability and effectiveness of the College's internal control systems. On the basis of the work undertaken during the period the auditors have expressed an opinion that the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks and proper arrangements are in place to promote value for money and deliver best value.

Internal Control

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

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

In particular it includes:

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

Assessment of the effectiveness of internal controls

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

For the period to 31 July 2016, the Internal Auditors reported completion of all reviews in the Audit Plan except for a Risk Workshop which has been deferred until 2016/17. Internal Audit was of the opinion that the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks and proper arrangements are in place to promote value for money and deliver best value.

The external auditors have given an unqualified audit opinion on the accounts for the period to 31 July 2016 and on the regularity of transactions reflected in the accounts. No further significant issues have been identified as part of their audit process.

On the basis of the assurances provided from the sources of assurance outlined above, I can confirm that sound systems of governance, risk management and internal control, consistent with the requirements of the SPFM, have operated for the period ended 31 July 2016 and up to the date of approval of the annual report and financial statements.

Going Concern

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

Approved by order of the members of the Board on 8 December 2016 and signed on its behalf by:

Hugh Hall	**Dr Ken Thomson**
Chairman	Principal and Chief Executive

REMUNERATION AND STAFF REPORT

Remuneration Report

This report outlines the remuneration policy of Forth Valley College for the Board of Management and the Senior Management Team (SMT), and provides details of members remuneration for the year ended 31 July 2016.

Board of Management

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

The Chairman was appointed in March 2014 by Scottish Ministers. The level of remuneration for the Chairman is set by Scottish Government who informs Forth Valley College on an annual basis of any increase to be awarded.

Senior Management Team

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

The Chief Executive/Principal and other SMT members are on standard Forth Valley College contracts of employment. Their contracts provide for a notice period of 3 months. For 2015/16 there was no bonus scheme in operation in Forth Valley College.

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

Remuneration Committee

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

During the year the membership of the Remuneration Committee was extended and is now made up of the Chair of the Board of Management plus the Chairs of each of the Board Sub Committees. All members have completed the mandatory online College Development Network Remuneration Committee training.

Senior Management Team Remuneration

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

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

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

Basic salaries are reviewed annually from 1 August. Salary levels are established after taking into account external market levels and internal comparisons as well as individual responsibilities and performance. All senior posts are evaluated as part of our job evaluation process to ensure they reflect the responsibility and accountability of the role and are graded appropriately. The College's Job Evaluation system and processes are externally audited on an annual basis. Salary payments are made monthly.

SMT members are all members of either the Scottish Teachers' Superannuation Scheme (STSS) or the Local Government Pension Scheme (LGPS). As ordinary members, they contribute a rate of pensionable salary dependant on salary. In the financial period being reported the rates were between 9.2% to 12% and Forth Valley College contributed 17.2% of the employees' pensionable salary to the SPPA and 17.9% to the LGPS along with an additional flat fee for past pension costs. These schemes are defined benefit schemes that provide benefits at a normal retirement age of 65 for LGPS and state pension age for STSS. The pension benefits consist of an annual pension, based on a final pensionable salary calculation up to 31 March 2015 and a career average pensionable salary with effect from 1 April 2015. For members who joined before 1 April 2007 for STSS and 1 April 2009 for LGPS a tax free lump sum will be paid automatically.

Remuneration of the Principal and other Senior Management Team who served during the year to 31 July 2016, including salary, pension benefits and other allowances was:

	Year Ended 31 July 2016			Year Ended 31 July 2015		
	Salary	**Pension Benefit**	**Total**	Salary	Pension Benefit	Total
	£000	**£000**	**£000**	£000	£000	£000
Ken Thomson	115 - 120	55 - 60	170 - 175	105 - 110	115 - 120	225 - 230
Andy Lawson	95 - 100	35 - 40	135 - 140	90 - 95	60 - 65	150 - 155
Tom Gorman	90 - 95	50 - 55	140 - 145	85 - 90	20 - 25	105 - 110
Alison Stewart	80 - 85	30 - 35	110 - 115	75 - 80	20 - 25	100 - 105
David Allison	75 - 80	35 - 40	110 - 115	70 - 75	55 - 60	130 - 135
Colette Walker	75 - 80	30 - 35	110 - 115	70 - 75	5 - 10	80 - 85
Fiona Brown	65 - 70	25 - 30	95 - 100	60 - 65	40 - 45	105 - 110

Salary

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

Chair Remuneration

For the year to July 2016 the Chairman was entitled to claim remuneration of £200 for every 7.5 hours up to a maximum total fee of £20,800 for which an accrual has been included. The Chair is not entitled to a pension in respect of their office.

Median Pay Multiples

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

	Year Ended 31 July 2016	Period Ended 31 July 2015
	£	£
Annualised remuneration of the highest paid member of the Senior Management Team	116,115	109,923
Median Remuneration of Forth Valley College Employees	30,042	28,874
Remuneration Ratio	1 : 3.87	1 : 3.81

The median remuneration of Forth Valley College's employees is based upon the annualised full-time equivalent salary of the employees at 31 July.

Including severance payments, no employee (2015: no employees) received remuneration in excess of the highest paid member of the Senior Management Team.

Pension Benefits

Pension benefits are provided to the Senior Management Team on the same basis as all other staff. The accrued retirement benefits of the Senior Management Team for the twelve months to 31 July 2016 are:

	Accrued Pension at pension age as at 31 July 2016 and related lump sum	Real increase in Pension and related lump sum at pension age	Cash Equivalent Transfer Value At 31 July 2016	Cash Equivalent Transfer Value At 31 March 2015	Cash Equivalent Transfer Value Increase net of members contributions
	£000	£000	£000	£000	£000
Ken Thomson	40 - 45 plus lump sum of 130 - 135	2.5 - 5 plus lump sum of 7.5 - 10	911	823	74
Andy Lawson	30 - 35 plus lump sum of 90 - 95	2.0 - 2.5 plus lump sum of 5 - 7.5	736	666	59
Tom Gorman	15 -20 plus lump sum of 20 - 25	2.5 - 5 plus lump sum of 0 - 2.5	334	275	50
Alison Stewart	10 -15 plus lump sum of 0 - 5	0 - 2.5 plus lump sum of 0 - 2.5	135	105	22
David Allison	25 -30 plus lump sum of 45 - 50	0 - 2.5 plus lump sum of 2.5 - 5	387	327	53
Colette Walker	0 - 5 plus lump sum of 0 - 5	0 - 2.5 plus lump sum of 0 - 2.5	37	17	13
Fiona Brown	15 - 20 plus lump sum of 50 - 55	0 - 2.5 plus lump sum of 2.5 - 5	396	352	37

The cash equivalent transfer value is the actuarially assessed value of the retirement scheme benefits accrued by a member at a point in time. The value of the accrued pension benefits has been calculated on the basis of the age at which the person will first become entitled to receive pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlements into a lump sum; and without any adjustment for the effects of future inflation. The pension figures shown relate to the benefits that the person has accrued as a consequence of their total Local Government service and not just their current appointment.

In considering the accrued pension benefits figure the following contextual information should be taken into account:

- the figures for pension lump sum are illustrative only in light of the assumptions set out above and do not necessarily reflect the actual benefits that any individual may receive upon retirement
- The accrued benefits figures are reflective of the pension contributions that both the employer and the scheme member have made over a period of time.

Real Increases in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Report

As at 31 July 2016 there were 629 staff in post. The split across gender and business area is detailed in the table below.

Employees	Male	Female	Total
Senior Management Team	4	3	7
Heads of Teaching / Service	7	8	15
Academic Staff	152	153	305
Support Staff	112	190	302
	275	354	629

The table below shows the number of inward seconded and agency staff employed by the College during the year:

Seconded and Agency Staff	Year Ended 31 July 2016 Inward secondees	Year Ended 31 July 2016 Agency staff	Year Ended 31 July 2016 Total of inward secondees and agency staff	Period Ended 31 July 2015 Total of inward secondees and agency staff
	£000	£000	£000	£000
Total costs	**65**	**70**	**135**	121
Number of staff				
Academic/ Teaching Departments & Services		**2**	**2**	5
Administration and Central Services	**2**	**8**	**10**	16
	2	**10**	**12**	21

Consultancy Costs

In addition to the above staff costs, £72k was spent on consultancy costs during 2015/16 to support business improvement. £27k of which was spent on additional lecturing staff resource and the remainder was in relation to technical and specialist services including VAT and governance and business planning advice.

Attendance Management

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

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

In 2015/16, an average of 9.87 days (including leavers) was lost per staff year (11.3 days in 2014/15).

Equalities Policy

Forth Valley College is committed to the provision of equal opportunities in all aspects of college life.

We have a range of policies including our Equalities Policy and Equality Outcome Plan, which ensure that staff, learners and visitors are treated equally regardless of age, disability, gender reassignment, pregnancy and maternity, marriage and civil partnership, race, religion and belief, sex and sexual orientation.

We value diversity and aim to advance equality of opportunity, foster good relations and eliminate discrimination, victimisation and harassment in all our activities, in order to meet both the General Equality Duty and Public sector Equality Duty.

Compensation for loss of office

Five members of staff left the College during the year, three of which left under the voluntary exit terms, the details of which are as follows:

Compensation for loss of office	Year Ended 31 July 2016 Number of voluntary redundancies	Year Ended 31 July 2016 Number of other departures	Year Ended 31 July 2016 Total number of departures	Year Ended 31 July 2015 Total number of departures
< £5k	**3**	**1**	**4**	0
£5k - £10k	**0**	**0**	**0**	1
£10k - £15k	**0**	**0**	**0**	0
£15k - £20k	**0**	**1**	**1**	0
£20k - £25k	**0**	**0**	**0**	2
Total number of exit packages	**3**	**2**	**5**	3
Total resource cost			**£49k**	£49k

Dr Ken Thomson
Principal and Chief Executive
8 December 2016

AUDIT REPORT

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

We have audited the financial statements of Forth Valley College for the period ended 31 July 2016 under the Further and Higher Education (Scotland) Act 1992 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. The financial statements comprise the Statement of Comprehensive Income, Statement of Changes in Reserves, Balance Sheet, and Cash Flow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 125 of the Code of Audit Practice approved by the Auditor General for Scotland, we do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.

Respective Responsibilities of the Board of Management and Auditor

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and is also responsible for ensuring the regularity of expenditure and income. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) as required by the Code of Audit Practice approved by the Auditor General for Scotland. Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. We are also responsible for giving an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the college's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Board of Management; and the overall presentation of the financial statements. It also involves obtaining evidence about the regularity of expenditure and income. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements, irregularities or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council of the state of the college's affairs as at 31 July 2016 and of its deficit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

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

Opinion on regularity

In our opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Opinion on other prescribed matters

In our opinion:

- the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Ministers; and
- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We are required to report to you if, in our opinion:

- proper accounting records have not been kept; or
- the financial statements and the part of the Remuneration and Staff Report to be audited are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit; or
- the Governance Statement does not comply with Scottish Funding Council requirements.

We have nothing to report in respect of these matters.

Catherine Wyllie
Statutory Auditor
For and on behalf of Henderson Loggie
Statutory Auditors
Chartered Accountants
34 Melville Street
Edinburgh
EH3 7HA

8 December 2016

Henderson Loggie is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.

FINANCIAL STATEMENTS

Statement of Comprehensive Income for the year ended 31 July 2016

INCOME	Note	Year Ended 31 July 2016 £000	Period Ended 31 July 2015 Restated £000
Scottish Funding Council grants	2	**23,188**	31,522
Tuition fees and education contracts	3	**8,214**	9,926
Other grant income	4	**651**	97
Other operating income	5	**1,455**	1,849
Investment income	6	**14**	26
Total Income		**33,522**	43,420
EXPENDITURE			
Staff costs	8	**23,467**	28,939
Pension provision charge	10	**547**	159
Other operating expenses	11	**6,543**	10,010
Depreciation	15	**2,194**	3,542
Interest and other finance costs	12	**1,117**	1,178
Donation to FVC Foundation	13	**0**	1,100
Total Expenditure		**33,868**	44,928
Deficit before other gains/losses		**(346)**	(1,508)
Exceptional Items			
Loss on Revaluation of Land & Buildings		**0**	615
Estates Development Costs		**(1,739)**	176
Surplus/(Deficit) before other comprehensive income		**(2,085)**	(2,299)
Other comprehensive income			
Actuarial loss in respect of pension scheme		**(2,498)**	(1,759)
Unrealised (deficit)/surplus on revaluation of land and buildings		**(1,650)**	899
Total comprehensive income for the year		**(6,233)**	(3,159)
Represented by:			
Unrestricted comprehensive income for the year		**(4,081)**	(3,306)
Revaluation reserve comprehensive income for the year		**(2,152)**	147
		(6,233)	(3,159)

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

Statement of Changes in Reserves for the year ended 31 July 2016

	Income and expenditure account Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2014 (restated)	**(13,770)**	**20,568**	**6,798**
(Deficit) from the income and expenditure statement	**(2,299)**		**(2,299)**
Other comprehensive income	**(1,759)**	**899**	**(860)**
Transfers between revaluation and income and expenditure reserve	**752**	**(752)**	**0**
Total comprehensive income for the period	**(3,306)**	**147**	**(3,159)**
Balance at 1 August 2015	**(17,076)**	**20,715**	**3,639**
(Deficit) from the income and expenditure statement	**(2,085)**		**(2,085)**
Other comprehensive income	**(2,498)**	**(1,650)**	**(4,148)**
Transfers between revaluation and income and expenditure reserve	**502**	**(502)**	**0**
Total comprehensive income for the year	**(4,081)**	**(2,152)**	**(6,233)**
Balance at 31 July 2016	**(21,158)**	**18,563**	**(2,595)**

Balance Sheet as at 31 July 2016

	Note	As at 31 July 2016 £000	As at 31 July 2015 Restated £000
Non Current Assets			
Tangible fixed assets	15	**57,405**	61,094
Current assets			
Stocks		**30**	27
Trade debtors and other receivables	16	**1,620**	1,409
Cash at bank and in hand		**926**	1,609
Total current assets		**2,576**	3,045
Less: Creditors - amounts falling due within one year	17	**3,936**	4,383
Net current assets/(liabilities)		**(1,360)**	(1,338)
Total assets less current liabilities		**56,045**	59,756
Creditors - amounts falling due after more than one year	18	**34,519**	35,532
Provisions			
STSS early retirement provision	19	**7,317**	7,169
LGPS pension provision	19, 27	**16,804**	13,416
		24,121	20,585
Total Net (Liabilities)/Assets		**(2,595)**	3,639
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		**(21,158)**	(17,076)
Revaluation reserve		**18,563**	20,715
Total Reserves		**(2,595)**	3,639

The financial statements on pages 35 to 58 were approved by the Board of Management on 8th December 2016 and were signed on its behalf on that date by:

Hugh Hall
Chairman

Dr Ken Thomson
Principal and Chief Executive

Cash Flow Statement for the year ended 31 July 2016

	Note	Year Ended 31 July 2016 £000	Period Ended 31 July 2015 Restated £000
Cash flow from operating activities			
Deficit for the year		**(2,085)**	(2,299)
Adjustment for non-cash items			
Depreciation	15	**2,194**	3,542
Loss on revaluation		**0**	615
Decrease/(increase) in stock		**(3)**	6
Decrease/(increase) in debtors	16	**(211)**	1,783
Increase/(decrease) in creditors	17, 18	**(324)**	(1,370)
Increase/(decrease) in pension provision	19	**148**	(367)
Pension Costs	27	**399**	843
Adjustment for investing or financing activities			
Investment income	6, 22	**(14)**	(26)
Interest payable	12	**1,117**	1,178
Capital grant income		**(1,586)**	(2,713)
Net cash inflow from operating activities		**(365)**	1,192
Cash flows from investing activities			
Capital grants receipts		**155**	638
Investment income	6, 22	**14**	26
Payments made to acquire fixed assets	15	**(155)**	(638)
		14	**26**
Cash flows from financing activities			
Interest paid	12	**(186)**	(256)
Repayments of amounts borrowed		**(146)**	(139)
Capital element of finance lease payments			
		(332)	**(395)**
(Decrease)/increase in cash and cash equivalents in the year		**(683)**	823
Cash and cash equivalents at beginning of the year		**1,609**	786
Cash and cash equivalents at end of the year		**926**	1,609

Notes to the Financial Statements

1. Statement of Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice (SORP) 2015: 'Accounting for Further and Higher Education'; the Financial Reporting Standards FRS 102 and the 2015-16 Government Financial Reporting Model (FReM) issued by the Scottish Government and in accordance with applicable Accounting Standards. They conform to the Accounts Direction and other guidance issued by the Scottish Funding Council.

Basis of accounting

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

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

Going Concern

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

FRS 102 requirements

The accounts have been prepared incorporating the requirements of the accounting standard FRS 102 which includes a change to the treatment of capital grants. Previously capital government grants were permitted to be accounted for as deferred reserves on the balance sheet. The income was then released to the income and expenditure account in line with the depreciation charge of the respective fixed asset. This is the same for FRS 102 however the deferred element of the capital grant is now retained within creditors as a liability rather than a reserve. Accordingly the total reserves within the balance sheet have been significantly reduced.

FRS 102 also requires an actuarial valuation of the pension scheme liability as explained in note 27 to the accounts. This reflects the inclusion of liabilities falling due in future years. To the extent that the pension is not met from the College's sources of income it may only be met by future grant-in-aid from the Scottish Funding Council. This is because under normal conventions applying to parliamentary control over income and expenditure, such grants may not be paid in advance of need.

Recognition of income

Income

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

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

Grant Funding

Government revenue grants including Funding Council block grants are recognised in income over the periods in which the College recognises the related costs for which the grant is intended to compensate. Where part of a government grant is deferred it is recognised as deferred income within creditors and allocated between creditors due within one year and due after more than one year as appropriate.

Grants from non-government sources are recognised in income when the College is entitled to the income and performance related conditions have been met. Income received in advance of performance related conditions being met is recognised as deferred income within creditors on the balance sheet and released to income as the conditions are met.

Capital Grants

Government capital grants are recognised in income over the expected useful life of the asset. Other capital grants are recognised in income when the College is entitled to the funds subject to any performance related conditions being met.

Tangible fixed assets

In line with FReM all tangible assets must be carried at fair value.

Land and Buildings

Land and buildings are measured using the revaluation model and accordingly, assets are revalued to fair value. Where appropriate Depreciated Replacement cost has been used as a measure of fair value for land and buildings otherwise Market Value will be used. The land at Branshill, Alloa and the Middlefield site have been valued on the basis of Open Market value.

The College has a policy of ensuring a full revaluation takes place at least every 5 years such that the fair value is not materially different to the current value. In line with the FReM this will be supplemented by an interim professional valuation in year 3.

Depreciation and impairment losses are subsequently charged on the revalued amount.
Finance costs, which are directly attributable to the construction of land and buildings, are not capitalised as part of the cost of those assets.

Costs incurred in relation to land and buildings after initial purchase or construction, and prior to valuation, are capitalised to the extent that they increase the expected future benefits to the College.

If a building is brought into use mid-way through a year the depreciation charge in the first year will be pro-rated to reflect the number of months that the asset was in use.

A review for impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of any fixed asset may not be recoverable.

Assets under construction are accounted for at cost, based on the value of architects' certificates and other direct costs, incurred to 31 July 2016 and are not depreciated until they are brought into use.

Freehold land is not depreciated as it is considered to have an indefinite useful life. Freehold buildings are depreciated on a straight line basis over their expected useful lives.

The expected useful life of buildings can vary from 20 to 50 years as determined by professional opinion and valuation.

Equipment

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

Depreciation

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

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

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

Leased assets

Finance Leases

Leases in which the College assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Leased assets acquired by way of finance lease and the corresponding lease liabilities are initially recognised at an amount equal to the lower of their fair value and the present value of the minimum lease payments at inception of the lease.

Leasing agreements which transfer to the College substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the leasing commitments is shown as obligations under finance leases. Assets held under finance leases are depreciated over their useful life.

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification.

The lease rentals are treated as consisting of capital and interest. The capital element is applied to reduce the outstanding obligation and the interest element is charged to the Statement of Comprehensive Income in proportion to the reducing capital element outstanding.

Operating Leases

Leases not meeting the criteria of a finance lease are treated as an operating lease. Costs in respect of operating leases are charged on a straight-line basis over the lease term. Any lease premiums or incentives are spread over the minimum lease term.

Arrangements that do not have the legal status of a lease but convey a right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

Revaluation reserve

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

Stocks

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

Cash and cash equivalents

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

Taxation

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

Provisions, contingent liabilities and contingent assets

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

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

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

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

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

Agency arrangements

The College acts as an agent in the collection and payment of certain Student Support Funds. These funds are excluded from the College’s Statement of Comprehensive Income, and movements have been disclosed in the notes to the accounts. Where the College has more discretion in the manner in which specific funds are disbursed, and those funds do not meet the definition of agency funds, the income and expenditure relating to those funds are shown in the College’s Statement of Comprehensive Income.

Foreign currency translation

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

Employment Benefits

Short term employment benefits such as salaries and compensated absences are recognised as an expense in the year in which the employees render service to the College. Any unused benefits are accrued and measured as the additional amount the College expects to pay as a result of the unused entitlement.

Retirement benefits

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

Local Government Pension Scheme (LGPS)

The LGPS is a pension scheme providing benefits based on final pensionable pay, prior to 1 April 2015 and a career average scheme from 1 April 2015. The assets and liabilities of the scheme are held separately from those of the

College. Pension scheme assets are measured using market values. Pension scheme liabilities are measured using a projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency to the liability. Contributions to the Scheme are calculated so as to spread the cost of pensions over employees' working lives with the College. The contributions are determined by an actuary on the basis of triennial valuations using the Projected Unit Method. Variations from regular cost are spread over the expected average remaining working lifetime of members of the scheme, after making allowances for future withdrawals. The amount charged to the Statement of Comprehensive Income represents the service cost expected to arise from employee service in the current year.

Scottish Teachers' Superannuation Scheme (STSS)

The College participates in the STSS pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the College. The College is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 102, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Comprehensive Income represents the contributions payable to the scheme in respect of the year.

Pension Provision

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

Derivatives

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

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

Reserves

Reserves are classified as restricted or unrestricted. Restricted reserves include balances where the donor has designated a specific purpose and therefore the College is restricted in the use of these funds.

Change in accounting policy

The College is preparing its financial statements in accordance with the 2015 SORP for the first time in the financial year to 31 July 2016.

Following the conversion to 2015 SORP the College has changed the following accounting policies in the financial year 31 July 2016.

Deferred Capital Grant

Under the 2007 SORP capital government grants given to the College to support any fixed asset purchases or construction were permitted to be accounted for as deferred reserves on the balance sheet within reserves. The income was then released to the income and expenditure account in line with the depreciation charge of the respective fixed asset, in essence offsetting the depreciation charge within the income and expenditure account.
As a result of FRS 102 the college has elected to use the accruals model for all government grants which requires the deferred element of the capital grant to be retained within creditors as a deferred income rather than a reserve. Note 38 provides the detail of the adjustments required for both the previous and the current financial year.

Derivatives

The college uses an interest rate swap to adjust interest rate exposure in order to guarantee fixed interest payments for the bank loan where payments are variable and hence exposed to interest rate movements. The interest rate swap has been recorded as a liability on the balance sheet at fair value and accounted for at fair value through profit and loss. Under previous UK GAAP these were not re-valued to fair value or shown on the college's balance sheet at the year end. An adjustment was made to reflect the opening fair value as at April 2014 (£92k), and the movement during both 14/15 (£309k) and 15/16 (£441k) has been included within the Statement of Comprehensive Income.

	Year Ended 31 July 2016	Period Ended 31 July 2015
	£000	£000
2 Scottish Funding grants		
FE recurrent grant (including fee waiver)	19,767	25,202
Childcare funds	646	696
SFC deferred income	1,586	2,712
Scottish Funding Council maintenance grant	393	1,396
Other Scottish Funding Council grants	796	1,516
Total	23,188	31,522
3 Tuition fees and education contracts		
Further education fees - UK & EU Students	130	145
Higher education fees	1,532	1,877
Skills Development Scotland Income	993	1,298
Education contracts	1,900	1,635
Other contracts	3,659	4,971
	8,214	9,926
4 Other grant income		
European funds	**0**	0
Forth Valley College Foundation	370	0
Other grants	281	97
Total	651	97
5 Other operating income		
Residences, catering and conferences	817	1,064
Other income-generating activities	93	118
Other income	545	667
Total	1,455	1,849
6 Investment income		
Other interest receivable	**14**	26

7 Donations

There were no donations during 2015/16.

	Year Ended 31 July 2016	Period Ended 31 July 2015
	£000	£000
8 Staff costs		
Salaries	**18,614**	22,961
Social security costs	**1,485**	1,752
Other pension costs (including FRS 102 adjustment of £399k (2014/15: £843k)	**3,368**	4,226
Total	**23,467**	28,939
Academic/ Teaching Departments	**14,330**	17,905
Academic/ Teaching Services	**3,156**	3,742
Administration and Central Services	**3,307**	4,296
Premises	**628**	779
Other expenditure	**356**	417
Catering and Residences	**411**	354
Modern Apprentice Trainees	**1,279**	1,446
Total	**23,467**	28,939

Compensation for loss of office payable to a senior post-holder:
No senior post holder left office during the year.

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

	No.	No.
Senior management	**7**	7
Teaching departments	**262**	266
Teaching services, Admin and central services	**232**	221
Premises	**13**	12
Catering	**18**	13
Modern Apprentice Trainees	**108**	111
Total	**640**	630
Analysed as:		
Staff on permanent contracts	**606**	596
Staff on temporary contracts	**34**	34
	640	630

The number of staff, including senior post-holders and the Principal, having responsibility for planning, directing and controlling the activities of the College, and who received emoluments including benefits in kind where appropriate, excluding pension contributions, annualised from the 12 and 16 month periods in the following ranges were:

	2016	**2016**	**2015**	**2015**
	Senior post-holder No.	**Other members of staff No.**	Senior post-holder No.	Other members of staff No.
£50,001 to £60,000 per annum	**0**	**8**	0	6
£60,001 to £70,000 per annum	**1**	**1**	1	1
£70,001 to £80,000 per annum	**2**	**0**	3	0
£80,001 to £90,000 per annum	**1**	**0**	1	0
£90,001 to £100,000 per annum	**2**	**0**	1	0
£100,001 to £110,000 per annum	**0**	**0**	1	0
£110,001 to £120,000 per annum	**1**	**0**	0	0

	Year Ended 31 July 2016	Period Ended 31 July 2015
9 Senior post-holders' emoluments		
	No.	No.
The number of senior post-holders that form the senior management team, including the Principal was:	**7**	7

	Year Ended 31 July 2016	Period Ended 31 July 2015
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries and benefits	**611**	753
Employer's Pension contributions	**107**	128
Total emoluments	**718**	881
	£000	£000
The above emoluments include amounts payable to the Principal, the highest paid senior post-holder, of:		
Salary	**116**	147
Benefits in kind	**0**	0
	116	147
Pension contributions	**20**	22

The Principal and two other senior post-holders were members of the Scottish Public Pensions Agency and the other four senior post-holders were members of the Local Government Pension Scheme. All pension contributions were paid at the same rate as for other members of staff.

The Chair of the Board of Management was entitled to claim remuneration of £21k in the financial period and an accrual has been made for his fee. Other members of the Board of Management, other than the Principal and staff members, did not receive any payment from the College other than the reimbursement of travel and subsistence expenses incurred in the course of their duties.

	Year Ended 31 July 2016	Period Ended 31 July 2015
	£000	£000
10 Pension Provision Charge		
Increase due to revaluation of pension liability	**296**	(261)
Interest	**251**	420
	547	159

	Year Ended 31 July 2016	Period Ended 31 July 2015
	£000	£000
11 Other operating expenses		
Teaching departments	**1,676**	2,961
Administration and central services	**1,331**	1,915
Premises costs	**1,288**	1,959
Planned maintenance	**299**	1,004
Other employee related costs	**420**	539
Agency staff costs	**70**	58
Other income generating activities	**321**	451
Residences, catering and conferences	**491**	427
Childcare	**647**	696
Total	**6,543**	10,010
Other operating costs include:		
Auditors' remuneration		
- external audit of the financial statements	**26**	26
- internal audit services	**14**	28
- external auditors other services	**4**	4
- internal auditors other services	**0**	13
Hire machinery - operating leases	**126**	143
Hire of premises - operating leases	**70**	88
	240	302

	Year Ended 31 July 2016	Period Ended 31 July 2015
12 Interest and other finance costs		
Loan interest	**186**	256
Increase in fair value of derivatives	**441**	309
Pension finance costs (note 27)	**490**	613
Total	**1,117**	1,178
13 Forth Valley College Foundation		
Donation to Forth Valley College Foundation	**0**	1,100

14 Taxation

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

15 Tangible Fixed Assets

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

During 2015/16 site investigations were undertaken as part of the planning stage of the new Falkirk campus on the Middlefield site, which identified the need for significant piling work to be carried out prior to commencement of the new building. A valuation for the Middlefield site was obtained as at 31 July 2016 on the basis of fair value which resulted in the land being impaired by £1,650k.

	Land and Buildings	Plant and Equipment	Total
	£000	£000	£000
Cost or valuation			
At 1 August 2015	60,101	4,678	64,779
Revaluation	(1,650)	0	(1,650)
Additions	0	155	155
Disposals	0	0	0
Transfers	(5)	5	0
At 31 July 2016	**58,446**	**4,838**	**63,284**
Depreciation			
At 1 August 2015	0	3,685	3,685
Charge for the year	1,759	435	2,194
At 31 July 2016	**1,759**	**4,120**	**5,879**
Net Book Values at 31 July 2015	60,101	993	61,094
Net Book Value at 31 July 2016	**56,687**	**718**	**57,405**

Land and buildings with a net book value of £50.2m have been funded from either local authority sources or from Scottish Funding Council capital grants. These assets may not be disposed of without the prior approval of the Scottish Funding Council and the College may have to return all or part of the sale proceeds to the Scottish Funding Council.

	As at 31 July 2016	As at 31 July 2015
	£000	£000
16 Trade debtors and other receivables		
Amounts falling due within one year:		
Trade debtors - net of provision for doubtful debts	**448**	468
Prepayments and accrued income	**1,172**	941
	1,620	1,409

17 Creditors: Amounts falling due within one year		
Trade creditors	**251**	157
Other taxation and social security	**505**	451
Accruals and deferred income	**1,498**	1,679
Loan Repayment	**151**	146
Other creditors	**112**	402
Deferred capital grant	**1,419**	1,548
	3,936	4,383

Deferred income

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

Donations	0	0
Research grants received on account	**0**	0
Grant income	**66**	29
Other income	**218**	273
	284	302

18 Creditors: Amounts falling due after one year

Deferred Income		
Secured/Unsecured Loan	4,064	4,215
Deferred capital grant	29,612	30,915
Interest rate swap	843	402
	34,519	35,532

	As at 31 July 2016	As at 31 July 2015
	£000	£000
Analysis of secured and unsecured loans		
Repayable within one year	**151**	146
Repayable between one and two years	**160**	151
Repayable between two and five years	**574**	502
Repayable over five years	**3,331**	3,563
	4,216	4,362

The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011/12. The College has an interest rates swap at 31 July 2016 of £4.2m at a fixed rate of 4.3% which terminates on 30 July 2029. In the 12 month period to 31 July 2016, the College repaid £146k of the loan principal.

19 Provisions for liabilities and charges	**STSS Early Retirement**	**LGPS Pension**	**Year Ended 31 July 2016**	Period Ended 31 July 2015 Restated
	£000	**£000**	**£000**	£000
At 1 August 2015	**7,169**	**13,416**	**20,585**	17,737
Utilised in year	**(399)**	**(1,401)**	**(1,800)**	(2,129)
Additions in 2015/16	**0**	**1,801**	**1,801**	2,446
Revaluation adjustment	**296**	**2,498**	**2,794**	1,498
Interest charged	**251**	**490**	**741**	1,033
At 31 July 2016	**7,317**	**16,804**	**24,121**	20,585

The provision above is solely in respect of future pension liabilities arising from early retirals. The value of the provision is based on a valuation at 31 July 2016 performed by Hymans Robertson, an independent firm of actuaries.

The valuation of the STSS unfunded pension liabilities at 31 July 2015 was overstated due to an error made by the actuary. The key actuarial assumptions adopted as at 31 July 2015 were based on a discount rate of 3.6% pa and a pension increase assumption of 2.6% pa. However the valuation of the STSS unfunded pensions at 31 July 2015 was incorrectly based on a pension increase assumption of 4.0% pa (as opposed to 2.6% pa). This led to the unfunded liabilities at 31 July 2015 being overstated (by around 20%).

As a result of this overstatement the 2014/15 STSS early retiral provision included in these financial statements have been restated from the figures in the 2014/15 financial statements and have been revised downwards by £1.5m.

20 Restricted Reserves

The college has no restricted reserves as at 31 July 2016

	Note	Year Ended 31 July 2016 £000	Period Ended 31 July 2015 £000
21 Reconciliation of operating surplus to net cash flow from operating activities			
Operating (deficit)/surplus after depreciation of assets, exceptional items and tax		**(2,085)**	(2,299)
Pension costs (less contributions payable)	27	**399**	843
Depreciation	15	**2,194**	3,542
Interest payable on swap		**441**	309
Revaluation adjustment for Land and Buildings		**0**	615
Deferred capital grants released to income		**(1,586)**	(2,713)
Decrease/(Increase) in stocks		**(3)**	6
Decrease/(Increase) in debtors	16	**(211)**	1,783
(Decrease) in creditors	17, 18	**(324)**	(1,370)
Increase/(Decrease) in provisions	19	**148**	(367)
Interest receivable - bank interest	6, 22	**(14)**	(26)
Interest paid - loan interest	12, 22	**186**	256
Net return on pension liability	27	**490**	613
Net cash inflow/(outflow) from operating activities		**(365)**	1,192
22 Returns on investments and servicing of finance			
Interest received	6	**14**	26
Interest paid	12	**(186)**	(256)
		(172)	(230)
23 Capital expenditure and financial investment			
Purchase of tangible fixed assets	15	**(155)**	(638)
Sales of tangible fixed assets		**0**	0
Deferred capital grants received		**155**	638
Net cash outflow from capital expenditure		**0**	0
24 Financing			
Loan repayment	17, 18	**(146)**	(139)
Net cash inflow from financing		**(146)**	(139)

25 Cash and cash equivalents	As at 31 July 2015 £000	Cash Flows £000	As at 31 July 2016 £000
Cash and cash equivalents	1,609	(683)	**926**
Finance lease/hire purchase contracts	0		**0**
TOTAL	1,609	(683)	**926**

26 Lease commitments	Equipment £000	Property £000	Year Ended 31 July 2016 Total £000	Period Ended 31 July 2015 Total £000
Payable during the year	126	70	196	245
Future minimum lease payments due:				
Not later than 1 year	74	35	**109**	210
Later than 1 year and not later than 5 years	267	0	**267**	35
Later than 5 years	0	0	**0**	0
Total lease payments due	**341**	**35**	**376**	**245**

27 Pensions and similar obligations

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

	Year Ended 31 July 2016 Total	Period Ended 31 July 2015 Total
	£000	£000
The total pension costs for the institution was :		
Contribution to STSS	1,567	1,780
Contribution to LGPS	1,402	1,603
Pension costs as a result of implementing FRS 102	399	843
Total pension cost (Note 8)	3,368	4,226
Employer contribution rates		
STSS	17.2%	14.9%
LGPS	17.9%	19.4%

The Scottish Teachers' Superannuation Scheme

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

(b) Forth Valley College has no liability for other employer's obligations to the multi-employer scheme.

(c) As the scheme is unfunded there can be no deficit or surplus to distribute on the wind-up of the scheme or withdrawal from the scheme.

(d) (i) The scheme is an unfunded multi-employer defined benefit scheme
(ii) It is accepted that the scheme can be treated for accounting purposes as a defined contribution scheme in circumstances where Forth Valley College is unable to identify its share of the underlying assets and liabilities of the scheme
(iii) The employer contribution rate from 1 April 2015 was 14.9% of pensionable pay. This increased to 17.2% from 1 September 2015. While the employee rate applied is a variable it will provide an actuarial yield of 9.6% of pensionable pay
(iv) At the last valuation a shortfall of £1.3 billion was identified in the notional fund which will be repaid by a supplementary rate of 4.5% of employer's pension contributions for fifteen years from 1 April 2015. This contribution is included in the 17.2% employer's contribution rate
(v) The total employer contributions received for the Scottish Teachers' scheme in the year to 31 March 2015 were £350.7million as per the Scottish Public Pensions Agency website. Forth Valley College's level of participation in the scheme is 0.4% based on the proportion of the employer contributions paid in 2015/16.

The Local Government Pension Scheme

The Falkirk Council Pension Fund for non-academic employees is a funded defined benefit scheme, with the assets held in separate trustee administered funds. The total contribution made for the period ended 31 July 2016 was £1,823k of which employer's contributions totalled £1,402k and employee's contributions totalled £421k. The agreed contribution rates are 17.9% for employers and between 5.5% and 12% for employees.

The following information is based upon a full actuarial valuation of the fund at 31 March 2014 by a qualified independent actuary, rolled forward to 31 July 2016 using approximation methods which allow for changes in financial assumptions, additional benefits, cash flows and actual pension increase orders.

Principal Actuarial assumptions

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

	Male years	Female years
Current pensioners	22.1	23.8
Future pensioners	24.3	26.3

	As at 31 July 2016	As at 31 July 2015
Pension increase rate	1.9%	2.6%
Salary increase rate	3.4%	4.0%
Discount rate	2.4%	3.6%

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

	Split of investments 31 July 2016	Split of investments 31 July 2015
Equities	65%	63%
Bonds	24%	24%
Property	7%	8%
Cash	4%	5%

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

	Year Ended 31 July 2016	Period Ended 31 July 2015
	£000	£000
Comprehensive Income and Expenditure Statement		
Current service cost	**1,801**	2,446
Interest cost	**1,527**	2,138
Interest income on plan assets	**(1,037)**	(1,525)
Total	**2,291**	3,059
Reconciliation of present value of defined benefit obligations		
Opening defined benefit obligations	41,748	35,887
Current service cost	1,801	2,446
Interest cost	1,527	2,138
Contributions by members	422	491
Remeasurements		
- change in demographic assumptions	0	(297)
- change in financial assumptions	5,687	1,397
- other experience	(459)	294
Benefits paid	(824)	(571)
Unfunded benefits paid	(28)	(37)
Closing defined benefits obligation	**49,874**	41,748
Reconciliation of the movements in the fair value of the plan assets		
Opening fair value of the plan assets	**28,331**	25,685
Interest income on plan assets	**1,037**	1,525
Remeasurements		
- return on plan assets excluding the amount included in the net interest	**2,730**	(365)
Contributions by members	**422**	491
Contributions by employer	**1,374**	1,566
Contributions in respect of unfunded benefits	**28**	37
Benefits paid	**(824)**	(571)
Unfunded benefits paid	**(28)**	(37)
Closing fair value of the plan assets	**33,070**	28,331
The underlying net liability for retirement benefits attributable to the College at 31 July 2016 is £16.8m	**16,804**	**13,417**

An adjustment was made for the year ended July 2015 as the basis for the net interest calculation was changed due to the implementation of FRS102 and as a result the 2014/15 pension finance cost increased by £645k (note 12), the 2014/15 actuarial loss decreased by £745k and the pension liability at 31 July 2015 decreased by £100k.

	Year Ended 31 July 2017
Analysis of projected amount to be charged to operating result for the year to 31 July 2017	**£000**
Projected current service cost	2,111
Interest on obligation	1,387
Interest income on plan assets	(804)
Total	2,694

28 Related Party Transactions

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

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

Member	Organisation	Contract type	College Sales £000	College Purchases £000
Mr H Hall	University of Strathclyde	Educational	79	0
Miss L Dougall	University of Strathclyde	Educational	79	0
Ms C Jack	Scottish Power	Educational	220	9
Mr L McCabe	University of Stirling	Educational	1137	26
Mr L McCabe	APUC	Educational	0	68
Mr C Alexander	BP Oil Exploration Ltd	Educational	552	0
Mr H Hall	Colleges Scotland	Educational	0	34
Mr K Thomson	Historic Environment Scotland	Educational	60	0

At 31 July 2016 the following balances existed which were greater than £5k, for the organisations noted above:

Organisation	Due to the College	Due from the College
	£000	£000
University of Stirling	196	0
BP Oil Exploration	37	0
	233	0

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

Member	Organisation	
Mr H Hall	University of Strathclyde	Chief Operating Officer
Miss L Dougall	University of Strathclyde	Faculty Manager
Ms C Jack	Scottish Power Energy Networks	Head of Delivery (Central & Fife)
Mr L McCabe	University of Stirling	Director of Finance
Mr A Carver	Fujifilm Diosynth Biotechnology	Senior Commercial Development Manager
Mr C Alexander	BP Oil Exploration Ltd	Reliability and Maintenance Manager
Mr K Thomson	Historic Environment Scotland	Board Member

29 Financial Instruments

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

Liquidity risk – The College uses an interest rate swap to adjust interest rate exposure in order to guarantee fixed interest payments for a bank loan (note where payments are variable and hence exposed to interest rate movements. The swap has a fixed rate of 4.3% and the fair value as at July 2016 was £843k. The swap is due to terminate on 30 July 2029. The term loan is a 29 year loan from Barclays, taken out 30 September 2010. The first drawdown against the facility was in 2011/12. In the 12 month period to 31 July 2016 the college repaid £146k of the loan principal. A covenant was arranged as part of the original loan agreement.

30 FE Bursary and other Student Support Funds

	FE Bursary	EMA's	Other	Year Ended 31 July 2016	Period Ended 31 July 2015
	£000	£000	£000	£000	£000
Balance brought forward	231	20	1	252	80
Allocation received in period	2,764	176	259	3,199	4,819
	2,995	196	260	3,451	4,899
Expenditure	(3,034)	(196)	(221)	(3,451)	(4,649)
Virements	39	0	(39)	0	0
Balance Carried forward	(0)	(0)	(0)	0	250
Represented by:					
Repayable to Funding Council as Clawback	0	0	0	0	250
Retained by College for Students	0	0	0	0	0
	0	0	0	0	250

FE Bursary and Student Support Fund grants are available solely for students, the College acting only as paying agent. The grants and related disbursements are therefore excluded from the Income and Expenditure Account.

31 Childcare Funds

	Year Ended 31 July 2016	Period Ended 31 July 2015
	£000	£000
Balance brought forward	13	0
Allocation received in period	633	710
	646	710
Expenditure	(646)	(697)
Balance Carried forward	(0)	13
Represented by:		
Repayable to Funding Council as Clawback	0	13
	0	13

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

32 HE Discretionary

	Year Ended 31 July 2016	Period Ended 31 July 2015
	£000	£000
Balance brought forward	1	58
Allocation received in period	127	119
	128	177
Expenditure	(126)	(176)
Repayable to SAAS as Clawback	(1)	0
Balance Carried forward	1	1
Represented by:		
Repayable to SAAS as Clawback	1	1
	1	1

33 Capital Commitments

There were no capital commitments as at 31 July 2016

34 Contingent Liabilities

The college has no contingent liabilities at 31 July 2016

35 Post Balance Sheet Events

There are no post balance sheet events.

Or

Scottish Ministers approved the Full Business Case for a new Falkirk Campus. The current fair value of the existing Falkirk campus, based on depreciated replacement cost will change to being based on market value. This will result in an impairment in the value of the existing Falkirk Campus of £15.5m based on the market value included within the Full Business Case

36 Deficit resulting from non-cash transactions

One consequence of college reclassification as central government bodies is that, from 1 April 2014, while colleges continued to prepare accounts under the FE/HE Statement of Recommended Practice, they are now also required to comply with Central Government budgeting rules. This affects, amongst other things, the way in which non-cash depreciation charges are treated. For the financial year 2015/16 this meant that the College generated surplus cash of £608k (2014/15: £700k) from SFC funding and commercial income, which had been earmarked against depreciation. The Scottish Funding Council, issued guidance to the College on this matter on 30 January 2015 (SFC/AN/03/2015) which gave approval for the cash to be applied to student support, loan repayments and to deliver improved services to learners. Without the approval to spend this cash it would have been effectively frozen.

The impact of the above, together with the impact of pension valuations has resulted in a £6.2m reported deficit for 2015/16. The Scottish Funding Council has confirmed (in its letter to the College on 30 March 2015) that a deficit resulting from the College following SFC's guidance should be treated as a 'technical' deficit and should not be interpreted, on its own, as a challenge to the College's on-going financial sustainability. The "technical" deficit also applies to the pension and land revaluation adjustments. Audit Scotland accepts that a deficit arising from the use of cash funding, originally provided for non-cash deprecation, does not indicate an underlying financial sustainability concern.

37 Accounting estimates and judgements

During financial year 2016/17 there will be formal revaluations obtained for the following areas which may cause material adjustments to the carrying values, but which are non-cash items:

a) Land and buildings - should the full business case be approved during 2016/17 for the new Falkirk campus, a formal valuation will be obtained for the existing Falkirk building on an open market basis (rather than the current depreciated replacement cost basis) and the expected impairment will be reflected within the 2016/17 annual accounts

b) Interest rate risk - the College is exposed to interest rate movements on the loan and as a result entered into a swap arrangement when the loan was agreed. As a complex financial instrument the swap is being accounted for at fair value at each year end. In the current market environment the fair value of the swap agreement is a liability to the College, as assessed by the bank and confirmed as reasonable through an independent assessment. The interest rate swap fair value was a liability at 31 July 2016 but if the LIBOR interest rates and other market factors change going forward there is the potential for the fair value of the swap to be assessed as an asset for the College rather than a liability, or for the liability to increase

c) LGPS Pension liability - the College's participation in the Local Government Pension Scheme requires the funding of liabilities that may stretch out 60-70 years based on the working lives of active members and period during which pensions are in payment. During these periods there will be diverse economic cycles, varying levels of investment return and changes in mortality rates. The key assumptions that impact on the net pension liability in future are set out within note 27

d) STSS Early Retirement provision. The College has a provision for staff who had early retirement. The amount of this liability varies based on a number of factors, but most significantly on the discount rate applied by the actuary. The key assumptions used in the valuation are the same as for the LGPS (as set out in note 27).

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

a) Depreciation - depreciation rates have been set for the Falkirk, Alloa and Stirling campuses based on the recommendations of estimated useful lives by valuers

b) LGPS - Cash payments - all of the factors set out above regarding the LGPS could impact on the College's Cash flow position as they could require the actuary to set a revised employer contribution rate having undertaken the three yearly valuation of the pension fund. Whilst there is always an element of uncertainty as to the extent of any change in the contribution rate, the actuary is obliged to have regard to the Fund's Funding Strategy which is to take a prudent long term view of liabilities and maintain as constant an employer contribution rate as possible.

38 Transition to FRS102 and the 2015 SORP

As explained in the accounting policies, these are the College's first financial statements prepared in accordance with FRS 102 and the SORP 2015. The accounting policies set out in Note 1 have been applied in preparing the financial statements for the year ended July 2016, the comparative information presented in these financial statements for the year ended July 2015 and in the preparation of an opening FRS 102 Statement of Financial Position at 1 August 2015. In preparing its FRS 102, SORP based Statement of Financial Position, the College has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (2007 SORP).

An explanation of how the transition to FRS 102 and the SORP 2015 has affected the College's financial position, financial performance and cash flows is set out in the following tables.

	As at 1 April 2014	As at 31 July 2015
Financial position	**£000**	£000
Total reserves under 2007 SORP	41,426	36,502
Deferred capital grant	(34,537)	(32,462)
Financial Instrument - fair value of the swap	(92)	(401)
Total effect of transition to FRS 102	(34,629)	(32,863)
Total reserves under 2015 SORP	6,797	3,639

	Period Ended 31 July 2015
Financial performance	£000
Surplus for the year under 2007 SORP (restated)	(1,345)
Financial Instrument - movement in fair value of the swap	(309)
Increase in pension costs	(645)
Effect of transition to FRS 102	(954)
Reclassification of actuarial losses into the Statement of Comprehensive Income	(1,759)
Total comprehensive income for the year under 2015 SORP	(4,058)

Deferred Capital Grants

Under the 2007 SORP capital government grants were permitted to be accounted for as deferred reserves on the balance sheet within reserves.

The College has adopted the accrual model to account for the deferred capital grants with the result that the deferred element of the grant is now reflected as deferred income within creditors as opposed to being held within reserves with no adjustment required to the financial performance**.**

Pension Costs
FRS 102 requires that the net interest expense (or income) is based upon the net deficit (or surplus) within the scheme however this differs from UK GAAP where the interest is equal to the difference between unwinding the discount on scheme liabilities and the expected return on assets.

Financial Instruments
Interest rate swaps are recorded on the balance sheet at fair value and accounted for at fair value through profit and loss. Under previous UK GAAP these were not re-valued to fair value or shown on the college balance sheet at the year end. Net interest payable is accrued.

Cash Flows
There was no impact of the transition to FRS 102 on the cash flows of the College.

Appendix 1 Accounts Direction from Scottish Funding Council

2015-16 Accounts direction for Scotland's colleges and universities

1. It is the Scottish Funding Council's direction that colleges and universities comply with the 2015 *Statement of Recommended Practice: Accounting for Further and Higher Education* (SORP) in preparing their annual report and accounts.

2. Colleges and universities must comply with the accounts direction in the preparation of their annual report and accounts in accordance with the Financial Memorandum with the Scottish Funding Council (SFC) or the Regional Strategic *Body (for assigned colleges).*

3. Incorporated colleges are also required to comply with the Government Financial Reporting Manual 2015-16 (FReM) where applicable.

4. Incorporated colleges are reminded that they must send two copies of their annual report and accounts to the Auditor General for Scotland by 31 December 2016.

5. The annual report and accounts should be signed by the chief executive officer and by the chair, or one other member of the governing body.

6. Incorporated colleges should reproduce this Direction as an appendix to the annual report and accounts.

Scottish Funding Council
24 August 2016

HENDERSON LOGGIE
Chartered Accountants

Forth Valley College

Annual Audit Report for 2015/16 to the Board of Management and the Auditor General for Scotland

External Audit Report No: 2016/02

Draft Issued: 21 November 2016
2nd Draft Issued: 25 November 2016
Final Issued:

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Notice: About this report

This report has been prepared in accordance with our responsibilities under International Standards on Auditing (ISAs) and those set out within Audit Scotland's Code of Audit Practice ('the Code') and Statement of Responsibilities of Auditors and Audited Bodies.

This report is for the benefit of only Forth Valley College and is made available to Audit Scotland (together with the beneficiaries), and has been released to the beneficiaries on the basis that it shall not be copied, referred to or disclosed, in whole or in part, without prior written consent.

Nothing in this report constitutes a valuation or legal advice.

We have not verified the reliability or accuracy of any information obtained in the course of our work, other than the limited circumstances set out in the scope and objectives section of this report.

This report is not suitable to be relied on by any party wishing to acquire rights against Henderson Loggie CA (other than the beneficiaries) for any purpose or in any context. Any party other than the beneficiaries that obtains access to this report or a copy and chooses to rely on this report (or any part of it) does so at its own risk. To the fullest extent permitted by law Henderson Loggie CA does not assume any responsibility and will not accept any liability in respect of this report to any party other than the beneficiaries.

Executive Summary

Financial Statements

- On 8 December 2016 we plan to issue an audit report with an unqualified opinion on the financial statements of the College for the year ended 31 July 2016 and on the regularity of the financial transactions reflected in those financial statements.

- Three new accounting standards (Financial Reporting Standard (FRS) 100, 101 and 102) came into force in 2015/16, with comparative figures for 2014/15 restated where relevant using these new standards. In addition, a new Education Statement of Recommended Practice (SORP) has been implemented for the 2015/16 financial statements.

- The current financial period covers the year to 31 July 2016. The comparative period is the 16 months from 1 April 2014 to 31 July 2015. Colleges have been allowed to align their financial year to the academic year, although they are still required to meet HM Treasury budgeting and reporting requirements at a March year end.

- The College has shown a deficit for the year ended 31 July 2016 (before 'other comprehensive income') of £2.085 million (deficit of £2.299 million (restated) for the 16 months ended 31 July 2015). The College has an Income and Expenditure Account balance of £(21.158) million at 31 July 2016 (including pension reserve of £(16.804) million) (31/07/15: £(17.076) million (restated) including pension reserve of £(13.416) million).

- The College met its Credits target for the academic year to 31 July 2016 (14/15: target met).

- Income of £0.339 million from the Forth Valley College Foundation, an arms' length body, has been included in the Statement of Comprehensive Income. This is part of the £1.800 million grant that on 24 June 2015 the Forth Valley College Foundation agreed to award to the College for assistance with the new Falkirk campus redevelopment project.

- There was expenditure of £1.739 million during the year (14/15: £0.176 million) by the College on consultants and other costs related to the Full Business Case for a new Falkirk campus. This has been included under exceptional items in the Statement of Comprehensive Income.

- The College's Local Government Pension Scheme (LGPS) pension liability increased in total by £3.388 million during the year to £16.804 million at 31 July 2016, which was largely due to changes in key actuarial assumptions relating to discount rates, along with net interest on the increased pension liability and a £0.399 million extra charge for the current cost of pensions under FRS102.

- The College's Middlefield site was revalued at 31 July 2016, which led to an impairment of £1.650 million being recognised against the revaluation reserve through other comprehensive income. The reason for the impairment was that ground surveys identified that significant piling works would be required before building on the site which had not previously been known.

- The annual financial statements of the College comply with the Accounts Direction issued by the Scottish Funding Council (SFC), the SORP on Accounting for Further and Higher Education and, as far as applicable, the Government Financial Reporting Manual 2015/16 ('the FReM').

Financial Statements (Continued)

- There was a prior period adjustment made to the enhanced early retirement provision expenditure for 2014/15 as a result of an actuarial error, and this reduced the 2014/15 deficit by £1.543 million.

- Six audit and accounting adjustments were made to the draft financial statements presented for audit; which had the impact of increasing the reported deficit for the year by £1.525 million. The main reason for this was the impact of the error in the actuarial calculations (£1.525 million), with the other five items not having any net impact on the deficit for the year.

- A number of disclosure and clarification adjustments were made to the financial statements to ensure SORP, FReM and Accounts Direction compliance and improve the overall presentation of the financial statements.

Corporate Governance

- A Performance Report and Accountability Report (including a Governance Statement and Remuneration and Staff Report) are included in the annual report, replacing the Operating and Financial Review that was included in previous years.

- The College's Governance Statement confirms that corporate governance has been exercised throughout the year in accordance with the principles of the Code of Good Governance for Scotland's Colleges (with one exception in relation to the role of the Secretary to the Board, which has been explained in the report and financial statements), the Scottish Public Finance Manual (SPFM) and the SFC Financial Memorandum with colleges.

- No material weaknesses in the accounting and internal control systems were identified during the 2015/16 financial statements audit which would adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements. Some areas were however identified from our systems controls testing during 2015/16 where controls could be further improved to bring them more into line with good practice.

- We did not identify any matters of concern relating to the College's corporate governance arrangements regarding the prevention and detection of fraud, or standards of conduct and the prevention and detection of corruption.

- The College had an on-going process for identifying, evaluating and managing its significant risks.

Performance

- The College management and committee structure included mechanisms to monitor and manage financial and non-financial performance which are considered appropriate.

- A Regional Outcome Agreement with the SFC was in place for 2015/16 and the Self-Evaluation review of this found that most key targets had been met.

Outlook

- The funding position will remain challenging going forward. Commercial work has been an important income source to generate extra income for the College. However the downturn in the oil and gas sector, which is affecting commercial income, and the impact of national pay bargaining proposals are of significant concern and robust budget setting and monitoring arrangements will be essential in helping to retain sustainability.

- The College's total funding allocations for the 2016/17 academic year from the SFC for Teaching and Fee Waiver is £20.148 million, an increase of £0.375 million from 2015/16 and with the equivalent academic output (16/17 and 15/16: 83,984 Credits). The College's capital allocation for 2016/17 from the SFC has increased by £0.225 million to £1.281 million (2015/16: £1.056 million).

- The College's planned Falkirk campus redevelopment project is progressing with a Full Business Case having been developed by the College in conjunction with appointed consultants. This is planned to be funded by the SFC through capital funding.

Introduction

Background

1. 2015/16 was the fifth and final year in our five-year appointment as external auditors of Forth Valley College ('the College'). This report summarises our opinion and conclusions and highlights significant issues arising from our work. It covers the communication of findings from the audit required by International Standard on Auditing (ISA) (UK and Ireland) 260: Communication of Audit Matters with Those Charged with Governance. The financial statements for 2015/16 cover the 12-month period to 31 July 2016 and the comparative figures are for the 16-month period to 31 July 2015. Paragraph 27 explains the reasons for this.

2. The audit framework is outlined in our Strategic Planning Memorandum and 2015/16 Annual Audit Plan issued on 19 May 2016 and considered and approved by the Audit Committee at its meeting on 2 June 2016. The scope of the audit was to:

   - provide an opinion on, to the extent required by the relevant authorities, the financial statements and the regularity of transactions in accordance with the standards and guidance issued by the Financial Reporting Council (FRC);

   - review and report on the College's corporate governance arrangements in relation to systems of internal control, the prevention and detection of fraud and irregularity, standards of conduct, and prevention and detection of corruption; and the College's financial position;

   - audit specific parts of the remuneration report;

   - read and express an opinion on whether the Performance and Accountability Reports are consistent with the financial statements; and

   - review and report on the College's arrangements to manage its performance, as they relate to the economy, efficiency and effectiveness in the use of resources.

3. Our audit approach focused on the identification of the significant risk areas facing the College and the significant classes of transactions, estimates, other account balances and disclosures impacting upon the financial statements. These include:

   - compliance with legislation and financial regulations;
   - fixed assets transactions, including consideration of any impairment as a result of revaluation or asset conditions, on-going estate improvements and maintenance; and compliance with relevant financial reporting standards;
   - recoverability of debtors;
   - recognition of funding provided for specific purposes and the regularity of corresponding expenditure;
   - review of expenditure on the Full Business Case;
   - compliance with FRS102 regarding the provision for pension liabilities and provision for early retirals; and
   - compliance with the SORP on Accounting for Further and Higher Education, FReM and Accounts Direction.

Basis of Information

4. External auditors do not act as a substitute for the College's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

5. To a certain extent the content of this report comprises general information that has been provided by, or is based on discussions with, management and staff of the College. Except to the extent necessary for the purposes of the audit, this information has not been independently verified. The contents of this report should not be taken as reflecting the views of Henderson Loggie CA except where explicitly stated as being so.

6. As our audit is designed primarily to enable us to form an opinion on the financial statements taken as a whole, our report cannot be expected to include all the possible comments and recommendations that a more extensive special examination would bring to light. Weaknesses or risks identified by us are only those that have come to our attention during our normal audit work in accordance with the Audit Scotland Code of Audit Practice, and may not be all that exist.

Acknowledgement

7. Our audit has brought us into contact with a range of College staff. We wish to place on record our appreciation of the co-operation and assistance extended to us by staff in the discharge of our responsibilities.

Financial Statements

Audit Opinion

8. On 8 December 2016 we plan to issue an audit report with an unqualified opinion on:

- the financial statements of the College for the year ended 31 July 2016;
- the regularity of the financial transactions reflected in those financial statements; and
- other prescribed matters, being the part of the Remuneration Report to be audited and the consistency of the information in the Performance and Accountability Reports, governance statement and other annual report sections with the financial statements.

9. We are required to undertake audit work from the Balance Sheet date up to the date of signing the financial statements and this will be undertaken in the period up to 8 December 2016 to determine if there are any post balance sheet events that require adjustment to be made to the financial statements or additional disclosure in a note thereto.

Identified Risks of Material Misstatement and Materiality

10. At the planning stage of the audit we identified some key areas of focus which we considered had the greatest effect on the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the audit team. The findings from our audit work on these items are set out below. Management override of controls and income recognition are included below as there is a presumption within international auditing standards for all audits to take account of these areas.

Key audit area	Our planned approach	Our findings
Completeness of income	We planned to review all significant revenue streams and transactions and, through a combination of analytical review, compliance testing of key controls and detailed substantive testing, obtain comfort that these transactions appear reasonable based on our knowledge of the College.	Our review of key income streams did not identify any items which had been omitted or accounted for incorrectly.
Management override of controls	Our approach was to review any significant unusual transactions to ensure that they appeared reasonable in the context of our knowledge of the business.	We did not identify any significant unusual transactions or manual postings that did not have adequate back-up or management explanations.

Key audit area	Our planned approach	Our findings
The College may not comply with legislation and financial regulations	We planned to identify major areas of legislation and financial regulations that the College is required to comply with, consider the risk of non-compliance of each, and consider whether there may be a material financial impact from these. We then planned to discuss with management what key controls are in place to ensure compliance and asked whether any actual, suspected or known instances of non-compliance had been noted.	Results from our testing were satisfactory.
The College may not properly account for its capital projects expenditure and related funding or fixed assets transactions. This includes consideration of any impairment as a result of revaluation or asset conditions, on-going estate improvements and maintenance; and compliance with relevant financial reporting standards	We planned to review a sample of capital expenditure to ensure it was appropriate to capitalise this. We also planned to review significant accounts of a repairs and maintenance nature, and expenditure on the Full Business Case for the new Falkirk campus, to determine whether it was appropriate to expense these items. Our approach regarding impairment was to identify all significant assets and consider whether there were any conditions that might give rise to an impairment, and check that any impairments made had been correctly treated.	Results from our testing were satisfactory.
The College may fail to recognise funding provided for specific purposes appropriately	Our approach was to review all significant ring fenced funds and check whether grant terms and conditions had been met before recognising income.	Results from our testing were satisfactory.
The College may not achieve its planned budget resulting in a deterioration of the financial position, non-compliance with financial covenants and going concern issues	We considered the process undertaken by management to satisfy themselves that the going concern basis of preparation of the financial statements was appropriate. We also reviewed relevant evidence available, including management accounts and the Forecast Financial Return to the SFC.	As part of auditing procedures, auditors must consider whether an entity can continue to operate for a period of 12 months from the date of signing the financial statements. This needs to be considered on an annual basis. Based on our review we consider the College is a going concern.

Key audit area	Our planned approach	Our findings
Compliance with the SORP on Accounting for Further and Higher Education, FReM and Accounts Direction	We planned to check whether disclosures and accounting treatment was in line with the SORP, FReM and Accounts Direction through reviewing the requirements and completing checklists to ensure that the requirements were being met.	Our review found a small number of items requiring amendment. The College amended these for the final version of the financial statements.

11. We told you materiality at the planning stage was £0.299 million. This was revised once draft financial statements were received to £0.335 million. Performance materiality was revised to £0.234 million from £0.209 million, and the amount below which items were deemed to be clearly trivial became £0.023 million. We determined materiality based on the College's annual income.

Audit Completion

12. An important measure of proper financial control and accountability is the timely closure and publication of audited financial statements. Table 1 summarises the three key elements of the audit process.

Table 1: Key elements of the audit process

Completeness of draft financial statements A set of draft financial statements was received on 17 October 2016, the first day of the audit fieldwork. The first draft did not include the Performance Report, Accountability Report (including Corporate Governance information) and a number of financial statement disclosures. These were received on 14 November 2016 after the audit fieldwork had been completed. These were of a high standard and required minimal presentational changes as part of the audit process.
Quality of supporting working papers Working papers provided to support financial statement figures were of a good standard.
Response to audit queries Audit queries were dealt with in a timely manner.

Corporate Governance Statement

13. Colleges are required to include a statement on their corporate governance arrangements within their annual financial statements. The statement describes the ways in which the College has complied with good practice in corporate governance, including the arrangements for risk management.

14. We are required to review the statement to assess whether the description of the process adopted in reviewing the effectiveness of the system of internal control appropriately reflects the process and report where the statement is not consistent with our knowledge of the body and report if the statement does not comply with SFC requirements.

Corporate Governance Statement (Continued)

15. The College's Governance Statement for 2015/16 confirms that corporate governance has been exercised throughout the year in accordance with the principles of the Code of Good Governance for Scotland's Colleges (with one exception in relation to the role of the Secretary to the Board, as detailed in paragraph 58 below, and which has been explained in the report and financial statements), the SPFM and the SFC Financial Memorandum with colleges.

16. From our audit work and our review of the College's statement we have no issues to report within our audit opinion.

Remuneration and Staff Report

17. 2015/16 is the second time a Remuneration Report has been required in college financial statements and this has been expanded for 2015/16 to include additional information in a Staff Report. The information to be included is prescribed by the FReM.

18. We are required to audit part of the Remuneration and Staff Report and review the remainder as part of our review of the Performance and Accountability Report. We express a specific opinion on whether the audited part has been properly prepared.

19. We received the Remuneration and Staff Report for audit on 17 October 2016. From the work done we were satisfied that we could give an unqualified opinion.

Performance Report and Accountability Report

20. The SORP sets out the requirements for a Performance Report and Accountability Report (which replaces the Operating and Financial Review prepared in previous years) to be included in the financial statements. The content is prescribed through the Accounts Direction from the SORP and the FReM.

21. We review the information provided in the Performance Report and Accountability Report and consider whether or not it is consistent with the financial statements and other information we have gathered in the course of our audit. We are not required to verify, or report on, the completeness of the information in the Performance Report and Accountability Report, with the exception of the audited element of the Remuneration and Staff Report.

22. We received the Performance Report and Accountability Report on 14 November 2016 and concluded that an unqualified opinion could be provided for this.

Audit and Accounting Adjustments and Confirmation

23. In Table 2 we draw attention to the agreed audit and accounting adjustments to the financial statements made by management following the audit process which had the impact of increasing the 2015/16 deficit by £1.525 million. With the exception of item 2, which processed the actuarial error on the early retirals pension provision, none of the adjustments were material.

Audit and Accounting Adjustments and Confirmation (Continued)

Table 2: Audit and accounting adjustments

	Description	I&E DR £'000	I&E CR £'000	B/Sheet DR £'000	B/Sheet CR £'000
1	<u>14/15 (prior period adjustment)</u>				
	LGPS pension liability			100	
	Income and Expenditure Reserve				100
	<u>15/16</u>				
	Income and Expenditure Reserve			4	
	Interest and other finance costs		4		
	Being adjustment for actuarial error relating to LGPS pension				
2	<u>14/15 (prior period adjustment)</u>				
	STSS pension liability			1,543	
	Income and Expenditure Reserve				1,543
	<u>15/16</u>				
	Pension Provision Charge	1,529			
	STSS pension liability				1,529
	Being adjustment for actuarial error relating to STSS early retirement pension				
3	Staff costs	12			
	Accruals				12
	Being accrual of pension costs on holiday pay entitlement not initially included				
4	Staff costs	19			
	Accruals				19
	Being accrual for voluntary severance for one staff member				
5	Accrued income			31	
	Other grant income		31		
	Being extra accrual for income from the Forth Valley College Foundation				
6	Accrued income			113	
	Other creditors				113
	Being accrual of income from SFC for Student Support Funds				
	Total (2015/16 impact only)	**1,560**	**35**	**148**	**1,673**
		=====	=====	======	======
	Overall increase in Deficit	**1,525**			

Audit and Accounting Adjustments and Confirmation (Continued)

24. In addition, a number of disclosure and clarification adjustments were made to the financial statements to ensure SORP, FReM and Accounts Direction compliance and improve the overall presentation of the financial statements.

Confirmations and Representations

25. We confirm that as at the date of this report, in our professional judgement, Henderson Loggie CA was independent within the meaning of regulatory and professional requirements and the objectivity of audit staff was not impaired.

26. In accordance with auditing standards, we obtained representations from the College on material issues.

Financial Reporting

27. Scottish colleges were reclassified as Government Bodies from 1 April 2014, resulting in a change of financial year-end to 31 March. From 1 April 2014 Incorporated Colleges and Regional Boards were required to comply with the SPFM, except where directed by SFC's Accountable Officer. Financial reporting is now undertaken in accordance with HM Treasury's FReM 2015/16 in addition to the SORP on Accounting for Further and Higher Education and the SFC's Accounts Direction. As a result:

- in 2013/14 colleges prepared financial statements for an eight month period to 31 March 2014;

- following this change colleges were allowed to return to the 31 July financial year-end although they are still required to meet HM Treasury annual budgeting and reporting requirements at March. The financial period for 2014/15 covered the 16 months from 1 April 2014 to 31 July 2015;

- the 2015/16 financial period covered the 12 months to 31 July 2016;

- in April 2016 the College submitted the required Resource and other returns for 31 March 2016 to the SFC. In September, as allowed, an update was submitted which made the following adjustments:

♦ Other income – reduction in grant from Arm's Length Foundation to College	£(0.011) million
♦ Operating costs – Reversal of accrued costs	£0.011 million
♦ Pension liability adjustment (to reflect impact of pension on the Comprehensive I&E Statement as at 31 July 2016	£0.089 million

28. The application of the FReM results in some changes and additional disclosure, including a Performance Report and Accountability Report.

Financial Reporting (Continued)

FRS 102 'The Financial Reporting Standard' and new Education SORP

29. The FRC has been implementing a convergence programme aligning UK Generally Accepted Accounting Practice (GAAP) to International Financial Reporting Standards (IFRS) and published three new FRSs (FRS 100, 101 and 102) with the substantive FRS 102 'The Financial Reporting Standard' representing the final step towards IFRS convergence. These three new FRS' became the new UK GAAP, which is fully IFRS-based. The new accounting standards came into force in the 2015/16 financial statements, which included comparative figures for 2014/15 being restated in the 2015/16 financial statements. The main areas of change for the College related to the treatment of deferred capital grants, pension costs and the interest rate swap.

30. In addition, a new Education SORP was effective for 2015/16 which follows FRS102, and provides specific details on disclosure of the main statements. The new SORP is available at www.fehesorp.ac.uk.

Financial Position

31. Colleges are required to break even in line with their agreed spending budgets each year to 31 March. For 2015/16, as noted in the financial statements at note 36, the SFC has allowed colleges to treat the depreciation allocation of their budgets as if it was a cash resource, thereby contributing to the deficit in the Statement of Comprehensive Income. There are also a number of other non-cash items impacting on the deficit position. Table 3 provides a summary of the College's planned and actual financial results.

Table 3: Comparison of planned and actual financial results

	2014/15 (16 months) Actual £000	2015/16 (12 months) Planned £000	2015/16 (12 months) Actual £000	2016/17 (12 months) Planned £000
Financial outturn Surplus/(Deficit) (before 'other comprehensive income')	(2,299) restated	63	(2,085)	(603)
Income and expenditure reserves (excluding pension reserve)	(3,660) restated	(2,822)	(4,354)	(4,986)
Cash balances	1,609	1,735	926	1,324

Source: Audited financial statements and June 2015 and June 2016 Forecast Financial Return (FFR)

32. The deficit of £2.085 million includes the following non-cash items:

	£'000
Use of depreciation cover	608
STSS Early retirement pension revaluation	547
LGPS pension revaluation	889
Increase in fair value of derivatives	441

Financial Position (Continued)

33. A direct comparison of College income in 2015/16 of £33.522 million against the last financial period is not possible given the change in accounting period from 16 months to 12 months. Points to note for 2015/16 include:

- SFC Capital and Maintenance Grant recognised has decreased as £0.500 million of the 2015/16 grant allocation (relating to 1 April 2015 – 31 March 2016) was used in 2014/15 as well as the prior year having one off items including grant funding for the demolition of the Middlefield building (£0.500 million);
- Deferred income release has decreased due to some assets becoming fully depreciated in the year;
- Other grant income has increased due to £0.370 million of income being accrued from the Forth Valley College Foundation as a contribution towards the Full Business Case costs for the new Falkirk campus; and
- there has been increased income from education contracts, including collaboration with universities and continuation of major commercial contracts.

34. Similarly, a direct comparison of College expenditure in 2015/16 of £33.868 million against the last financial period is not possible. Points to note for 2015/16 include:

- there was a staff pay increase award and small increase in staff numbers, increase in the STSS pension contribution rate, and removal of national insurance rebates on some national insurance categories which led to increased pay and related costs;
- a £0.399 million increase in pension costs as a result of the calculation under FRS102 of the current pension cost versus the actual contributions;
- there was an increase in the enhanced early retirement provision cost by £0.388 million largely due to changes in actuarial provision as a lower discount rate on liabilities was applied by the actuary;
- other operating expenditure was down as there was no Middlefield demolition expense, less expenditure using SFC capital and maintenance funds (see related note under income above), and a range of other movements;
- depreciation decreased due to a range of assets becoming fully depreciated in 2014/15 and 2015/16;
- Interest and finance costs increased due to the fair value of the College's interest rate swap (which is a liability) worsening;
- there was a significant increase in expenditure on the Full Business Case for the new Falkirk campus (up £1.562 million from the previous period); and
- The 2014/15 expenditure included a donation of £1.100 million to the Forth Valley College Foundation. No donation was made in 2015/16.

35. In recent years, voluntary severance costs, accounting for estates developments and the donation to the Forth Valley College foundation has led to the College reporting an Income and Expenditure Account reserve deficit (£4.354 million at 31 July 2016 (excluding pension reserve)). As demonstrated from the information in paragraphs 31 to 34 the underlying position in 2015/16 continues to be robust and projections show that the College should be able to manage the position long term as long as it reacts to any negative changes on a timely basis.

Financial Position (Continued)

2015/16 Credits Outturn

36. The College's outturn against its 2015/16 Credits target is shown in Table 4 below.

Table 4: 2015/16 Credits/Weighted SUMs outturn

	2014/15 (Weighted SUMs)	2015/16 (Credits)
Target (including ESF)	121,664	86,214
Actual	121,781	86,272
Excess	117	58

Source: Audited Credits and SUMs returns

Short and Long Term Creditors

37. In 2015/16, due to the application of FRS102, deferred capital grants have been reclassified from reserves into current and long term creditors. Comparative figures at 31 July 2015 have also been restated. The main reason for short term creditors reducing between 31 July 2015 and 31 July 2016 is that there were a number of student support funds that had underspent in 2014/15 which had creditor balances included, but there are no similar underspends this year.

38. The long term creditors have decreased due to deferred capital grants decreasing (due to release of income) and repayment of part of the long term loan, offset by an increase in the fair value of the College's interest rate swap liability.

Pension Provisions

39. In 2015/16 the College accounted for its participation in the local government pension scheme as a defined benefit scheme. This is consistent with the accounting treatment adopted in previous years.

40. The College's LGPS pension liability increased in total by £3.387 million to £16.804 million at 31 July 2016 (2014/15: increased in total by £3.315 million) which was largely due to changes in key actuarial assumptions relating to discount rates, along with net interest on the increased pension liability and a £0.399 million extra charge for the current cost of pensions under FRS102.

41. The College has a provision in its balance sheet at 31 July 2016 of £7.317 million (31/07/15: £7.169 million (restated balance – refer to paragraph 42 below for reason for restatement) relating to pension costs from early retirements awarded to former employees. The College's approach to the valuation of the provision is to have an independent actuarial firm calculate this provision annually.

42. There was a prior period adjustment made to the enhanced early retirement provision expenditure for 2014/15 as a result of an actuarial error being identified for that year, and this reduced the 2014/15 deficit by £1.543 million.

Financial Position (Continued)

Capital Income and Expenditure

43. Arrangements to access capital funding have changed following Office of National Statistics (ONS) reclassification.

44. All of the £0.155 million of capital additions in 2015/16 related to the purchase of IT equipment.

45. The Middlefield site was revalued at 31 July 2016, which led to an impairment of £1.650 million being recognised against the revaluation reserve through other comprehensive income. The reason for the impairment was that ground surveys identified that significant piling works would be required before building on the site which had not previously been known. Based on the valuation obtained we are content that the Middlefield site is included in the financial statements at an appropriate valuation.

46. In December 2014 an Outline Business Case for a new Falkirk campus was completed. It set out that £19 million of backlog expenditure on the existing Falkirk campus had been identified and that with the future of the Grangemouth petro-chemical complex secure it was important that the College had a modern fully equipped facility to support the oil and gas industry as well as the needs of other local employers and residents. The need for a new campus was also identified as important in order to achieve the College's curriculum strategy and to become a national and international centre of excellence.

47. An external project manager for the project was appointed in March 2015, along with a Falkirk Campus Project Board which includes the project manager, Scottish Futures Trust, Senior Management Team (SMT) members, and some Board members.

48. The College submitted the Full Business Case to the SFC in September 2016 and approval is awaited.

49. Legal issues with the Non-Profit Distribution model planned to be used by the Scottish Futures Trust to part fund the project have led to the project now planned to be funded using capital funding.

50. FRS102 section 17 'Property, Plant and Equipment' and the SORP require that where a tangible fixed asset comprises two or more major components with substantially different useful economic lives, each component should be accounted for separately for depreciation purposes and depreciated over its individual useful economic life. The requirements of FRS 102 to capitalise and depreciate separately the components of what could previously have been treated as a single item ensures that the assets are charged to the Statement of Comprehensive Income over the periods in which they are consumed. We noted in previous years' Annual Reports that the new Alloa and Stirling campuses were depreciated on a component accounting basis in 2012/13 for the first time. We noted however that the Falkirk campus buildings has been depreciated over 29 years as a whole and not as separate components and previously recommended that component accounting was considered further for the College's other buildings in future years. Management advised that the College does not intend to adopt component accounting for the current Falkirk Campus. It is proposed that if and when the new Falkirk Campus is brought into use component accounting will be adopted for the new building.

Financial Position (Continued)

Forth Valley College Foundation

51. An arms-length foundation, the Forth Valley College Foundation, was set up in December 2013. The objects of the Foundation are to advance the charitable purposes of the College to include the advancement of education by making grants and financial support for projects and activities being carried out by and supported by the College. The main reason for setting up the Foundation is that the Central Government budget mechanisms mean that the ability to use college reserves and surpluses in future periods is restricted.

52. On 24 June 2015 the College made an application to the Forth Valley College Foundation for a £1.800 million grant towards the new Falkirk campus redevelopment project. This was approved by the Foundation and is still to be received by the College however £0.370 million of this amount has been accrued and included in income in the 2015/16 financial statements.

53. To ensure that the Foundation is not consolidated into the College's financial results it requires to be independent of the College. College management determined, and we concur, that the Foundation is at arms-length from the College and does not require to be consolidated at 31 July 2016. This position will need to be reviewed annually.

Corporate Governance

Corporate Governance

54. The College is responsible for ensuring that governance arrangements follow the three fundamental principles of openness, integrity and accountability and that these arrangements are in place to ensure the proper conduct of its affairs. Mechanisms to monitor the adequacy and effectiveness of these arrangements should also be in place.

55. Our responsibility, as noted in the Code of Audit Practice, is to review and report on audited bodies' corporate governance arrangements as they relate to:

- Bodies' reviews of corporate governance and systems of internal control, including reporting arrangements;
- The prevention and detection of fraud and irregularity;
- Standards of conduct and arrangements for the prevention and detection of corruption; and
- The financial position of audited bodies.

56. Comments on the financial position and the College's Governance Statement are covered in the Financial Statement section of this report.

57. The Designation of Regional Colleges (Scotland) Order 2014 came into force on 3 March 2014 and formally designated Forth Valley College as the Central regional college.

58. The Post-16 Education (Scotland) Act 2013 includes provisions in relation to the identification of principles of good governance practice for the college sector. In December 2014 the 'Code of Good Governance for Scotland's Colleges' was published which is mandatory for Colleges to comply with. An updated version of the Code was published in August 2016. The review of the Code took into account recommendations made by the Cabinet Secretary's Good Governance Task Group. The Code sets out the principles of good governance across five main areas: Leadership and Strategy; Quality of the Student Experience; Accountability; Effectiveness; and Relationships and Collaboration. Colleges are expected to comply with the Code as condition of grant from the SFC or their regional strategic body. The College has undertaken an evaluation of its compliance with the Code and we reviewed this for reasonableness. The College has highlighted one area of non-compliance with the Code in that the Board of Management has appointed the Associate Principal and Executive Director of Finance as Secretary to the Board. The Code states that the Board Secretary may be a member of the SMT in their Board Secretary capacity but cannot hold any other SMT position at the same time. The Board of Management believes that risks relating to a potential conflict of interest are being mitigated and that governance is strengthened rather than weakened by the Associate Principal and Executive Director of Finance having a dual role within the SMT.

59. Incorporated colleges and Regional Boards are required to comply with the requirements of the SPFM, except where directed by the SFC's Accountable Officer. The College's procedures have been updated to reflect SPFM / FReM requirements.

Corporate Governance (Continued)

60. A Financial Memorandum with colleges has been agreed with the SFC setting out the formal relationship between the SFC and fundable bodies in the college sector, and the requirements with which fundable bodies are expected to comply in return for payment of grant by the SFC.

61. We have considered the College's governance arrangements through formal review of documents and procedures and informal observation of the operation of committee arrangements and the relationships between Board members and staff. In particular we have considered arrangements for risk management and reporting to committees. We did not identify any areas of concern regarding the College's governance arrangements.

Risk Management

62. Risk management is important for the development and on-going review of systems of internal control.

63. The College's Risk Management Policy and Procedure details the College's approach to risk capture, monitoring and reporting.

64. The College has a Strategic Risk Register which is reviewed by the Audit Committee. Risk is a standing item on the agenda for the SMT, all Board committees and the Board. There are also risk registers which are compiled and reviewed by each operating area of the College.

Systems of Internal Control

Control Environment

65. No material weaknesses in the accounting and internal control systems were identified during the 2015/16 financial statements audit which would adversely affect the ability to record, process, summarise and report financial and other relevant data so as to result in a material misstatement in the financial statements.

66. Some areas were however identified from our system controls testing where controls could be further improved to bring more into line with good practice. These have been raised with management, an action plan has been agreed and some items have already been addressed. Actions for improvement included:

- ensuring that the checks performed to ensure that all changes made to supplier standing data in the Sun finance system are bona fide is undertaken by someone who cannot make changes to supplier standing data on Sun;
- making sure that staff do not have the ability to both raise and authorise a purchase request on the P2P purchase order authorisation system;
- considering what controls could be put in place to ensure that transactions processed by the administrator of the P2P and Sun systems are appropriate;
- reviewing the BACS transaction limits and requiring two electronic BACS signatories;
- considering changing SAGE payroll users authorisation limits to strengthen controls; and
- implementing procedures to ensure that all journals are reviewed and evidence of this review is recorded.

Systems of Internal Control (Continued)

Internal Audit

67. Audit Scotland's Code of Audit Practice directs us to maintain effective co-ordination with internal audit and place the maximum possible reliance on their work. Scott Moncrieff provided internal audit services to the College in 2015/16.

68. We have reviewed the scope and extent of work performed by internal audit during the year and considered the impact of their findings and conclusions on our work, where appropriate. We have also considered the adequacy of the provision and are content that the audit service is of good quality.

69. The annual internal audit report for the year ended 31 July 2016 found that, based on the work undertaken, the College has a framework of controls in place that provides reasonable assurance regarding the effective and efficient achievement of objectives and the management of key risks, and proper arrangements are in place to promote value for money and deliver best value.

Fraud and irregularity, standards and conduct, and prevention and detection of corruption

70. During 2015/16 we had regard to ISA 240: The Auditor's Responsibility to Consider Fraud in the Audit of Financial Statements.

71. The College has appropriate arrangements in place regarding the prevention and detection of fraud, including Standing Orders and Operating Guidelines and Code of Conduct, Financial Regulations and an Anti-Fraud Policy and Anti-Bribery and Corruption Policy.

72. No frauds were identified during the period from 1 August 2015 up to the date of signing the financial statements.

73. The College has in place the following procedures / policies in relation to standards of conduct and prevention and detection of corruption:

- Standing Orders and Operating Guidelines and Code of Conduct;
- Register of Board Members' Interests;
- Anti-Fraud Policy;
- Anti-Bribery and Corruption Policy; and
- Whistleblowing Policy.

74. The arrangements for maintaining standards of conduct and the prevention and detection of corruption are considered to be appropriate.

Performance

Introduction

75. The terms of appointment from Audit Scotland include a requirement for a proportion of our audit time to be spent on performance audit work. Performance audit work covers a variety of areas, both financial and non-financial, including both Audit Scotland centrally directed studies and locally determined studies based on agreement between each organisation and their auditors.

76. One specific piece of audit follow-up work was identified by Audit Scotland for the College during 2015/16, to follow-up on the Accounts Commission and Auditor General report on Scotland's public sector workforce, and a questionnaire provided by Audit Scotland was completed and returned. Audit Scotland also requested auditors to provide information in a data set to inform sector-wide reporting.

Education Scotland Review

77. We are required by Audit Scotland's Code of Audit Practice to contribute to the 'whole organisation' approach to inspection through co-ordination amongst auditors, inspectors and other scrutiny bodies. We therefore place reliance on the reported results of the work of statutory inspectorates in relation to corporate or service performance.

78. Education Scotland undertook an external review of the College in March 2016 and a report on the findings from this was published in May 2016. The overarching judgement from the review was that the College has in place effective arrangements to maintain and enhance the quality of its provision and outcomes for learners and other stakeholders. This judgement means that, in relation to quality assurance and enhancement, the College is led well, has sufficiently robust arrangements to address any identified minor weaknesses, and is likely to continue to improve the quality of its services for learners and other stakeholders.

College Performance Arrangements

79. Arrangements for financial and non-financial management are established in the College, through the operation of the SMT and the Board and its various committees. This includes budget setting and monitoring structures.

80. The College's Standing Orders and Operating Guidelines and Code of Conduct, including its Scheme of Delegation records the performance management aspects of the Board and each committee, and where appropriate, their responsibility to take action to address issues in performance. Discussion with managers and our review of meeting papers and minutes confirms these responsibilities appear to be undertaken in an appropriate manner

81. The College has a Corporate Plan 2014-18 and an annual 2015/16 Operational Plan.

82. Key performance indicators are set out in the Performance Report in the College's annual report.

83. The College has a Regional Outcome Agreement which is aimed at responding to the national objectives and priorities for post-16 education, and works with Local Authorities, Community Planning Partnerships, Skills Development Scotland and employers to ensure its education provision meets the needs of learners and the community. The College continues to work in partnership with organisations to achieve economies of scale and better efficiency.

84. In October 2016 the College undertook a self-evaluation against the targets set out in the 2015/16 Regional Outcome Agreement and this found that most targets had been met.

85. The College's arrangements for performance management as outlined above are considered to be appropriate.

Outlook

2016/17 and beyond

86. The funding position will remain challenging going forward. Commercial work has been an important source of extra income. However the downturn in the oil and gas sector, which is affecting commercial income, and the impact of national pay bargaining proposals are of significant concern and robust budget setting and monitoring arrangements will be essential in helping to maintain sustainability.

87. The College's total funding allocations for the 2016/17 academic year from the SFC for Teaching and Fee Waiver is £20.142 million, an increase of £0.375 million from 2015/16 and with the equivalent academic output (16/17 and 15/16: 83,984 Credits). The College's capital allocation for 2016/17 from the SFC has increased by £0.225 million to £1.281 million (2015/16: £1.056 million).

88. It is expected that the use of depreciation allocations as if they were a cash allocation will be allowed again in 2016/17, resulting in a further deficit in the financial statements if the money is spent.

ONS Reclassification

89. Arrangements between colleges and the SFC to manage the revised funding mechanisms are likely to develop further as lessons are learned from the initial period of change.

Appendix I - Audited Bodies' Responsibilities

Extracts from the May 2016 Audit Scotland Code of Audit Practice

17. The audited bodies have the primary responsibility for ensuring the proper financial stewardship of public funds, compliance with relevant legislation and establishing effective arrangements for governance, propriety and regularity that enable them to successfully deliver their objectives.

Corporate governance

18. Each body, through its chief executive or accountable officer, is responsible for establishing arrangements to ensure the proper conduct of its affairs including the legality of activities and transactions, and for monitoring the adequacy and effectiveness of these arrangements. Audited bodies should involve those charged with governance (including audit committees or equivalent) in monitoring these arrangements.

Financial statements and related reports

19. Audited bodies must prepare an annual report and accounts containing financial statements and other related reports. They have responsibility for:

• preparing financial statements which give a true and fair view of their financial position and their expenditure and income, in accordance with the applicable financial reporting framework and relevant legislation

• maintaining accounting records and working papers that have been prepared to an acceptable professional standard and that support their financial statements and related reports disclosures

• ensuring the regularity of transactions, by putting in place systems of internal control to ensure that they are in accordance with the appropriate authority

• maintaining proper accounting records

• preparing and publishing, along with their financial statements, an annual governance statement, management commentary (or equivalent) and a remuneration report that are consistent with the disclosures made in the financial statements. Management commentary should be fair, balanced and understandable and also clearly address the longer-term financial sustainability of the body.

20. Further, it is the responsibility of management of an audited body, with the oversight of those charged with governance, to communicate relevant information to users about the entity and its financial performance, including providing adequate disclosures in accordance with the applicable financial reporting framework. The relevant information should be communicated clearly and concisely.

21. Audited bodies are responsible for developing and implementing effective systems of internal control as well as financial, operational and compliance controls. These systems should support the achievement of their objectives and safeguard and secure value for money from the public funds at their disposal. They are also responsible for establishing effective and appropriate internal audit and risk-management functions.

Standards of conduct for prevention and detection of fraud and error

22. Audited bodies are responsible for establishing arrangements for the prevention and detection of fraud, error and irregularities, bribery and corruption and also to ensure that their affairs are managed in accordance with proper standards of conduct by putting proper arrangements in place.

Financial position

23. Audited bodies are responsible for putting in place proper arrangements to ensure that their financial position is soundly based having regard to:

- such financial monitoring and reporting arrangements as may be specified
- compliance with any statutory financial requirements and achievement of financial targets
- balances and reserves, including strategies about levels and their future use
- how they plan to deal with uncertainty in the medium and longer term
- the impact of planned future policies and foreseeable developments on their financial position.

Best Value

26. The Scottish Public Finance Manual sets out that accountable officers appointed by the Principal Accountable Officer for the Scottish Administration have a specific responsibility to ensure that arrangements have been made to secure best value.

Appendix II – Follow Up of 2014/15 Annual Audit Report Recommendations

Para Ref.	Recommendation	Grade	Comments	Agreed Y/N	Responsible Officer/Time For Action	Progress 2015/16
36	**Financial Position** **Forth Valley College Foundation** **R1** The College should maintain an ongoing review of its involvement with the Foundation to ensure that this remains independent and that the Foundation does not need to be consolidated in the College financial statements in future.	Medium	The Board of Management believes that it holds no control over the operations of Forth Valley College Foundation. The College however has recognised the risk that if the Foundation's operations are not seen to be independent this may lead to consolidation. This risk will be monitored by the Audit Committee to ensure independence is maintained.	Yes	Alison Stewart, Director of Finance Will need to be reviewed year on year	This has been considered and the Foundation remains at arms-length

Grade

High	Issue subjecting the organisation to material risk and which should be dealt with as a high priority
Medium	Issue subjecting the organisation to significant risk and which should be addressed by management.
Low	Less significant matters, which would enhance efficiency, or do not require urgent attention but which should be followed up within a reasonable timescale.

Henderson Loggie
Chartered Accountants
Registered Auditor
34 Melville Street
Edinburgh
EH3 7HA

Dear Sirs

Forth Valley College

In relation to the financial statements for the period ended 31 July 2016 we confirm that:

1. The Board members have read, understood and approved the enclosed, signed, representation letter.

2. The Board members have considered the points raised in External Audit Report 2017/02, *Annual audit report for 2015/16 to the Board of Management and the Auditor General for Scotland*

Yours faithfully

Signed on behalf of the Board of Management of Forth Valley College on **(Date)** by

……………………………………..

Chair of the Board of Management

……………………………………….

Principal and Chief Executive

To be printed on College letterhead.

(Date)

Henderson Loggie
Chartered Accountants
Registered Auditor
34 Melville Street
Edinburgh
EH3 7HA

Dear Sirs,

Forth Valley College ('the College')

During the course of your audit of our financial statements for the period ending 31 July 2016, the following representations were made to you by management and Board members.

1 We acknowledge as Board members our responsibilities under the Further and Higher Education (Scotland) Act 1992 for preparing financial statements, in accordance with the applicable financial reporting framework (UK GAAP and the Statement of Recommended Practice (SORP) on Accounting for Further and Higher Education) that give a true and fair view and for making accurate representations to you as auditors.

2 We confirm that all accounting records have been made available to you for the purpose of your audit, in accordance with your terms of engagement, and that all the transactions undertaken by the College have been properly reflected and recorded in the accounting records. All other records and related information, including minutes of all management and Board meetings, have been made available to you. We have given you unrestricted access to persons within the College in order to obtain audit evidence and have provided any additional information that you have requested for the purposes of your audit.

3 We confirm that the financial statements for the period ended 31 July 2016 have been approved by the Board and are free from material misstatements.

4 We confirm that significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

5 We confirm that all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you as auditor and accounted for and disclosed in accordance with the applicable financial reporting framework (UK GAAP and the SORP on Accounting for Further and Higher Education).

6 We confirm that there have been no events since the balance sheet date which require disclosing or which would materially affect the amounts in the accounts, other than those already disclosed or included in the accounts. Should further material events occur, which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, we will advise you accordingly. We are not aware of any future plans which might impact the carrying values disclosed in the accounts which we have not discussed with you.

7 We confirm that all transactions involving public and private sector organisations in which a member of the Board of Management has an interest are conducted at arm's length and in accordance with the College's financial regulations and normal procurement procedures. We are not aware of any related parties or transactions that fall out with these arrangements.

8 We confirm that all related party relationships and transactions have been accounted for and disclosed in accordance with the applicable financial reporting framework (UK GAAP and the SORP on Accounting for Further and Higher Education).

9 We confirm that the College has had, at no time during the year, any arrangement, transaction or agreement to provide credit facilities (including loans, quasi-loans or credit transactions) for Board members, nor to guarantee or provide security for such matters, except as disclosed in the financial statements.

10 We confirm that the College has not contracted for any capital expenditure other than as disclosed in the financial statements.

11 We confirm that we are not aware of any possible or actual instance of non-compliance with those laws and regulations which provide a legal framework within which the College conducts its business and which are central to the College's ability to conduct its business, namely the Further and Higher Education (Scotland) Act 1992, health and safety, HR, tax legislation; and any other relevant laws and regulations, except as explained to you and as disclosed in the financial statements.

12 We acknowledge our responsibility for the design and implementation of controls to prevent and detect fraud. We confirm that we have disclosed to you the results of our risk assessment of the risk of fraud in the business.

13 We confirm that there have been no actual or suspected instances of fraud involving management or employees who have a significant role in internal control or that could have a material effect on the financial statements. We also confirm that we are not aware of any allegations of fraud by former employees, regulators or others.

14 We have considered the College's future operations and financial position. Where relevant, we have also considered the effect of events outwith one year which may impact the going concern assessment. On this basis, we believe the College is a going concern and will continue to be for a period of at least 12 months from the date of this letter.

15 The effects of unadjusted misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole. A list of the non-trivial unadjusted misstatements has been provided in the *Annual audit report for 2015/16 to the Board of Management and the Auditor General for Scotland*.

16 We acknowledge our legal responsibilities regarding disclosure of information to you as auditors and confirm that:

- so far as each Board member is aware, there is no relevant audit information of which you as auditors are unaware; and
- each Board member has taken all the steps that they ought to have taken as a member to make themselves aware of any relevant audit information and to establish that you are aware of that information.

17 We confirm that the College has good title to all its assets and all assets granted as security have been advised to you.

18 We confirm that the Forth Valley College Foundation is an arms-length organisation, not under the control of Forth Valley College, which does not require consolidation within the Forth Valley College accounts.

We confirm that the above representations are made on the basis of enquiries of other Board members, management and staff with relevant knowledge and expertise (and, where appropriate, of supporting documentation) sufficient to satisfy ourselves that we can properly make these representations to you and that to the best of our knowledge and belief they accurately reflect the representations made to you by the Board members during the course of your audit.

Yours faithfully,

Signed on behalf of the Board of Management of Forth Valley College on **(Date)** by:

……………………………………..

Chair of the Board of Management

……………………………………….

Principal and Chief Executive

7. Student Funding 2016-17
For Discussion

29 November 2016
FINANCE COMMITTEE

1. Purpose

To update members on the final position for Student Funding in Academic Year 2014-2015 and an update on the position for 2015-2016.

2. Recommendation

That members note that there was an over spend in student support funds in 2015-2016 of £98k, which has been funded from previous years student support funding. There is also a shortfall in the 2016-2017 allocation of approx. £388k and the College may need to fund this full amount if our application for additional funds through SFC's in year redistribution process is unsuccessful. This will be funded through surplus cash for the "net depreciation".

3. Key Considerations

3.1 2015-2016

Appendix One shows that for Academic Year 2015-2016 the College had a total budget of £3,929m and spent £4,027m, this resulted in an overspend of £98k for Academic Year 2015-2016.

The main reason for the over spend was the demand for Childcare Funding. The 2015-2016 Allocation was worked out on the basis of just over £3k per Student multiplied by the average number of students supported over the last 3 years; however there was not a cap on the award and colleges remained free to determine the appropriate level of awards to the individual student. For the last 3 years the College's average number of students supported by the fund was 192, for Academic Year 2015-2016 the college supported 267 Students, which is a 39% increase on our average number of students over the last 3 years.

Also due to individual circumstances we paid over £3k for 47 students, with 21 of these students having 3 children or more. One student received £17k in Childcare funding as she was a lone parent with 5 children.

3.2 2016-2017

Appendix Two shows the comparison between the Budget for 2016-2017 compared with 2015-2016. Overall our Student Support Funds have been reduced by £199k to a budget of £3,730m.

Within our FE Bursary Budget we have had a reduction of £255k, this is a cut of £85k in core funding, £131k in ESF funding and £39k relates to a virement from our FE Discretionary fund to our FE Bursary fund in 2015-2016.

ESF funding of £131k has been removed from FE Bursary this academic year due to a change in the guidance regarding ESF Delivery, which stated that ESF funding could only be used to fund activity at a Higher National Level (SCQF level 7+).

There has been an increase of £30k to our HE discretionary budget, however as this comes from SAAS it is ring fenced for HE students and cannot be used to offset the shortfall in the FE Bursary budget.

This makes managing the budget for 2016-2017 difficult as we have not seen a reduction in the numbers applying for FE funding. Appendix 3 shows our forecasted spend for the current year.

Our estimated spend for 2016-2017 is £4,118m, which is £388k over budget. FE Bursary is predicted to have an over spend of £345k, £12k of which can be offset by under spend within FE Discretionary. The projected outturn figure for 2016-2017 is £61k higher than the previous year, this is the equivalent of a 2% increase, which is in line with the increases for the weekly FE maintenance rates.

For FE Bursary this year we are paying on 100% attendance for a week, which is a change on last year and could also have an impact on the final spend as we could pay students for weeks which we would previously not have and vice versa.

For Childcare this year we have not limited the number of children that can be supported as there is currently an SFC review being carried out and they hope to implement changes to the fund from 2017-2018. This year we have introduced caps on different types of childcare to avoid students signing contracts for higher than average childcare and encouraged students entitled to free nursery hours to make full use of this before applying to the college for further support.

SFC issued an invitation to colleges to either relinquish unspent funds or request an increase to their student support allocations. This is to be submitted by Friday 25th November to SFC and the college will make a request for an additional £388k to support our 2016-2017 commitments and will likely find out the outcome of this request in January 2017.

If our application for an increase in funds is unsuccessful this will impact on the College's budget. At the time of completing the College I&E Budget we had put in an estimate of £110k for Student Support, if unsuccessful we need to find a further £279k.

4. Financial Implications

The financial impact on the College budget is estimated at £388k. In essence, the College will fund the over spend in relation to Student Support and this will potentially result in the College reporting an operating deficit.

5. Equalities

Assessment in Place? – Not required

Please summarise any positive/negative impacts (noting mitigating actions) – Not Applicable

6. Risk

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

	Likelihood	Impact
Very High		
High	X	X
Medium		
Low		
Very Low		

Please describe any risks associated with this paper and associated mitigating actions

The College continues to be penalised for managing its Student Funding budget while others are rewarded for over committing their funds resulting in FVC students being disadvantaged and increasing the potential risk of Students withdrawing due to facing financial difficulties.

Risk Owner – Alison Stewart

Action Owner – Louise Burnett

7. **Other Implications –** N/A

Communications – No
Health and Safety – No

Please provide a summary of these implications – N/A

Paper Author – Louise Burnett

SMT Owner – Alison Stewart

Appendix One

Student Support Spend 2015-16			
Fund	2015-16 Budget	2015-16 Spend	Variance
FE Bursary (including ESF)	3,005,807	3,034,264	(28,457)
FE & HE Childcare	576,000	646,354	(70,354)
FE Discretionary	220,713	220,713	0
HE Discretionary	126,808	126,116	692
Totals	**3,929,328**	**4,027,447**	**(98,119)**

Appendix Two

Student Support Budget 2016-17				
Fund	2015-16 Budget	2016-17 Budget	Variance	Variance
FE Bursary	3,005,807	2,750,397	(255,410)	-8%
FE, HE & ESF Childcare	576,000	573,673	(2,327)	0%
FE Discretionary	220,713	249,229	28,516	13%
HE Discretionary	126,808	156,573	29,765	23%
Totals	**3,929,328**	**3,729,872**	**(199,456)**	**-5%**

Appendix Three

Student Support Spend 2016-17			
Fund	2016-17 Budget	Estimated Spend	Variance
FE Bursary	2,750,397	3,095,304	(344,907)
FE, HE & ESF Childcare	573,673	628,358	(54,685)
FE Discretionery	249,229	237,467	11,762
HE Discretionary	156,573	156,573	0
Totals	**3,729,872**	**4,117,702**	**(387,830)**

Forth Valley College

8. Budget Monitoring - 2016/17 Qtr 1 (Oct 2016)
For Discussion

29 November 2016
FINANCE COMMITTEE

1. Purpose

To present the Budget Monitoring Report to members for the 3 months ending 28th October 2016.

2. Recommendation

That members consider the year to date actual versus projected financial position of the College and the projected impact this has on the 2016/17 overall budget. Consideration must be given to how the College will mitigate the risk of not meeting these targets.

3. Background

The purpose of this report is to provide a summary of the College results for the 3 months ended 28th October 2016 and to highlight the key variances between actual outturn and budgeted outturn. The balance sheet has been adjusted for FRS102 in relation to deferred capital grants, interest rate swap and defined benefit pension obligations.

Key Considerations

Income and Expenditure – Actual vs Forecast Outturn – Appendix 1

The operational surplus of £157 is £167k less than projected. Significant variances (greater than £10k) to note are:

Income

- **Tuition fees**
  Overall tuition fees are £24k behind YTD budget. This is in part due to the timing of the upfront payments differing from the phasing of the budget. Due to the reduction in HE numbers there will be a shortfall of £40k against the full time HE fees.

- **Evening Provision**
  The £74k variance to YTD budget in evening provision is due to the timing of when invoicing is being completed which will allow the allocation of fees to each department. Invoicing is on-going and is expected to be completed during November.

- [redacted]

- **Modern Apprentice Income**
  Overall, MA income is £126k lower than YTD budget. This variance is primarily due to milestone income being £117k lower than expected of which £50k relates to a phasing variance between actual and budget for SDS MA milestone income and a £37k variance in relation to the SDS funding for Foundation Apprenticeships programmes. The funding for the Foundation Apprenticeship programmes is expected to be received in November. In addition, there is also a £21k variance in respect of Transition Training Fund, we are no longer expecting any income from this as the project is not going ahead. The original budget included £85k for transition funding which has now been forecast down to £25k resulting in a reduction in income of £65k.

- **Catering and hospitality income**
  Catering and hospitality income is £17k behind YTD budget. This variance is primarily due to a drop in refectory income of £20k. The Falkirk refectory is experiencing a drop in the number of students/staff purchasing catering and it is estimated that the refectory is losing £500-£600 per day. The drop in footfall is thought in part to be due to the marketing of a new catering outlet next door to the College to students on Facebook. There has also been an increase in the number of students bringing in their own food to College. There is no overall impact on the College's budget as costs have also reduced.

- **Other Income**
  Other income is £27k below forecast primarily due to the projected fundraising income projected as £38k to end October. The original fundraising target of £200k contribution has now been revised down by £150k to £50k.

Expenditure

- **Salary costs**
  Salary costs are £81k lower than YTD budget. £23k of this relates to vacancies within the Teaching Departments and £80k within Support Departments. Finance are currently reviewing Salaries with departments and Human resources to check what vacancies are still required since the Budget for 2016-17 was set and once this exercise is complete an update will be provided. There is an over spend of £6k on Overtime, £8k on additional hours, £21k on Agency and spend of £11k in Maternity Pay and Statutory Payments. There is a projected saving of £40k against the original budget.

- **Staff related costs**
  Staff related costs are £21k below budget which is in part is due to a £15k variance in recruitment costs as a result of the increased usage of myjobscotland.co.uk along with lower than expected recruitment. In addition, there is a £13k variance in travel miles claimed through expenses which is likely to be due to timing. These underspends are offset by an increase of £6k in overseas travel as a result of increased international activity. Additional costs for death in service have recently been notified to the College for 2015/16 and 2016/17 and will result in up to £40k in unbudgeted costs.

- **Learning & Teaching - Materials**
  Learning and teaching materials costs are £11k lower than budget. This variance is in part driven by a £12k underspend in materials; the majority of this underspend being within Business Development (£5k) as a result of fewer Compex courses being delivered. This is offset by an overspend in ECDL registration costs of £11k due to the increase in work with S4 and S5 pupils, the cost of which was not incorporated into the original budget. The other variances which comprise the total are not individually significant and are as a result of timing of actuals against budget.

- **Catering and hospitality costs**
  Catering and hospitality cost are £38k less that YTD budget. The majority of the underspend (£30k) is in respect of lower spend on catering supplies which is to be expected given the lower income recognised in catering and hospitality income.

- **Property & FM costs**
  Property and FM costs are £14k below YTD budget. This variance is comprised of a £28k overspend in water charges as a result of the change of supplier from Scottish Water (monthly invoicing) to Anglian Water (annual invoice in advance), property maintenance costs which are £11k overspent as a result of unexpected repairs required during the period both of which are offset against the underspend in relation to SFC revenue maintenance grant costs in comparison to budget of £50k.

- **Equipment costs**
  Overall, equipment costs are £13k below YTD budget. This is primarily due to the purchase of equipment for the new City and Guilds programmes for Salon Services being pushed back until City & Guilds confirmed what equipment was required. City and Guilds have now confirmed the requirement and Salon Services is working with the preferred supplier on a quote for the equipment which is expected to be purchased in November.

- **Marketing and Communication costs**
  Marketing and communication costs are £16k lower than YTD budget. This variance is due to timing of spend, it is expected that this will correct itself in November as more expenses will be incurred due to the Open Evenings.

- **Printing Costs**
  Printing costs are £14k below YTD budget primarily due to the changeover from Danwood to Canon during August 2016. It is expected that there will be a saving within this cost category for the AY of £10k.

- **IT costs**
  Overall IT costs are £27k ahead of YTD budget, however this is largely due to additional prepayments which were identified at year end that were not included within the original budget.

- **Other Costs**
  Overall other costs are £38k ahead of YTD budget. This is due to bursary materials which are purchased by departments for students of £33k. These costs will be offset when student bursaries are agreed with the remainder being transferred back to department budgets.

Summary of I&E position

Overall, the College is £167k behind the budget at the end of Q1. The net impact on the full year budget is projected to be an overall reduction of £325k. [redacted]

Balance Sheet – Appendix 2

- **Fixed assets**
  There have been additions of £57k to fixed assets all of which have been funded by Capital Grant. These additions have been offset by the cumulative depreciation charge for the current academic year.

Current Assets

- **Trade debtors – Appendix 3**
  Trade debtors have increased by £285k in comparison to the year end. The increase falls mainly within the 0-30 days ageing. The variance is as a result of the timing of sales invoices being raised and payments received in comparison to year end.

- **Prepayments and accrued income**
  Prepayments and accrued income have decreased by £494k in comparison to the year end. This is due to adjustments for prepayments and accrued income only being made at July and March.

- **Bank and cash**
  Tighter control over the cash flow and funds held by the college has resulted in a lower balance held as at end of October.

  The main movement in the College cash balance is the £121k decrease in comparison to the year end, which is due to timing of debtor and creditor payments.

Current Liabilities

- **Trade creditors**
  Overall trade creditors have decreased by £18k in comparison with the year end. This is largely as a result of timing of creditor invoices received.

- **Accruals**
  Overall accruals have decreased by £184k since year end. This is due to the release of all year-end accruals. The most significant accrual that remains is the retention for [redacted] in respect of the new Campuses of £490k alongside adjustments made for invoices relating to the current period which were not received before the closure of ledgers.

- **Deferred income**
  Overall, the deferred income balance has decreased by £214k in comparison to the year end. This again is due to the release of deferred income into the current academic year. Deferred income also includes £2k in respect of deposits paid for Christmas meals at the Gallery.

- **Other Creditors**
  As a result of FRS 102 the deferred capital grant is now being included within both creditors within and over 1 year. Accordingly, the other creditor's balance of £1,696k includes £1,060k for the deferred capital grant due within one year, along with the portion of the Barclays loan due within one year of £151k, student funding of £3k and various other accounts making up the balance of other creditors.

- **Long Term Liabilities**
  The deferred capital grant element for over 1 year has now been moved from reserves and shown within long term creditors.

Revenue maintenance – Appendix 4

This grant is awarded on a fiscal year basis i.e. April to March each year therefore this report covers the period April 16 to March 2017. The balance of £695k will be fully utilised during November 16 to March 17.

We were advised on Friday 30th September by SFC that a further £497,274 of additional funding has been allocated to the College. Approval has now been sought to spend this funding on the Falkirk campus revenue costs.

Capital Grant – Appendix 5

This grant is awarded on a fiscal year basis i.e. April to March each year therefore this report covers the period April 16 to March 2017. The remaining £301k will be spent during November 16 and March 17.

Within IT there is spend planned in December and January on infrastructure including an upgrade of the core switches to 10Gb, adding an additional chassis in Alloa and further storage for Disaster Recovery/Business Continuity purposes, which will fully utilise the Infrastructure budget. Spend is planned in January to March on the Skype for Business upgrade and phone integration (pilot) which will fully use the Skype for Business budget. There is commitment of a further £4,600 for a new mobile interactive board as a pilot against the Kildean/Smartboard budget not shown, and we plan to fully use this budget expanding the pilot. [redacted] leaving a small contingency of £5k for IT Equipment.

New Falkirk Costs – Appendix 6

The costs incurred in the current academic year in respect of New Falkirk total £450k, £20k of these costs relate to project team salaries which are not disclosed as part of Appendix 6. The excess costs will in the first instance be covered by the additional capital and maintenance funding, net depreciation and thereafter funding will be required to be drawn down from Forth Valley College Foundation.

4. Financial Implications

These have been noted within the report.

5. Equalities

Assessment in Place? – N/a

6. Risk

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

	Likelihood	Impact
Very High		
High		x
Medium		
Low	x	
Very Low		

Please describe any risks associated with this paper and associated mitigating actions – text

Risk Owner – Alison Stewart

Action Owner – Irene Andrew

Due to the projected loss of commercial income and reduction in fundraising income the College is now forecasting a deficit this could be further compounded should there be a loss of ESF income. Also unplanned deficits could result in a Resource budget overspend which is not acceptable to SFC/SG. SMT to consider where immediate savings can be achieved and alternative sources of income.

7. Other Implications –

Please indicate whether there are implications for the areas below.

Communications – No

Health and Safety – No

Paper Author – Fiona Lovell

SMT Owner – Alison Stewart

8. Budget Monitoring - 2016/17 Qtr 1 (Oct 2016)
For Discussion

Forth Valley College

29 November 2016
FINANCE COMMITTEE

Appendix 2

Balance Sheet

At 28th October 2016

	Balance at 28th October 2016 £	Balance at 31st July 2016 £	In Year Movement £
Fixed Assets			
Tangible Assets	**56,953**	**57,405**	**453**
Current Assets			
Stocks	30	30	
Trade Debtors	732	447	(285)
Prepayments & Accrued Income	678	1,173	494
Cash	805	926	121
Total Current Assets	**2,246**	**2,576**	**330**
Current Liabilities			
Trade Creditors	233	251	18
Other taxation & social security	509	506	(4)
Accruals	1,030	1,214	184
Deferred income	70	284	214
Other Creditors	1,696	1,682	(15)
Total Current Liabilities	**3,540**	**3,936**	**397**
Net current assets/(liabilities)	**(1,294)**	**(1,360)**	**(66)**
Long term Liabilities			
Pension Provision	7,317	7,317	
Loan Provision	4,065	4,065	
Interest rate SWAP Creditor	843	843	
Net Pension Asset/Liability	16,804	16,804	
Deferred Capital Grants	29,670	29,612	(58)
Total Long term Liabilities	**58,698**	**58,640**	**(58)**
TOTAL	**(3,039)**	**(2,595)**	**445**
Reserves			
Pension Reserve	(16,804)	(16,804)	
General Reserve	(4,354)	(2,771)	1,583
Current year (surplus)/deficit	(319)	(1,583)	(1,264)
Revaluation Reserve	18,438	18,563	126
Total Reserves	**(3,039)**	**(2,595)**	**445**
TOTAL	**(3,039)**	**(2,595)**	**445**

Appendix 3

Trade Debtors								
As at 30th September 2016								
	At 28th October 2016				At 30th October 2015			
	Organisation	Student	Total		Organisation	Student	Total	
Age of Debt	£	£	£	%	£	£	£	%
0 - 30 days	619,845	(6,453)	613,392	81%	827,923	7,428	835,352	74%
31 - 60 days	147,956	9,348	157,304	21%	165,159	51,188	216,347	19%
61 - 90 days	12,541	(39,888)	(27,347)	-4%	52,291	(4,343)	47,948	4%
91 - 120 days	1,330	(3,835)	(2,505)	0%	11,722	230	11,952	1%
121+ days	1,897	16,981	18,878	2%	2,306	8,400	10,705	1%
	783,569	(23,847)	759,722		1,059,400	62,904	1,122,304	
Bad Debt Provision		(26,296)	(26,296)		(1,010)	(23,345)	(24,355)	
UnitE Unallocated payments		(1,007)	(1,007)			560	560	
Total Trade Debtors	783,569	(51,150)	732,418		1,058,390	40,118	1,098,509	

Appendix 4

Project	Project	Finance Committee Budget	Amended 29th July 16	Actual Per Finance	Committed Per Finance	Remaining Spend based on revised budget
Forth Valley College						
		Period From		2016/012		
SFC Revenue Maintenance Budget April 16 - March 2017						
		Period To		2017/004		
		£		£	£	£
CPRB1702	Alloa Boardroom curtains	20,000.00	20,000.00	15,099.06	(3,853.61)	8,754.55
CPRB1704	Room 4W - Develop new CAD and Lab (freeing up space in 10W where stations are currently not compliant)	20,000.00	23,201.20	23,200.99	0.00	0.21
CPRB1705	HR room alterations	16,000.00	14,018.80	13,385.83	228.00	404.97
CPRB1707	Room 82 - Print Studio Drying Cabinet	8,000.00	6,780.00	0.00	6,780.00	0.00
CPRB1708	Compex - Additional workshop/Commercial Testing	25,000.00	25,000.00	0.00	0.00	25,000.00
CPRB1709	Flexible spaces (desk heights)	5,000.00	0.00	0.00	0.00	0.00
CPRB1710	Pilot for new Campus classroom	10,000.00	0.00	0.00	0.00	0.00
CPRB1711	Circulation areas - decoration and remedial works	15,000.00	15,000.00	0.00	0.00	15,000.00
CPRB1712	Service Yard - install cages for Oxygen	5,200.00	5,200.00	5,112.00	0.00	88.00
CPRB1713	FFE - 100 classroom chairs for Falkirk & others	20,000.00	21,130.00	20,978.40	0.00	151.60
CPRB1714	Student lockers requested by Student Council	2,000.00	2,000.00	0.00	0.00	2,000.00
CPRB1715	Repair windows, leaks and decoration West Block	35,000.00	15,000.00	5,760.00	0.00	9,240.00
CPRB1716	Replacement Beauty Therapy Beds	0.00	7,215.00	7,214.40	0.00	0.60
CPRB1717	Estates Repairs	0.00	35,000.00	0.00	34,115.96	884.04
CPRB1799	Contingency	20,532.00	12,187.00	0.00	0.00	12,187.00
	New Falkirk Costs		497,274.00	0.00	0.00	497,274.00
	Total for Maintenance Projects	**201,732.00**	**699,006.00**	**90,750.68**	**37,270.35**	**570,984.97**
CPRB1701	Interest on Borrowings	178,868.00	178,868.00	91,575.55	0.00	87,292.45
	Total for Maintenance Projects and Interest on Borrowings	**380,600.00**	**877,874.00**	**182,326.23**	**37,270.35**	**658,277.42**

Notes:

The above revenue maintenance budget is for the fiscal year April 2016 to March 2017

Appendix 5

Forth Valley College

Capital Budget 16-17

Project	Dept	Project	Full Year Budget (F) Per Finance £	Actual Per Finance £	Committed Per Finance £	Left to Spend £
			2016/012	2016/012		
			2017/010	2017/004		
CPCB1701	Care, Health	Gym Equipment	15,000	14,313.60	0 00	686.40
CPCB1702	IT	IT Equipment	71,800	56,631.19	0 00	15,168 81
CPCB1703	IT	Stirling Kildean Suite Display (Upgrade Smartboard)	36,000	18,853.44	746 59	16,399 97
CPCB1704	IT	Skype for Business	19,800	0.00	0 00	19,800 00
CPCB1705	IT	Infrastructure	38,400	0.00	0 00	38,400 00
CPCB1706	IT	E-portfolio	12,000	11,976 00	0 00	24 00
CPCB1707	Estates	Extension of Stirling Car Park	210,000	360.00	187,951 20	21,688 80
		Total Capital Spend on Current Year Projects	**403,000**	**102,134**	**188,698**	**112,168**

Notes:

The above capital budget is for the fiscal year April 2016 to March 2017

Appendix 6

New Falkirk Campus Cost Summary

				2017/004	
		Academic Year			
		2014-2015	2015-2016	2016-2017	Total
CPFC0001	Falkirk Campus FBC Technicial Advisers	140,945	718,860	348,364	1,208,168
CPFC0002	Falkirk Campus FBC Legal Services	24,437	53,227	8,633	86,297
CPFC0003	Falkirk Campus FBC Financial Services		47,298	45,279	92,577
CPFC0004	Falkirk Campus FBC Property Consultancy	6,000			6,000
CPFC0005	Falkirk Campus FBC Other Consultancy	4,812	246,257	27,913	278,983
CPFC0006	Falkirk Campus FBC Architect		658,612		658,612
CPFC0007	Public Sector Advisor Costs		14,400		14,400
ZZZZZZZZ	Not analysed	0		0	0
Total		**176,195**	**1,738,653**	**430,189**	**2,345,037**

Notes:

The above excludes the project team salary costs

Forth Valley College
Programme of Finance Committee Business

		Mar-17	Jun-17	Sep-17	Nov-17
1	Apologies for absence	✔	✔	✔	✔
2	Declarations of interests	✔	✔	✔	✔
FOR APPROVAL					
3	Minutes of previous meeting	✔	✔	✔	✔
4	Maters Arising	✔	✔	✔	✔
	Student Association Accounts & Budget			✔	
	Accounting Policies			✔	
	Resource Return 2016/17 (Q4/4)			✔	
	Annual Accounts				✔
	Procurement Strategy				✔
	Resource Return 2016/17 (Q4/2)	✔			
	Transfer to Forth Valley College Foundation	✔			
	Tuition Fees & Fee Waiver Policy	✔			
	Budget 2017/18		✔		
	Treasury Management Strategy 2017/18		✔		
FOR DISCUSSION					
	Forecast Outturn 2016/17 @ January 2017	✔			
	Forecast Outturn 2016/17 @ April 2017		✔		
	Forecast Outturn 2016/17			✔	
	Review of Risk	✔	✔	✔	✔
	Any other competent business	✔	✔	✔	✔
FOR INFORMATION					
	Programme of Committee Business	✔	✔	✔	✔
	Budget Monitoring - 2016/17 Qtr 2 (Jan 2017)	✔			
	Budget Monitoring - 2016/17 Qtr 3(Apr 2017)		✔		
	Budget Monitoring - 2016/17 Qtr 1 (Oct 2017)				✔

Forth Valley College

Internal Audit Report 2015/16

SFC financial returns

July 2016

Scott-Moncrieff
business advisers and accountants

Forth Valley College

Internal Audit Report 2015/16

SFC financial returns

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Introduction

Background

Following reclassification by the Office of National Statistics as central government bodies as from April 2014, Scotland's colleges have undergone a period of intense change. Changes have had implications for funding, the provision of learning and how colleges are run, managed and scrutinised.

This reclassification has also resulted in increased financial scrutiny. The incorporated colleges are required by the Scottish Government to provide updates throughout the year on the current position of their resource budget.

The two most important returns required are:

- Resource Returns setting out revenue and capital income and expenditure; and
- Monthly cash drawdown requests.

The Resource Returns should be drawn from Forth Valley College's (the College) budget and management accounts. This information should be capable of reconciliation to the College's management accounts and budgets and be consistent with the College's cash flow returns.

The returns are made to the Scottish Funding Council (SFC). The SFC consolidates these returns for the Scottish Government.

Scope

We reviewed the Quarter 4 Month 3 resource return submitted to the SFC in April 2016, to provide assurance that the process of preparing the return based on the College's management accounts is robust. We also reviewed the College's monthly cash flow drawdown request as at the start of July 2016.

This included gaining assurance that there is an appropriate method in place to extract figures from the College's management accounts, that reconciliations are performed between the resource return and the management accounts, that the SMT/Finance Committee have sufficient oversight of the returns, suitable cash drawn down management is in place and the College submits returns in line with SFC guidelines.

We have not performed an audit of the figures used in the return; instead the focus of our review was on the process of extracting and creating the return.

The control objectives for this audit, along with our assessment of the controls in place to meet each objective, are set out in the Summary of Findings.

Acknowledgements

We would like to thank all staff consulted during this review for their assistance and co-operation.

Summary of findings

The table below summarises our assessment of the adequacy and effectiveness of the controls in place to meet each of the objectives agreed for this audit. Further details, along with any improvement actions, are set out in the Management Action Plan.

No	Control Objective	Control objective assessment	Number of recommendations, by grade				
			5	4	3	2	1
1	The method of extracting figures from the College's management accounts to incorporate into the SFC resource return is clear and accurate to ensure the completeness of the return submitted.	GREEN					
2	Reconciliations are undertaken to ensure the figures in the SFC return reconcile to the College's management accounts.	GREEN					
3	There is adequate reporting on the resource returns to the SMT and Finance Committee and any issues with the return are highlighted.	GREEN					
4	The College's cash drawdown requests to SFC are made appropriately in the context of need and prudent cash management.	GREEN					
5	The College's Finance Team engages appropriately with the SFC regarding the resource return, including adhering to SFC deadlines.	YELLOW					1

Assessment	Definition
BLACK	Fundamental absence or failure of key control procedures - immediate action required.
RED	The control procedures in place are not effective - inadequate management of key risks.
YELLOW	No major weaknesses in control but scope for improvement.
GREEN	Adequate and effective controls which are operating satisfactorily.

Conclusion

The College has robust processes in place for preparing the SFC resource return and we have gained assurance that these are operating effectively. We have identified one low risk area which relates to ensuring that the return is submitted in accordance with SFC deadlines.

Main Findings

Good practice

The College has clear procedures in place for ensuring the accurate completion of the SFC resource return. The return is prepared using figures extracted from the monthly management accounts. The Financial Accountant, in conjunction with the Finance Manager, is responsible for the preparation of the return, which is then reviewed and approved by the Associate Principal & Executive Director Financial. Actual monthly income and expenditure figures are extracted from the finance system, and transferred using a journal upload. A data send facility is then used to transfer these figures to the resource return spread sheet. The automation of this process prevents the risk of data manipulation and error. In line with SFC guidance, the resource return checklist issued by the SFC is completed prior to submission, and returns are submitted directly by the Associate Principal & Executive Director Financial.

Monthly reconciliations are performed between the management accounts and the resource return to confirm the accuracy and completeness of the return prior to submission. Where variances have been noted, these are clearly explained.

Once completed, the resource return is presented to both the Senior Management Team (SMT) and the Finance Committee, highlighting and explaining any issues.

The College produces a monthly cash flow forecast to ensure that it will have sufficient cash to meet its obligations as they fall due. From these cash flow forecasts, cash drawdown requests are made to the SFC. As with the resource return, the Associate Principal & Executive Director Financial reviews and approves the cash drawdown request prior to submission to the SFC.

Areas for improvement

We identified one low risk area:

- The most recent resource return was submitted one day late against the SFC deadline of 18 April 2016. The SFC was aware of this and we are therefore satisfied that appropriate action was taken in this instance.

Further details of the points noted above are included in the Management Action Plan.

Management Action Plan

All actions are given a grade as follows:

Grade	Definition
5	Very high risk exposure – Major concerns requiring immediate Board attention.
4	High risk exposure – Absence / failure of significant key controls.
3	Moderate risk exposure – Not all key control procedures are working effectively.
2	Limited risk exposure – Minor control procedures are not in place / not working effectively.
1	Efficiency / housekeeping point.

1. Control objective: The method of extracting figures from the College's management accounts to incorporate into the SFC resource return is clear and accurate to ensure the completeness of the return submitted.

We identified no reportable issues in relation to this control objective.

The Financial Accountant works with the Finance Manager to prepare the resource return. Figures are automatically downloaded from the finance system, using a data send facility. The automation of this process minimises scope for manipulation of data or manual error. As responsibility for preparation of the return is shared, there is no over-reliance on any one member of the team. The return is then reviewed by the Associate Principal & Executive Director Financial, which evidences a segregation of duties in the process between preparer and reviewer.

The Associate Principal & Executive Director Financial completes the SFC checklist prior to submission of the return to ensure that it is complete, and emails the final return in line with SFC requirements.

2. Control objective: Reconciliations are undertaken to ensure the figures in the SFC return reconcile to the College's management accounts.

We identified no reportable issues in relation to this control objective.

A reconciliation between the resource return and the management accounts is performed on a monthly basis by the Financial Accountant, and reviewed by the Finance Manager. Explanations are documented for any variances arising. Any issues or variances identified through the reconciliation are shared with SMT and the Finance Committee.

3. Control objective: There is adequate reporting on the resource returns to the SMT and Finance Committee and any issues with the return are highlighted.

We identified no reportable issues in relation to this control objective.

Following completion of the resource return, SMT and the Finance Committee are presented with a summary of the figures included, and an assessment by the Associate Principal & Executive Director Financial of the overall progress against the resource budget. This ensures that management have adequate oversight of the content of the return, and also provides an opportunity to highlight any issues within the return which require attention. There is sufficient detail in reports provided to SMT and the Finance Committee to ensure they are sufficiently informed.

4. Control objective: The College's cash drawdown requests to SFC are made appropriately in the context of need and prudent cash management.

We identified no reportable issues in relation to this control objective.

Cash flow forecasts are prepared monthly and figures are updated with actuals at each month-end by the Financial Accountant. Actual figures obtained from the finance system are compared with monthly bank reconciliations to ensure accurate reflection of the College's current bank balance.

The Financial Accountant then prepares a cash drawdown request for the coming month. The Associate Principal & Executive Director Financial reviews and authorises the cash drawdown request, before it is forwarded to the SFC.

5. Control objective: The College's Finance Team engages appropriately with the SFC regarding the resource return, including adhering to SFC deadlines.

Observation and Risk	Recommendation	Management Response
5.1 Compliance with SFC deadlines We have gained assurance that the College has robust processes in place to ensure the accuracy and completeness of the SFC resource return. In line with SFC requirements, the SFC checklist is completed prior to submission, and the Associate Principal & Executive Director Financial emails the final return to SFC in order to demonstrate evidence of their review and approval of the resource return. However, we identified that the most recent resource return for Quarter 4 Month 3 was submitted one day late against the SFC deadline of 18 April 2016. The College highlighted this in advance to the SFC and we are therefore satisfied that appropriate action was taken in this instance. Where returns are not submitted to the SFC on time, there is a risk that sanctions are imposed on the College, and there may also be timing implications related to the receipt of funding.	The College should ensure all SFC returns are submitted in line with timescales. This will help ensure that funding is received in line with expectations to meet the College's cash flow requirements.	A spreadsheet has been prepared as a checklist to note the return dates for the resource information and to monitor progress. This will be updated on receipt of the request from SFC each quarter and will be monitored by the Head of Finance to ensure the timely submission. **To be actioned by: Irene Andrew** **No later than: Complete** **Grade** 1