Forth Valley College

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.

Contents

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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 in September 2016 and was formally approved by Scottish Government in November 2016. 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 were approved by Scottish Ministers in November 2016. A formal induction process has been completed by all members appointed before November 2016. Those appointed thereafter will complete their induction by the end of January 2017.

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 loss of revaluation of land and buildings, 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.	***329***	*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	Period 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
Estates Development Costs	(1,739)	(1,800)
	(2,085)	63
Actuarial loss in respect of pension scheme	(2,498)	
Unrealised deficit 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 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 income and expenditure. 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 2014/15 (£309k) and 2015/16 (£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	**(21,158)**	(17,076)
Revaluation	**18,563**	20,715
	(2,595)	3,639
Income & Expenditure	**(21,158)**	(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	**14,823**	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	Retired June 2016
Ms A Stephen	Staff	Resigned 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

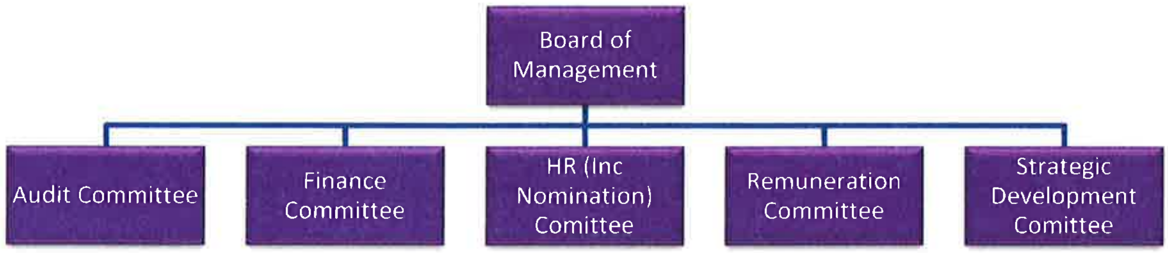
Introduction

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	03/03/14	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	06/11/16	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. The Scottish Government formally approved the Full Business Case in November 2016.

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.

Now that the Full Business Case has been approved, the College will issue an ESPD/OJEU notice in December 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
Chairman

Dr Ken Thomson
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 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. The LGPS scheme provides benefits at a normal retirement age of 65 for all LGPS benefits paid prior to 1 April 2015. For all LGPS benefits paid after 1 April 2015 and for STSS, benefits are provided at the state pension age. The pension benefits consist of an annual pension, based on a final pensionable salary calculation up to 31 March 2015 and a career average pensionable salary with effect from 1 April 2015. For members who joined before 1 April 2007 for STSS and 1 April 2009 for LGPS a tax free lump sum will be paid automatically.

Remuneration of the 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	At 31 March 2015	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:

	Year Ended 31 July 2016	Year Ended 31 July 2016	Year Ended 31 July 2016	Period Ended 31 July 2015
Seconded and Agency Staff	**Inward secondees**	**Agency staff**	**Total of inward secondees and agency staff**	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

Catherine Wyllie
Statutory Auditor
For and on behalf of Henderson Loggie
Statutory Auditors
Chartered Accountants
The Vision Building
20 Greenmarket
Dundee
DD1 4QB

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
Estates Development Costs		**1,739**	176
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		**35,607**	45,104
Deficit before other gains/losses		**(2,085)**	(1,684)
Loss on Revaluation of Land & Buildings		**0**	(615)
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 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 34 to 56 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
(Increase)/Decrease in stock		**(3)**	6
(Increase)/Decrease in debtors	16	**(211)**	1,783
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)
		(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 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 2014/15 (£309k) and 2015/16 (£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 Senior post-holder	2016 Other members of staff	2015 Senior post-holder	2015 Other members of staff
	No.	No.	No.	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 Restated
	£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	**17**	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
	243	302

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.

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 £000	LGPS Pension £000	Year Ended 31 July 2016 £000	Period Ended 31 July 2015 Restated £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 STSS early retirement provision above is in respect of future pension liabilities arising from early retirals. The value of the provision is based on a valuation at 31 July 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.

The LGPS pension provision relates to the liability under the College's membership of the Local Government Pension Scheme. Further details are provided at note 27.

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 deficit to net cash flow from operating activities			
Operating deficit after depreciation of assets, loss on revaluation of land and buildings 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)
(Increase)/Decrease in stock		**(3)**	6
(Increase)/Decrease in debtors	16	**(211)**	1,783
Decrease in creditors	17, 18	**(324)**	(1,370)
Increase/(decrease) in pension provision	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 (outflow)/inflow from operating activities		**(365)**	1,192
22 Returns on investments and servicing of finance			
Interest received	6	**14**	26
Interest paid	12	**(186)**	(256)
Net cash outflow from investments and servicing of finance		**(172)**	(230)
23 Capital expenditure and financial investment			
Purchase of tangible fixed assets	15	**(155)**	(638)
Deferred capital grants received		**155**	638
Net cash flow from capital expenditure		**0**	0
24 Financing			
Loan repayment	17, 18	**(146)**	(139)
Net cash outflow from financing		**(146)**	(139)

	As at 31 July 2015 £000	Cash Flows £000	As at 31 July 2016 £000
25 Cash and cash equivalents			
Cash and cash equivalents	1,609	(683)	**926**

	Equipment £000	Property £000	Year Ended 31 July 2016 Total £000	Period Ended 31 July 2015 Total £000
26 Lease commitments				
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.

Analysis of projected amount to be charged to operating result for the year to 31 July 2017	Year Ended 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	College Purchases
			£000	£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.

	FE Bursary	EMA's	Other	Year Ended 31 July 2016	Period Ended 31 July 2015
30 FE Bursary and other Student Support Funds	£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.

	Year Ended 31 July 2016	Period Ended 31 July 2015
31 Childcare Funds	£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.

	Year Ended 31 July 2016	Period Ended 31 July 2015
32 HE Discretionary	**£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

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