FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2017

Scottish Charity No. SCO21191

The financial statements were approved and authorised for issue on 7 December 2017.

Contents

PROFESSIONAL ADVISERS **3**

PERFORMANCE REPORT **4**

OVERVIEW 4

Principal and Chief Executive's statement *4*

Performance Summary *5*

Principal Risks and Uncertainties *8*

Going concern *8*

PERFORMANCE ANALYSIS 9

Performance Indicators *9*

Current & Future Developments *10*

Financial Performance *11*

Creditor Payment Performance *13*

Sustainability Report *13*

CORPORATE GOVERNANCE REPORT 15

Board of Management Report *15*

Statement of The Board of Management's Responsibilities *17*

Governance Statement *19*

REMUNERATION AND STAFF REPORT 25

Remuneration Report *25*

Staff Report *28*

AUDIT REPORT **30**

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 30

FINANCIAL STATEMENTS **33**

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 JULY 2017 33

STATEMENT OF CHANGES IN RESERVES FOR THE YEAR ENDED 31 JULY 2017 34

BALANCE SHEET AS AT 31 JULY 2017 35

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 JULY 2017 36

NOTES TO THE FINANCIAL STATEMENTS 37

APPENDIX 1 ACCOUNTS DIRECTION FROM SCOTTISH FUNDING COUNCIL 54

PROFESSIONAL ADVISERS

External Auditors:	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EB
Internal Auditors:	Scott Moncrieff Exchange Place 3 Semple Street Edinburgh EH3 8BL
Vat Advisers:	RSM First Floor Quay 2 139 Fountainbridge Edinburgh EH3 9QG
	Campbell Dallas Titanium 1 King's Inch Place Renfrew PA4 8WF
Bankers:	Barclays Bank 120 Bothwell Street Glasgow G2 7JT
	Royal Bank of Scotland 36 St Andrew Square Edinburgh EH2 2YB
Solicitors:	MacRoberts Capella 60 York Street Glasgow G2 4TB
	CMS Cameron McKenna LLP 191 West George Street Glasgow G2 2LD
	Simpson & Marwick (t/a Clyde & Co) 144 West George Street Glasgow G2 2HG

PERFORMANCE REPORT

OVERVIEW

Principal and Chief Executive's statement

In 2016/17, thanks to the hard work of our staff and students, the College has continued to live up to its mission of "Making Learning Work".

The year has not been without its challenges. The impact of externally driven National Bargaining process on delivery and our continued 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 to secure the benefits of new apprenticeship schemes such as Foundation Apprenticeships.

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. 2016/17 saw continued positive progress towards the realisation of the new Campus. In August 2017, our Board of Management approved the final Decision Point report for submission to the Scottish Funding Council and Scottish Government, with final approval received on 4 October 2017. The College also undertook a comprehensive tendering process and identified a preferred contractor, with the contract for the main building being awarded to Balfour Beatty on 11 October 2017.

The College continued to embed and celebrate creative learning throughout our curriculum. There has been significant engagement with lecturing staff and a real sense of positive motion to embedding this throughout the College.

The College also continued to demonstrate that it was the place to be for STEM learning. I am justifiably proud of our outstanding success rates particularly in relation to our STEM provision. They demonstrate our passion for driving the STEM agenda forward and the vital role that Forth Valley College is playing in delivering the quality skills and training required for Scotland's future economic success.

It has also been an excellent year with rewards and recognition from the Scottish Training Federation, College Development Network, Scottish Qualifications Authority (SVQ) Star Awards and by Skills Development Scotland for Modern Apprenticeships.

Overall I am incredibly pleased with 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
7 December 2017

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 Further Education (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

During 2016/17 the College 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 submitted a Decision Point 4 report to the Scottish Funding Council and Scottish Government for the final approval to appoint a Main Contractor in September 2017. Approval was received on 4 October 2017 and the main contractor started on site on 23 October 2017.

The project remains on programme and within budget and extensive internal consultation has also occurred along with public events and meetings with key external stakeholders.

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 2016/2017 we continued 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 2016/2017 the College further developed its cutting edge Creative Learning initiative, with numerous initiatives across the college through which staff were supported to work collaboratively with colleagues, across departmental boundaries, to design and facilitate innovative and value-added learning experiences for their students.

We continued to operate our successful "Listening to Learners" focus group process, through which over 3,000 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. In the 2016/2017 National Student Satisfaction and Engagement Survey required by SFC, 95% of Forth Valley students reported that they were overall satisfied with their college experience.

Instilling an energy and passion for our people, celebrating success and innovation – Staff development processes have 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 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 embrace 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 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 and has also been awarded The Scottish Business Pledge.

Leading as a business that is a champion for governance, financial control and balanced risk taking – The Board of Management approved the updated Code of Good Governance for Scotland's Colleges in December 2016. The College continues to work within this framework. During the year the College completed a recruitment process for new Board members and the re-appointment of 5 existing Board members in line with the Sector Board Appointments: 2014 Ministerial Guidance. The new appointments of 2 non-executive members were approved by Scottish Ministers in December 2016 and the re-appointment of the 5 existing members was approved in March 2017. A formal induction process has been completed by the new members. The Scottish Government lead on the appointment of a new Chair of the Board of Management following the resignation of the existing Chair in February 2017.

A full report on the College's financial performance is included within the Performance Analysis section of this report. 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 2016/17 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. One of the highlights this year was the employer ambassador model developed to promote work based learning with 12 Key Employers to mutually champion Modern Apprenticeships through extensive CPD opportunities, organised school events and international business exchanges.

With an SDS contract now above £1m and an achievement rate of 84% we are continuing to maintain our position as a leading Modern Apprenticeship (MA) provider in the sector and continue to grow MA provision across 7 specific disciplines to satisfy industry requirements. Additionally, we have developed our Vocational Qualification (VQ) delivery direct to employers and are expanding this activity in a number of areas. Focusing on Clackmannanshire and Stirling we have mapped out our customer base allowing us to identify areas for growth across MA, SVQ and commercial provision, ensuring that we are meeting the training needs of our local community. This is particularly evident in Hospitality and Care SVQ and MA provision. We continue to explore and capture opportunities to extend our stand alone SVQ provision within the Care and Hospitality sectors. This allows us to continue to grow additional income streams. The introduction of electronic portfolios for VQ delivery will only enhance this in the coming year.

The global downturn in oil and gas has affected many of our partners over the last 18 months however from January 2017 we have seen signs of recovery within the sector. This is particularly evident in the steady increase uptake of numbers in CompEx. During this competitive time we continue to partner with a number of key partners. One of these is the Engineering Construction Industry Training Board (ECITB) where through adapting and evolving our modes of delivery we introduced the successful pre apprenticeship programme alongside the Modern Apprenticeship programme to ensure talent is available as they emerge into the recovery phase for their sector. To date 100% of those successfully completing the pre apprenticeship programme have progressed onto employment within the oil and gas sector.

Partnership is fundamental to achieving the College's vision of Making Learning Work both nationally and internationally. The college continues to engage with partners including Scottish Development International to assist in raising the colleges profile in regions and sectors aligned with our training and skills capability. Furthermore, the college is active in pursuing partnerships to enhance our position as a partner of choice and we're currently developing bespoke partnerships including national and international projects with Glasgow Caledonian University, Heriot Watt University and University of Aberdeen.

The college has also increased engagement in international mobility projects with Construction, Access & Progression, Care Health & Sport and Hospitality & Salon Services departments all engage in European student mobility or Erasmus Plus 'key strategic partnership' projects which include a number of European partner institutions from Spain, Netherlands, Sweden, China, Germany and Malta.

All the relationships and activities with our key employers and stakeholders have generated a tangible benefit to the College, supporting best practice and contributing towards the college's 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 portal 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 have enhanced our processes with all record of interview information stored electronically, with processes in place to ensure our students are informed timeously of the outcome of their application interview, and we have 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.

During last session we piloted the use of Microsoft Surface devices, and for the current session this pilot is being extended to all teaching staff within our Stirling Campus, with the vision to enable staff to work flexibly and have more control of the IT device that they are using for delivering learning, to enable the device to be bespoke to the member of staff.

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:

- 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
- National bargaining will impact on the salary structure and terms and conditions of both support and teaching staff
- 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
- Implementation of the new General Data Protection Regulations (GDPR) by the EU and any subsequent UK legislation will impact on College data management practices.

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 £19.2m 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 2016/17 and 2015/16.

	Year Ended 31 July 2017	Year Ended 31 July 2016
Operating deficit as % of total income: deficit 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.	**(2.1%)**	(6.2%)
Non SFC Income as % of total income: total of non-SFC income expressed as a percentage of total income.	**32.0%**	30.8%
Current assets : current liabilities: ratio of total current assets to the total of creditors: amounts falling due within one year.	0.76:1	0.65:1
Days cash: cash and short-term investments divided by total expenditure less depreciation and expressed in days.	**29**	11
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.	**6%**	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).	**3%**	2%
Credits per staff FTE: actual Credits delivered in the year per FES return divided by total of FTEs involved in delivery of Credits.	***323***	*329*

		Year Ended 31 July 2017	Year Ended 31 July 2016
Performance against Credits: actual Credits delivered in-year divided by target Credits.		***100%***	*100%*
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	***73%***	*70%*
	FE Part time	***92%***	*91%*
	HE Full time	***70%***	*75%*
	HE Part time	***85%***	*88%*
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	***77%***	*75%*
	FE Part time	***96%***	*95%*
	HE Full time	***82%***	*83%*
	HE Part time	***94%***	*92%*
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	***93%***	*96%*
	FE Part time	***99%***	*99%*
	HE Full time	***97%***	*98%*
	HE Part time	***99%***	*99%*

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 2016/2017 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 newly developed Foundation Apprenticeships in Social Services and Healthcare; Social Services Children and Young People: and Financial Services and Engineering.

In terms of learning and teaching, during 2017/18 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 2017 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 Technology Strategy for 2018 - 2022, ensuring that we are fully prepared to maximise the benefits to learning and teaching that our new Falkirk Campus will bring.

As a key enabler of our new Creative Leaning and Technology Strategy, during last session we piloted the use of Microsoft Surface devices, and for the current session this pilot is being extended to all teaching staff within our Stirling Campus, with the vision to enable staff to work flexibly and have more control of the IT device that they are using for delivering learning, to enable the device to be bespoke to the member of staff.

In terms of curriculum, we will continue to rigorously review our future portfolio to ensure that it fully reflects Skills Development Scotland's (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 Higher Education Institute (HEI) partners to maximise success and progression on our existing integrated degree programmes and to develop additional articulation agreements for Higher National (HN) graduates.

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 introduced an E-Portfolio project, One-File, to initially offer modern apprentices an electronic system for monitoring and assessing vocational qualifications. This has been piloted in construction, engineering and business development, and will be rolled out to cover all VQ activity throughout the coming session.

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 development 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.

Underlying Operating position

The following table provides the underlying operating position for Academic Year 2016/17:

	Actual Year Ended 31 July 2017	Actual Year Ended 31 July 2016
	£000	£000
Deficit before other gains and losses	**(742)**	(2,085)
Add back:		
Depreciation (net of deferred capital grant release)	**621**	608
Impairment	**415**	0
FRS 102 SWAP Rate valuation movement	**(257)**	441
Non-cash pension adjustments	**1,089**	1,037
Donation to Arms-length Foundation	**579**	0
Estates development costs	**1,805**	1,739
	3,510	1,740
Less:		
Government grant for estates development costs	**497**	0
Other Government grant from Glasgow Kelvin College	**2,000**	0
Non-Government capital grants (e.g. ALF capital grant)	**131**	370
Revenue funding allocated to loan repayments	**151**	146
	2,779	516
Underlying operating surplus	**731**	1,224

The underlying operating surplus of £731k demonstrates that the college is operating sustainably within its funding allocation.

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 estates development costs expensed through the Statement of Comprehensive Income have been identified separately and relate to professional advisors fees in the preparation of the College's Full Business Case for the new campus.

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

Balance Sheet

As per FReM guidelines, and as a result of the formal Ministerial approval gained for the construction of the new Falkirk campus on the Middlefield site, a valuation was sought for the existing Falkirk campus on Grangemouth Road, which resulted in the buildings being impaired by £13.2m, £12.8m of which was covered by the revaluation reserve and £0.4m charged to the Statement of Comprehensive Income for 2016/17.

Resource Outturn for the year ended 31 March 2017

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 17 (Scottish Government's financial year end). The net depreciation for the College was £608k. SFC authorisation was received to utilise the cash for the loan repayment and to make a donation to Forth Valley College Foundation. This prevented that cash becoming inaccessible to the College.

Spend of the College's cash budget for priorities, and impact on the operating position, is detailed below:

	31 July 2017	31 July 2016
	£000	£000
Revenue		
Estates Development Costs - New Falkirk Campus	**0**	470
Donation to ALF	**462**	0
Total impact on operating position	**462**	470
Capital		
Loan payments	**146**	143
Total Capital	**146**	143
Total cash budget for priorities spend	**608**	613

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

Resource Outturn 2016/17	RDEL Year Ended 31 Mar 2017	CDEL Year Ended 31 Mar 2017
	£000	£000
Total Income	(25,504)	(403)
Revenue Expenditure	25,358	403
Underspend on Resource Budget	(146)	0
Ringfenced RDEL		
Depreciation	608	
AME Expenditure	4,614	

The RDEL underspend of £146k 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 28 days (2015/16 - 28 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 annually by the Chairman of the Board of Management and our College Principal.

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 the Associate Principal and Executive Director - Learning and Teaching.

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), which received an "Excellent" rating award for the (Building Research Establishment Environmental Assessment Method) BREEAM, and new campus in Stirling (2012) which was awarded a "Very Good" 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 are calculated annually, each November, in line with the Public Sector Climate Change Duties (2016) submission to Sustainable Scotland Network (SSN). Our current progress (November 2016) illustrated a 20.63% reduction in carbon from our 2008 baseline.

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 October 2019. The new Campus has been designed with an Energy Performance Certificate rating of B and a target of Very Good for the BREEAM (2014) award.

The College supports the mandatory reporting of targets made by the Scottish Government from 2016, using a specific template created by Sustainable Scotland Network (SSN) in association with the EAUC and Keep Scotland Beautiful. The College is committed to continually improve carbon reduction and monitors this annually with the review of the Carbon Management Plan and SSN reporting.

Dr Ken Thomson
Principal and Chief Executive
7 December 2017

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	Resigned February 2017
Mr Ross Martin	Regional Chair	Appointed August 2017
Mrs A Mearns, Vice Chair	Senior Independent Member / Non-executive member	Re-appointed March 2017
Dr K Thomson	Principal	
Mr C Alexander	Non-Executive member	Re-appointed March 2017
Mrs F Campbell	Non-Executive member	Re-appointed March 2017
Mr A Carver	Non-Executive member	Re-appointed March 2017
Ms T Craggs	Non-Executive member	Appointed November 2016
Ms L Dougall	Non-Executive member	
Mr D Flynn	Non-Executive member	Appointed November 2016
Ms B Hamilton	Non- Executive member	Re-appointed March 2017
Mrs C Jack	Non-Executive member	
Mr L McCabe	Non-Executive member	
Mr K Richardson	Non-Executive member	
Mr S Tolson	Non-Executive member	
Ms A Winchester	Non-Executive member	Resigned November 2016
Mr A Buchan	Student	
Ms Amy Scobbie	Student	Elected June 2017
Ms Karen Williams	Student	Resigned December 2016
Ms Pamela Duncan	Staff	Elected August 2016
Mr S Harrison	Staff	Elected August 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 (to April 2017)	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 data related incidents. In 2016/17, the College had no reported personal data incidents.

Dr Ken Thomson
Principal and Chief Executive
7 December 2017

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 Ernst & Young to undertake the audit for the year ended 31 July 2017.

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 7 December 2017 and signed on its behalf by:

Ross B Martin

Ross Martin
Chair

Governance Statement

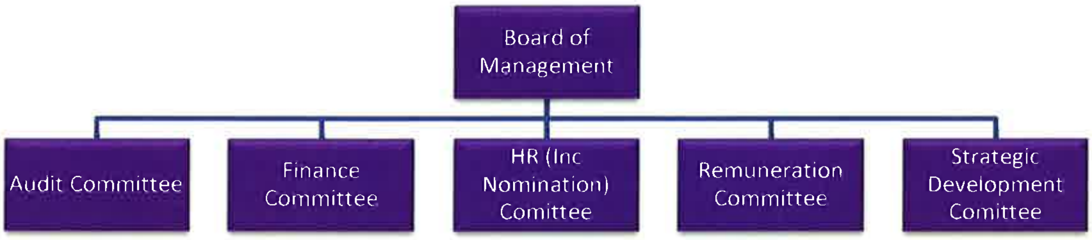
Introduction

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 2017 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 three 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 three 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 three 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 Association Executive, and to consider matters relating to the interests of learners in the College.

Board of Management Members

Hugh Hall resigned as chair on 28 February 2017. Scottish Government approved the appointment of the vice-chair as acting chair until Scottish Ministers undertook a recruitment exercise to appoint a new Chair of the Board. Ross Martin was appointed as Chair on 1 August 2017.

During 2016/17 one non-executive Board member resigned and a 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.

During the year 5 non-executive members became eligible for re-appointment. The Board approved the proposed re-appointments and sought Ministerial approval which was granted.

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.

An externally conducted effectiveness review was undertaken in December 2016, with the outcome being considered by the Board and then the report was published on the College's website.

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 2016/17 one meeting of the Audit Committee and one meeting of the Finance Committee were cancelled.

	Status	Date of Appointment/Re-Appointment	Date of Retiral/Resignation (If Applicable)	Board of Management (Three Meetings)	Audit Committee (Three Meetings)	Finance Committee (Three Meetings)	HR (Inc. Nomination) Committee (Three Meetings)	Remuneration Committee (One Meeting)	Strategic Development Committee (Four Meetings)
Number of Meetings				4	3	3	3	1	4
Mr H Hall, Chair	Regional Chair	03/03/14	28/02/17	2				1	
Mr Ross Martin	Regional Chair	01/08/17							
Mrs A Mearns, Vice Chair	Senior Independent Member/ Non-Exec	26/03/17		3			3	1	4
Dr K Thomson	Principal	01/08/13		3					
Mr C Alexander	Non-Exec	26/03/17		2	2				
Mrs F Campbell	Non-Exec	26/03/17		4			3		3
Mr A Carver	Non-Exec	26/03/17		2		2			1
Mrs T Craggs	Non-Exec	06/12/16		3	1	1			
Ms L Dougall	Non-Exec	26/03/15		4	3			1	3
Mr D Flynn	Non-Exec	06/12/16		1			2		1
Ms B Hamilton	Non-Exec	26/03/17		3	1		3	1	
Mrs C Jack	Non-Exec	02/03/15		2		3			2
Mr L McCabe	Non-Exec	02/03/15		4		3		1	2
Mr K Richardson	Non-Exec	02/03/15		2		1			
Mr S Tolson	Non-Exec	26/03/15		2			1		
Ms A Winchester	Non-Exec	26/03/15	06/11/16	1	1				
Mr A Buchan	Student	26/03/15		4					4
Ms A Scobbie	Student	08/12/16		3					1
Ms K Williams	Student	26/06/16	14/12/16	1					1
Mrs P Duncan	Staff	05/09/16		4		3			
Mr S Harrison	Staff	05/09/16		3					3

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 new Falkirk Campus is planned to open in October 2019.

Significant progress has been made toward the realisation of the new Falkirk campus, with the approval of the Full Business Case in November 2016 and the submission of the final Decision Point 4 report to the Scottish Funding Council and Scottish Government, with approval received on 4 October 2017. Following this approval, the appointment of the main contractor Balfour Beatty occurred on 11 October 2017.

The new campus plans include servicing the current Falkirk Campus curriculum and will accommodate over 11,000 students of which almost 2,000 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. The new facility will be 20,720 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.

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.

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 2017, the Internal Auditors reported completion of all reviews in the Audit Plan except for a Risk Workshop which was held in October 2017. 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 2017 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 2017 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 7 December 2017 and signed on its behalf by:

Ross Martin
Chair

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 2017.

Board of Management

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

In February 2017, Hugh Hall resigned his position as Chair of the Board of Management. A new Chair, Ross Martin, was appointed in August 2017 by Scottish Ministers. The level of remuneration for the Chair 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 Principal and Chief Executive Officer, Ken Thomson, is a member of both the Board and the SMT.

The Principal and Chief Executive Officer and other SMT members are on standard Forth Valley College contracts of employment. Their contracts provide for a notice period of 3 months. For 2016/17 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.

In April 2017, the Associate Principal and Executive Director Business Development left her post. Following consideration, it was decided not to fill this vacancy within the Senior Management Team, realising a saving for the College.

Remuneration Committee

The Remuneration Committee determines the policy for the remuneration of the members of the SMT, including the Principal and Chief Executive Officer 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 Chair and Principal and Chief Executive Officer it determines the total individual remuneration package of members of the SMT.

The membership of the Remuneration Committee is 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 Principal and Chief Executive Officer 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 2017, including salary, pension benefits and other allowances was:

	Year Ended 31 July 2017			**Year Ended 31 July 2016**		
	Salary	**Pension Benefit**	**Total**	Salary	Pension Benefit	Total
	£000	**£000**	**£000**	£000	£000	£000
Ken Thomson	120 - 125	80 - 85	205 - 210	115 - 120	55 - 60	170 - 175
Andy Lawson	100 - 105	55 - 60	160 - 165	95 - 100	35 - 40	135 - 140
Tom Gorman	95 - 100	50 - 55	145 - 150	90 - 95	50 - 55	140 - 145
Alison Stewart	85 - 90	50 - 55	135 - 140	80 - 85	30 - 35	110 - 115
David Allison	80 - 85	75 - 80	155 - 160	75 - 80	35 - 40	110 - 115
Colette Walker	65 - 70	10 - 15	75 - 80	75 - 80	30 - 35	110 - 115
Fiona Brown	70 - 75	50 - 55	125 - 130	65 - 70	25 - 30	95 - 100

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 2017 the Chairman was entitled to claim remuneration of £200 for every 7.5 hours up to a maximum total fee of £20,800. 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 2017	Year Ended 31 July 2016
	£	£
Annualised remuneration of the highest paid member of the Senior Management Team	**123,792**	116,115
Median Remuneration of Forth Valley College Employees	**33,894**	30,042
Remuneration Ratio	**1 : 3.65**	1 : 3.87

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 (2016: no employee) 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 year to 31 July 2017 are:

	Accrued Pension at pension age as at 31 July 2017 and related lump sum	Real increase in Pension and related lump sum at pension age	Cash Equivalent Transfer Value		
			At 31 July 2017	At 31 July 2016	Increase net of members contributions
	£000	£000	£000	£000	£000
Ken Thomson	45 - 50 plus lump sum of 145 - 150	2.5 - 5.0 plus lump sum of 12.5 - 15	1,050	932	102
Andy Lawson	30 - 35 plus lump sum of 100 - 105	2.5 - 5.0 plus lump sum of 7.5 - 10.0	826	748	66
Tom Gorman	15 - 20 plus lump sum of 20 - 25	2.5 - 5.0 plus lump sum of 0 - 2.5	389	334	46
Alison Stewart	10 - 15 plus lump sum of 0 - 5	2.5 - 5.0 plus lump sum of 0 - 2.5	167	135	24
David Allison	25 - 30 plus lump sum of 50 - 55	2.5 - 5.0 plus lump sum of 2.5 - 5.0	439	387	44
Colette Walker	0 - 5 plus lump sum of 0 - 5	0 - 2.5 plus lump sum of 0 - 2.5	54	37	11
Fiona Brown	20 - 25 plus lump sum of 60 - 65	2.5 - 5.0 plus lump sum of 7.5 - 10.0	477	405	64

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 2017 there were 625 staff in post. The split across gender and business area is detailed in the table below.

Employees	**Male**	**Female**	**Total**
Senior Management Team	4	2	6
Heads of Teaching / Service	7	8	15
Academic Staff	149	142	291
Support Staff	113	200	313
	273	352	625

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

	Year Ended 31 July 2017	**Year Ended 31 July 2017**	**Year Ended 31 July 2017**	Period Ended 31 July 2016
Seconded and Agency Staff	**Inward secondees**	**Agency staff**	**inward secondees and agency staff**	Total of inward secondees and agency staff
	£000	**£000**	**£000**	£000
Total costs	**91**	**89**	**180**	135
Number of staff				
Academic/ Teaching Departments & Services		**2**	**2**	2
Administration and Central Services	**2**	**12**	**14**	10
	2	**14**	**16**	12

Attendance Management

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 2016/17, an average of 8 days (including leavers) was lost per staff member compared to 9.87 days from 2015/16. The 2016/17 average equates to 3% overall absence rate for the year.

Equality, Diversity and Inclusion

FVC is committed to ensuring that all staff and students can work or study in an environment that is free from discrimination, harassment and victimisation and that everyone can progress equally.

We are guided by the Equality Act 2010 which sets out our responsibilities to:

- eliminate discrimination, harassment and victimisation
- advance equality of opportunity
- promote good relations

This is important for all staff and students. In particular, we ensure equality in regards to protected characteristics.

We comply with the Equality Act by demonstrating our activities through a range of reports and information: Equality Mainstreaming report; Equality Outcomes progress report; Equalities Policy and Gender Pay Gap & Equal Pay information. We are committed to achieving our Equality Outcomes and strive to embed actions for equality in our strategic and operational planning processes.

FVC also now has an Access and Inclusion Strategy, part of our current Regional Outcome Agreement with the Scottish Funding Council. This outlines our broad range of support available for students and identifies areas for enhancement. In July 2017, we also published our three-year Gender Action Plan, which outlined our aims in relation to gender representation in College programmes. SFC will monitor these and implementation plans will be in place for AY 2017/18 to devolve responsibility for the actions across College.

The reports outlined above are at: https://www.forthvalley.ac.uk/about-us/equality-diversity/

Compensation for loss of office

No compensation was paid during 2016/17.

Dr Ken Thomson
Principal and Chief Executive
7 December 2017

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

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 120 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.

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements in the annual report and accounts of Forth Valley College for the year ended 31 July 2017 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the accompanying 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 2017 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).

Basis of opinion

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

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate, or
- the college has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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 (continued)

Responsibilities of the Board of Management for the financial statements

As explained more fully in the Statement of the Board of Management's Responsibilities, the Board of Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Board of Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Management is responsible for assessing the college's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to achieve reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

Other information in the annual report and accounts

The Board of Management is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with our audit of the financial statements in accordance with ISAs (UK), our responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Report on regularity of expenditure and income

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.

Responsibilities for regularity

The Board of Management is responsible for ensuring the regularity of expenditure and income. We are responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

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 (continued)

Report on other requirements

Opinions on other prescribed matters

We are required by the Auditor General for Scotland to express an opinion on the following matters.

In our opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

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

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council, and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Further and Higher Education (Scotland) Act 1992 and directions made thereunder by the Scottish Funding Council.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the college and its environment obtained in the course of the audit, we have not identified material misstatements in the Performance Report or Governance Statement.

We are required by The Charities Accounts (Scotland) Regulations 2006 to report to you if, in our opinion:

- adequate accounting records have not been kept, or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records, or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Stephen Reid, (for and on behalf of Ernst & Young LLP)
Ernst & Young LLP
Atria One
144 Morrison Street
Edinburgh
EH3 8EB
13 December 2017

Ernst & Young LLP 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 2017[1]

INCOME	Note	Year Ended 31 July 2017	Year Ended 31 July 2016
		£000	£000
Scottish Funding Council grants	2	**23,809**	23,188
Tuition fees and education contracts	3	**7,746**	8,214
Other grant income	4	**2,082**	281
Other operating income	5	**1,251**	1,455
Investment income	6	**6**	14
Donation from FVC Foundation	4	**131**	370
Total Income		**35,025**	33,522
EXPENDITURE			
Staff costs	8	**23,864**	23,467
Pension provision charge	10	**384**	547
Other operating expenses	11	**6,236**	6,543
Estates Development Costs		**1,805**	1,739
Depreciation (including impairment)	15	**2,566**	2,194
Interest and other finance costs	12	**333**	1,117
Donation to FVC Foundation	13	**579**	0
Total Expenditure		**35,767**	35,607
Deficit before other comprehensive income		**(742)**	(2,085)
Other comprehensive income			
Actuarial loss in respect of pension scheme		**(1,322)**	(2,498)
Unrealised deficit on revaluation of land and buildings	15	**(12,768)**	(1,650)
Total comprehensive income for the year		**(14,832)**	(6,233)
Represented by:			
Unrestricted comprehensive income for the year		**(1,562)**	(4,081)
Revaluation reserve comprehensive income for the year		**(13,270)**	(2,152)
		(14,832)	(6,233)

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

[1] The Statement of Comprehensive Income is prepared under the FE/HE SORP. Colleges are also subject to Central Government accounting rules but the FE/HE SORP does not permit colleges to include Government non-cash allocations for depreciation in the Statement of Comprehensive Income. Note 36 provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves for the year ended 31 July 2017

	Income and expenditure account Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 April 2015	**(17,076)**	**20,715**	**3,639**
Deficit from the income and expenditure statement	(2,085)	0	(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 period	**(4,081)**	**(2,152)**	**(6,233)**
Balance at 1 August 2016	**(21,158)**	**18,563**	**(2,595)**
Deficit from the income and expenditure statement	(742)	0	(742)
Other comprehensive income	(1,322)	(12,768)	(14,090)
Transfers between revaluation and income and expenditure reserve	502	(502)	0
Total comprehensive income for the year	**(1,562)**	**(13,270)**	**(14,832)**
Balance at 31 July 2017	**(22,720)**	**5,293**	**(17,427)**

Balance Sheet as at 31 July 2017

	Note	As at 31 July 2017	As at 31 July 2016
		£000	£000
Non Current Assets			
Tangible fixed assets	15	**43,722**	57,405
Current assets			
Stocks		**25**	30
Trade debtors and other receivables	16	**1,703**	1,620
Cash at bank and in hand	21	**2,610**	926
Total current assets		**4,338**	2,576
Less: Creditors - amounts falling due within one year	17	**5,735**	3,936
Net current liabilities		**(1,397)**	(1,360)
Total assets less current liabilities		**42,325**	56,045
Creditors - amounts falling due after more than one year	18	**33,220**	34,519
Provisions			
STSS early retirement provision	19	**7,305**	7,317
LGPS pension provision	19, 23	**19,227**	16,804
		26,532	24,121
Total Net Liabilities		**(17,427)**	(2,595)
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		**(22,720)**	(21,158)
Revaluation reserve		**5,293**	18,563
Total Reserves		**(17,427)**	(2,595)

The financial statements on pages 33 to 53 were approved by the Board of Management on 7 December 2017 and were signed on its behalf on that date by:

Ross 15 Mar K

Ross Martin
Chairman

Dr Ken Thomson
Principal and Chief Executive

Cash Flow Statement for the year ended 31 July 2017

	Note	Year Ended 31 July 2017	Year Ended 31 July 2016
		£000	£000
Cash flow from operating activities			
Deficit for the year		**(742)**	(2,085)
Adjustment for non-cash items			
Depreciation	15	**2,566**	2,194
Decrease/(Increase) in stock		**5**	(3)
Increase in debtors	16	**(83)**	(211)
Increase/(Decrease) in creditors	17, 18	**1,748**	(324)
(Decrease)/Increase in pension provision	19	**(12)**	148
Pension Costs	23	**689**	399
Adjustment for investing or financing activities			
Investment income	6	**(6)**	(14)
Interest payable	12	**333**	1,117
Capital grant income	2	**(1,530)**	(1,586)
Net cash inflow/(outflow) from operating activities		**2,968**	(365)
Cash flows from investing activities			
Capital grants receipts		**690**	155
Investment income	6	**6**	14
Payments made to acquire fixed assets	15	**(1,651)**	(155)
		(955)	**14**
Cash flows from financing activities			
Interest paid	12	**(178)**	(186)
Repayments of amounts borrowed		**(151)**	(146)
		(329)	**(332)**
Increase/(Decrease) in cash and cash equivalents in the year		**1,684**	(683)
Cash and cash equivalents at beginning of the year		**926**	1,609
Cash and cash equivalents at end of the year		**2,610**	926

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

The accounts have been prepared incorporating the requirements of the accounting standard FRS 102.

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 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.

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
2 Scottish Funding grants		
FE recurrent grant (including fee waiver)	**20,143**	19,767
Childcare funds	**552**	646
SFC deferred income	**1,530**	1,586
Scottish Funding Council maintenance grant	**961**	393
Other Scottish Funding Council grants	**623**	796
Total	**23,809**	23,188

3 Tuition fees and education contracts		
Further education fees - UK & EU Students	**114**	130
Higher education fees	**1,554**	1,532
Skills Development Scotland Income	**1,075**	993
Education contracts	**1,751**	1,900
Other contracts	**3,252**	3,659
	7,746	8,214

4 Other grant income		
Forth Valley College Foundation	**131**	370
Other grants	**2,082**	281
Total	**2,213**	651

5 Other operating income		
Residences, catering and conferences	**767**	908
Other income-generating activities	**95**	93
Other income	**389**	454
Total	**1,251**	1,455

6 Investment income		
Other interest receivable	**6**	14

7 Donations

There were no donations during 2016/17.

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
8 Staff costs		
Salaries	18,408	18,614
Social security costs	1,744	1,485
Other pension costs (including FRS 102 adjustment of £689k); (2015/16: £399k)	3,712	3,368
Total	23,864	23,467
Academic/ Teaching Departments	14,420	14,330
Academic/ Teaching Services	3,252	3,156
Administration and Central Services	3,870	3,307
Premises	668	628
Other expenditure	443	356
Catering and Residences	356	411
Modern Apprentice Trainees	855	1,279
Total	23,864	23,467

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
Academic/ Teaching Departments	267	262
Academic/ Teaching services, Admin and central services	246	232
Premises	12	13
Catering	18	18
Modern Apprentice Trainees	56	108
Total	606	640
Analysed as:		
Staff on permanent contracts	571	606
Staff on temporary contracts	35	34
	606	640

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, were as follows:

	2017 Senior post-holder No.	2017 Other members of staff No.	2016 Senior post-holder No.	2016 Other members of staff No.
£50,001 to £60,000 per annum	0	8	0	8
£60,001 to £70,000 per annum	1	2	1	1
£70,001 to £80,000 per annum	1	0	2	0
£80,001 to £90,000 per annum	2	0	1	0
£90,001 to £100,000 per annum	1	0	2	0
£100,001 to £110,000 per annum	1	0	0	0
£110,001 to £120,000 per annum	0	0	1	0
£120,001 to £130,000 per annum	1	0	0	0

	Year Ended 31 July 2017	Year Ended 31 July 2016
9 Senior post-holders' emoluments	**No.**	No.
The number of senior post-holders that form the senior management team, including the Principal	**7**	7

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries and benefits	**634**	611
Employer's Pension contributions	**111**	107
Total emoluments	**745**	718
The above emoluments include amounts payable to the Principal, the highest paid senior post-holder, of:		
Salary	**124**	116
Benefits in kind	**0**	0
	124	116
Pension contributions	**21**	20

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, £19k of which was paid to Hugh Hall following his resignation in February 2017 and £2k was accrued for fees to the end of July 2017. 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 2017	Year Ended 31 July 2016
	£000	£000
10 Pension Provision Charge		
Increase due to revaluation of pension liability	**214**	296
Interest	**170**	251
	384	547

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
11 Other operating expenses		
Teaching departments	**1,518**	1,676
Administration and central services	**1,368**	1,331
Premises costs	**1,356**	1,288
Planned maintenance	**325**	299
Other employee related costs	**388**	420
Agency staff costs	**89**	70
Other income generating activities	**229**	321
Residences, catering and conferences	**412**	491
Childcare	**551**	647
Total	**6,236**	6,543
Other operating costs include:		
Auditors' remuneration		
- external audit of the financial statements	**32**	26
- internal audit services	**14**	17
- external auditors other services	**0**	4
Hire machinery - operating leases	**81**	126
Hire of premises - operating leases	**56**	70
	183	243

12 Interest and other finance costs

Loan interest	**178**	186
Decrease in fair value of derivatives	**(257)**	441
Pension finance costs (note 23)	**412**	490
Total	**333**	1,117

13 Forth Valley College Foundation

Donation to Forth Valley College Foundation	**579**	0

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.

On 4 October 2017, final Ministerial approval was granted for the construction of the new Falkirk campus on the Middlefield site. Accordingly, a valuation was sought for the existing Falkirk campus on Grangemouth Road, which resulted in the buildings being impaired by £13.2m, £12.8m of which was covered by the revaluation reserve and £0.4m charged to the Statement of Comprehensive Income for 2016/17.

	Land and Buildings	Plant and Equipment	Total
	£000	£000	£000
Cost or valuation			
At 1 August 2016	58,446	4,838	63,284
Revaluation	(12,768)	0	(12,768)
Additions	1,167	484	1,651
At 31 July 2017	**46,845**	**5,322**	**52,167**
Depreciation			
At 1 August 2016	1,759	4,120	5,879
Charge for the year	1,772	379	2,151
Impairment	415		415
At 31 July 2017	**3,946**	**4,499**	**8,445**
Net Book Values at 31 July 2016	56,687	718	57,405
Net Book Value at 31 July 2017	**42,899**	**823**	**43,722**

Land and buildings with a net book value of £42m 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.

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000

16 Trade debtors and other receivables

Amounts falling due within one year:		
Trade debtors - net of provision for doubtful debts	**572**	448
Prepayments and accrued income	**1,131**	1,172
	1,703	1,620

17 Creditors: Amounts falling due within one year

Trade creditors	**633**	251
Other taxation and social security	**521**	505
Accruals and deferred income	**2,440**	1,498
Loan Repayment	**160**	151
Other creditors	**520**	112
Deferred capital grant	**1,461**	1,419
	5,735	3,936

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	**115**	66
Other income	**214**	218
	329	284

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
18 Creditors: Amounts falling due after one year		
Deferred Income		
Secured/Unsecured Loan	3,904	4,064
Deferred capital grant	28,730	29,612
Interest rate swap	586	843
	33,220	34,519
Analysis of secured and unsecured loans		
Repayable within one year	**160**	151
Repayable between one and two years	**167**	160
Repayable between two and five years	**553**	574
Repayable over five years	**3,184**	3,331
	4,064	4,216

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 2017 of £4.1m (July 16: £4.2m) at a fixed rate of 4.3% which terminates on 30 July 2029. In the 12 month period to 31 July 2017, the College repaid £151k (2016: £146k) of the loan principal.

	STSS Early Retirement	LGPS Pension	Year Ended 31 July 2017	Year Ended 31 July 2016
19 Provisions for liabilities and charges	£000	£000	£000	£000
At 1 August 2016	7,317	16,804	24,121	20,585
Utilised in year	(396)	(1,479)	(1,875)	(1,800)
Additions in 2016/17		2,168	2,168	1,801
Revaluation adjustment	214	1,322	1,536	2,794
Interest charged	170	412	582	741
At 31 July 2017	7,305	19,227	26,532	24,121

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 2017 performed by Hymans Robertson, an independent firm of actuaries.

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 23.

20 Restricted Reserves

The college has no restricted reserves as at 31 July 2017

	As at 31 July 2016	Cash	As at 31 July 2017
	£000	£000	£000
21 Cash and cash equivalents			
Cash and cash equivalents	926	1,684	2,610

22 Lease commitments	Equipment £000	Property £000	Year Ended 31 July 2017 Total £000	Year Ended 31 July 2016 Total £000
Payable during the year	81	56	**137**	196
Future minimum lease payments due:				
Not later than 1 year	85	23	**108**	109
Later than 1 year and not later than 5 years	247	0	**247**	267
Later than 5 years	0	0	**0**	0
Total lease payments due	**332**	**23**	**355**	376

23 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 2017 Total £000	Year Ended 31 July 2016 Total £000
The total pension costs for the institution was :		
Contribution to STSS	**1,572**	1,567
Contribution to LGPS	**1,451**	1,402
Pension costs (as a result of FRS 102)	**689**	399
Total pension cost (Note 8)	**3,712**	3,368
Employer contribution rates		
STSS	17.2%	17.2%
LGPS	17.9%	17.9%

The Scottish Teachers' Superannuation Scheme

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.

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

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.

The scheme is an unfunded multi-employer defined benefit scheme. 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.

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.

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.

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 0.5% based on the proportion of the employer contributions paid in 2016/17.

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 2017 was £1,886k of which employer's contributions totalled £1,451k and employee's contributions totalled £435k. 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 years	23.8 years
Future pensioners	24.3 years	26.3 years

	As at 31 July 2017	As at 31 July 2016
Pension increase rate	2.5%	1.9%
Salary increase rate	4.0%	3.4%
Discount rate	2.7%	2.4%

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

	Split of investments 31 July 2017	Split of investments 31 July 2016
Equities	65%	65%
Bonds	23%	24%
Property	6%	7%
Cash	6%	4%

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

	Year Ended 31 July 2017	Year Ended 31 July 2016
	£000	£000
Comprehensive Income and Expenditure Statement		
Current service cost	**2,168**	1,801
Interest cost	**1,216**	1,527
Interest income on plan assets	**(804)**	(1,037)
Total	**2,580**	2,291
Reconciliation of present value of defined benefit obligations		
Opening defined benefit obligations	49,874	41,748
Current service cost	2,168	1,801
Interest cost	1,216	1,527
Contributions by members	435	422
Remeasurements		
- change in financial assumptions	3,782	5,687
- other experience	9	(459)
Benefits paid	(934)	(824)
Unfunded benefits paid	(28)	(28)
Closing defined benefits obligation	**56,522**	49,874
Reconciliation of the movements in the fair value of the plan assets		
Opening fair value of the plan assets	**33,070**	28,331
Interest income on plan assets	**804**	1,037
Remeasurements		
- return on plan assets excluding the amount included in the net interest	**2,469**	2,730
Contributions by members	**435**	422
Contributions by employer	**1,451**	1,374
Contributions in respect of unfunded benefits	**28**	28
Benefits paid	**(934)**	(824)
Unfunded benefits paid	**(28)**	(28)
Closing fair value of the plan assets	**37,295**	33,070
The underlying net liability for retirement benefits attributable to the College at 31 July	**19,227**	**16,804**

Analysis of projected amount to be charged to operating result for the year to 31 July 2018	**Year Ended 31 July 2018**
	£000
Projected current service cost	2,375
Interest on obligation	1,743
Interest income on plan assets	(1,020)
Total	3,098

24 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	College Sales	College Purchases
			£000	£000
Mr K Thomson	Historic Environment Scotland	Educational	61	0
Mr K Thomson	Ceteris	Educational	0	7
Mr C Alexander	BP Oil Exploration Ltd	Educational	445	0
Ms T Craggs	Historic Environment Scotland	Educational	61	0
Miss L Dougall	University of Strathclyde	Educational	49	0
Mr L McCabe	University of Stirling	Educational	1,179	8
Mr L McCabe	APUC	Educational	0	84

At 31 July 2017 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	97	0
BP Oil Exploration	26	0
	123	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	Post
Miss L Dougall	University of Strathclyde	Faculty Manager
Mrs C Jack	Scottish Power Energy Networks	Head of Delivery (Central & Fife)
Mr L McCabe	University of Stirling	Director of Finance
Mr L McCabe	Advanced Procurement for Universities and Colleges	Director of APUC Ltd
Ms T Craggs	Historic Environment Scotland	Board Member
Mr C Alexander	BP Oil Exploration Ltd	Reliability and Maintenance Manager
Mr K Thomson	Historic Environment Scotland	Board Member
Mr K Thomson	Ceteris	Board Member

25 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 2017 was £586K (2016: £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 year to 31 July 2017 the college repaid £151k of the loan principal. A covenant was arranged as part of the original loan agreement.

26 FE Bursary and other Student Support Funds	FE Bursary £000	EMA's £000	Other £000	Year Ended 31 July 2017 £000	Year Ended 31 July 2016 £000
Balance brought forward	0	0	0	0	252
Allocation received in year	3,202	211	249	3,662	3,199
	3,202	211	249	3,662	3,451
Expenditure	(2,960)	(211)	(236)	(3,407)	(3,451)
Balance carried forward	242	0	13	255	0
Represented by:					
Repayable to Funding Council as Clawback	242	0	13	255	0
	242	0	13	255	0

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.

27 Childcare Funds	Year Ended 31 July 2017 £000	Year Ended 31 July 2016 £000
Balance brought forward	0	13
Allocation received in year	625	633
	625	646
Expenditure	(551)	(646)
Balance carried forward	74	0
Represented by:		
Repayable to Funding Council as Clawback	74	0
	74	0

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

28 HE Discretionary	Year Ended 31 July 2017 £000	Year Ended 31 July 2016 £000
Balance brought forward	1	1
Allocation received in year	157	127
	158	128
Expenditure	(153)	(126)
Repayable to SAAS as Clawback	(5)	(1)
Balance carried forward	0	1
Represented by:		
Repayable to SAAS as Clawback	5	1
	5	1

33 Capital Commitments

As a result of the approval of the New Falkirk Campus, there is a contracted capital commitment of £65m for the construction works for the New Campus for which no provision has been made.

34 Contingent Liabilities

The college has no contingent liabilities at 31 July 2017

35 Post Balance Sheet Events

Scottish Ministers approved the development of the New Falkirk Campus on the 4 October 2017. The existing Falkirk campus has been impaired to reflect the decision made to dispose of the asset in 2 years' time on the completion of the New Falkirk campus.

36 Non-cash allocation

Deficit before other gains and losses	**(742)**	(2,085)
Non-cash allocation for depreciation (net of deferred capital grant)	**608**	613
Operating deficit on Central Government accounting basis	**(134)**	(1,472)

Following reclassification, colleges received additional non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. As a result, colleges show a deficit equivalent to net depreciation (where funds are spent on revenue items) in order to meet Government accounting rules and the requirement to spend the entire cash allocation.

Under the FE/HE SORP, the college recorded an operating deficit of £742k for the year ended 31 July 2017. After taking account of the Government non-cash budget, the college shows an "adjusted" deficit of £134k on a Central Government accounting basis.

37 Accounting estimates and judgements

During financial year 2017/18 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:

- 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 2017 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
- 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 23
- 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 23).

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

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

Appendix 1 Accounts Direction from Scottish Funding Council

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

2. Colleges 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 2016/17 (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 2017.

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
30 June 2017