Forth Valley College

FORTH VALLEY COLLEGE OF FURTHER AND HIGHER EDUCATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31 July 2018

Scottish Charity No. SCO21191

The financial statements were approved and authorised for issue on 6 December 2018.

Contents

PROFESSIONAL ADVISERS

External Auditor:	Ernst & Young LLP Atria One 144 Morrison Street Edinburgh EH3 8EX
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
	Clyde & Co (Scotland) LLP 144 West George Street Glasgow G2 2HG

PERFORMANCE REPORT

OVERVIEW

Principal and Chief Executive's statement

The purpose of this overview is to give a short summary of the College's performance during 2017/18.

In 2017/18, thanks to the dedication of our staff and students, the College has continued to deliver "Making Learning Work" to all.

The most significant development this year has been the commencement of the build of the new Falkirk Campus. This campus is the realisation of years of hard work and will enable the College to bring the same high quality and flexible learning spaces to students in Falkirk as are currently enjoyed by our Alloa and Stirling students. While the physical work is underway on the build, there has also been significant development work with our staff to embed new technologies through our Creative Learning and Technology Strategy to ensure they obtain the maximum benefit when they move into the new campus.

While this year has seen ongoing challenges in terms of funding levels, particularly around capital funding, there have been new opportunities such as the Flexible Workforce Development Fund which has enabled us to engage with existing and new employers across the Forth Valley area .

Our commercial activity, particularly the high number and quality of Modern Apprentices, has enabled the College to continue to support local and national industry and drive forward the development of new products and streamlined processes to ensure effective use of College resources. We are grateful for the continued support from existing stakeholders and welcome the opportunity to work with new partners locally and nationally as we continue to derive best value from funding streams, such as Foundation Apprenticeships.

Forth Valley College's approach to creativity in learning has continued to evolve to deliver the engaging, contextualised learning modern students have come to expect from a leading College. Working in a truly unique partnership with South East Regional College (SERC) in Belfast, we have integrated collaborative learning for staff and students in both Colleges. The links were further strengthened through a joint creative learning conference in August which saw staff from both College's attend and work at each other's campuses with their peers. Our partnership was celebrated in October 2018 when Forth Valley College and SERC won the prestigious Innovation category at the College Development Network awards.
The College also continued to demonstrate that it was the place to be for STEM, with our provision going from strength to strength over the years. 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 inclusive economic success.

This year has seen the College continue to gain national recognition through a number of awards from bodies such as College Development Network. I am particularly proud of our Student Association who were recognised as Union of the Year at the NUS UK awards, as well as winning an award for Representation and Campaigning. The value the Student Association delivers cannot be overstated and I am proud of the outstanding work they do.

Overall, 2017/18 has been a year of continued and new success and sets the bar for future College aspirations as we deliver "Making Learning Work".

Dr Ken Thomson
Principal and Chief Executive
6 December 2018

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 2017- 2022. 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 2017/18 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 in relation to a new Falkirk campus 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.

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 2017/18 we continued to review our curriculum to ensure that our current and future portfolio meets the needs of the employers of Forth Valley and beyond. In doing so, we took full account of national priorities, such as the Scottish Government's Youth Employment Strategy and STEM Education Strategy, as well as the latest available information about regional skills needs. A particular focus this year was the creation of additional places on the

HNC Childhood Practice, in response to the national workforce development needs, created by the Scottish Government's commitment to increase entitlement to free early learning and childcare.

In 2017/18 the College delivered on the first year of its Creative Learning and Technologies Strategy. An audit of teaching staff digital skills to support technology enhanced learning was carried out and a range of technologies were showcased in the August Creative Learning Conference. A unique partnership with South East Regional College in Northern Ireland enabled groups of staff and students from seven curriculum areas to participate in vocationally relevant collaborative projects with their peers, using remote digital communication media. These created engaging value-added learning experiences for the students and developed their skills for future employment.

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 2017/18 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 continues to be successful in its 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 theme of Creative Learning has moved into a more interactive collaboration with an FE college from Belfast with direct links across both organisations to provide a range of exciting learning and teaching training workshops. The Moodle Bar, the successful innovative idea from last year's Creative Learning Conference is now established and attracting large numbers of staff and students eager to develop their skills.

This year also saw the launch of our People Strategy. A strategy which identifies and supports talent development within the college and offers staff a real opportunity to influence and shape the future managers and leaders within the college.

A revised structure has resulted in four highly effective faculty areas being developed. This revision also gave us an opportunity to review posts within the areas and resulted in us creating a middle manager post to help support the faculties in their strategic development, whist providing a clear progression route for staff.

Forth Valley College has officially been accredited as a UK Living Wage Employer and has also been awarded The Scottish Business Pledge. This year Forth Valley College was also awarded Engaged Carer Status. This is the first of three levels, from 'engaged' to 'established' through to 'exemplary'. This will enable us to progress from one stage to the next, building from an initial level of commitment to embedding a culture of support for carers within the College.

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 and continues to work within this framework. During the year in line with the Board's Development Plan a review of committee structures, remits, delegated authority & committee membership was undertaken. In September 2018 the Board of Management approved a revised Committee Structure and associated Remits and a revised Scheme of Delegation and Standing Orders. In addition, the format of the Board of Management meetings were amended to allow more time for Strategic discussion within these meetings.

The College follows an anti-bribery and corruption policy that demonstrates our commitment to ensuring the highest standards of financial probity, reliability and ethical behaviour.

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 2017/18 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 have been key to maintaining our position as a partner of choice. The Scottish Government launched the Flexible Workforce Development Fund (FWDF) on 7th September 2017. This pilot was a £10m fund that provided the opportunity for employers operating in Scotland who pay into the UK Governments Apprenticeship Levy, to apply for up to £10,000 in training. The training was to be delivered by their local regional college and was intended to upskill and reskill their existing workforce to drive productivity.

The allocation to FVC for 2017/18 was £492k and we are pleased to report that we were one of only two Colleges to exceed their target. We engaged with 60 organisations, of which 38% were new companies to FVC and some have taken on apprentices for 2018/19 start. We are confident of performing well in the coming year as the fund has been offered again for 2018/19.

The SDS contract is now above £1m on an annual basis and has 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 nine specific disciplines to satisfy industry requirements. The SDS MA contract awarded to FVC in April 2018 was the second largest MA contract awarded to a college provider. Additionally, we have developed our Vocational Qualification (VQ) delivery direct to employers and are expanding this activity in a number of areas. The use of an electronic portfolio to gather evidence has been rolled out to all VQ candidates and the feedback from this has been positive. Towards the end of 2017/18, we have piloted an Employer portal that allows our employers to log into our system and access real time information on their employees. We are still trying to make an impact within IT MAs and find the right offering that competes with other private training providers in this market.

Overall, the College performed well commercially with strong performances in Electrical Safety and the FWDF. The Electrical Safety team brought new products to market CompEx Mechanical and Responsible Persons, which were well received by customers. Commercial income through International work has proved challenging in 2017/18. Whilst there have been a number of exciting possibilities, for various reasons, we have found it difficult to get them over the line. Towards the end of 2017/18, we decided to refocus our international effort on students and mobility and partnership working with Universities.

The College has also increased engagement in international mobility projects with Construction, Access & Progression, Care Health & Sport and Hospitality & Salon Services departments all engaging in European student mobility or Erasmus Plus 'key strategic partnership' projects. These include a number of European partner institutions from Spain, Netherlands, Sweden, China, Germany and Malta. At the end of the year, we hosted a group of MAs from VTC Hong Kong on a 3-week visit to look at how we deliver Modern Apprenticeships in Construction and Engineering. This visit was a success both in terms of delivery and financially, and in part was because of our strong relationships with our local employers and industry partners who supported us through this.

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, all record of interview information is now stored electronically, with processes in place to ensure our students are informed timeously of the outcome of their application interview. 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. We hope this will enable enhanced dialogue between all partners to enable students to successfully transition onto their correct course. Our portal has been extended to stakeholder employers to allow monitoring of progress by their employees while they progress through their Modern Apprenticeship (MA) at College. This will be rolled out to other MA employers during 2018/19 session.

Through the development of the 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" which provides real-time access to timetable and attendance information, with the ability to self-certificate absences, along with personal details for students and the functionality of informing the College of any additional support needs. The portal can be accessed from any mobile device.

As part of the implementation of our Creative Learning and Technologies Strategy during 2017/18 session we piloted the use of Microsoft Surface devices, predominantly within our Stirling campus. For the 2018/19 session the rollout of these devices is being extended to all teaching staff, 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 more bespoke to the member of staff. Last session we also piloted the use of mobile screens in classrooms to replace the current fixed SmartBoards. The pilot will be extended in 2018/19 session, including being part of a group of rooms piloting different furniture with different layouts, and laptop trolleys in preparation for our new Campus in Falkirk.

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. A review of the Strategic Risk Register was completed by the Board in September 2018.

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

- Financial sustainability due to insufficient funding from Scottish Government/SFC to support the core activities of the College
- Delays to completion and/or issues with the transition process to the new Falkirk Campus could impact on the student experience and project budget
- Employers pension contributions to the Scottish Teachers Pension Scheme could increase by 5.2% from April 2019
- National Bargaining process will negatively impact on the College

Going concern

The net liability position reported in these Financial statements is due to deferred government capital grants being disclosed as creditors in accordance with FRS 102. They do not represent future cash outflows for the college. The net liabilities also include a Pension Provision for early retirements of £6.8m and Pension Liability of £7.9m for the 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 believes that future support will be forthcoming. Given the above it has accordingly been considered appropriate to adopt a going concern basis for the preparation of these annual financial statements.

PERFORMANCE ANALYSIS

Performance Indicators

The College delivered 86,976 Credits against a target of 86,877 which is 99 Credits (0.01%) above target for Academic Year 2017/18. This target includes 84,647 core activity Credits and 2,230 credits for the on-going SFC administered European Social Fund project.

To monitor performance the College uses a range of performance indicators which are reviewed regularly by members of the Senior Management Team, and Board members through the College's Strategic Development Committee. Furthermore, performance down to curriculum area and course level is monitored through curriculum teams through the College's quality processes and procedures. Through its Outcome Agreement with SFC, the college sets a range of national targets and ambitions which are monitored through the College's Evaluative Report and Enhancement Plan, which involves external scrutiny and moderation by Education Scotland and SFC.

In relation to risk, failure to meet our Outcome Agreement targets is listed within the College's Risk Register as a risk, with mitigation of regular monitoring through the Senior Management Team and Strategic Development Committee.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 2017/18 and 2016/17.

	Year Ended 31 July 2018	Year Ended 31 July 2017
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.	**(2.3%)**	(2.1%)
Non SFC Income as % of total income*:* total of non-SFC income expressed as a percentage of total income.	**26.6%**	32.0%
Current assets : current liabilities: ratio of total current assets to the total of creditors: amounts falling due within one year.	1.09:1	0.76:1
Days cash: cash and short-term investments divided by total expenditure less depreciation and expressed in days.	**60**	29
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.	**5%**	6%
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%**	3%
Credits per staff FTE: actual Credits delivered in the year per FES return divided by total of FTEs involved in delivery of Credits.	***327***	*323*

		Year Ended 31 July 2018	Year Ended 31 July 2017
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	***71%***	*73%*
	FE Part time	***91%***	*92%*
	HE Full time	***72%***	*70%*
	HE Part time	***87%***	*85%*
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%***	*77%*
	FE Part time	***93%***	*96%*
	HE Full time	***81%***	*82%*
	HE Part time	***93%***	*94%*
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	***97%***	*93%*
	FE Part time	***99%***	*99%*
	HE Full time	***97%***	*97%*
	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 2017/18 was the Developing the Young Workforce agenda and the associated Scottish Government Youth Employment Strategy, which set out seven year plans for schools, colleges, apprenticeships, employers and equality.

One target within the Strategy is to increase the percentage of school pupils achieving vocational qualifications at SCQF level 5 or above. In pursuit of this aim, the College continued to develop and expand its portfolio of qualifications at SCQF levels 5-7 for senior phase school pupils from our three partner local authorities. This included a range of newly developed Foundation Apprenticeships and we have been successful in recruiting 185 senior phase school pupils to these exciting new opportunities for August 2018 start.

In terms of learning and teaching, during 2018/19 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 2018 as a catalyst for all staff to develop personal objectives for creative learning which will be formalised and monitored through our staff development process throughout the year. In 2018/19 we will deliver on the second year of the 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 these are now being fully rolled out to staff during 2018/19.

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.

The Stirling City Deal and the Falkirk Investment Zone projects are both significant areas of potential future opportunity for FVC. In Stirling, we are seeking to collaborate with Historic and Environmental Scotland (HES) on a traditional skills academy that would see opportunities for local MAs to get skills and employment in their areas. In Falkirk, we would be actively supporting new businesses that come to the area with skilled employees.

The FWDF is underway for 2018/19 and although FVC has been allocated the same amount of funding from SFC of £492k, the amount that organisations can apply for has increased from £10,000 to £15,000. It is our aim to have the fund allocated by November 2018 so that we can take advantage of the SFC reallocation of any underspend in January 2019.

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 adjusted operating position for Academic Year 2017/18:

	Actual Year Ended 31 July 2018	Actual Year Ended 31 July 2017
	£000	£000
Deficit before other gains and losses	**(59)**	(742)
Add back:		
Depreciation (net of deferred capital grant release)	**216**	621
(Gain)/Loss on sale of Fixed Asset	**(700)**	0
Impairment	**0**	415
FRS 102 SWAP Rate valuation movement	**(151)**	(257)
Non-cash pension adjustments	**915**	1,089
Donation to Arms-length Foundation	**0**	579
Estates development costs	**737**	1,805
	958	3,510
Less:		
Government grant for estates development costs	**0**	497
Other Government grant from Glasgow Kelvin College	**0**	2,000
Non-Government capital grants (e.g. ALF capital grant)	**146**	131
Revenue funding allocated to loan repayments	**160**	151
	306	2,779
Adjusted operating surplus	**652**	731

The adjusted operating surplus of £652k 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 comprise professional advisors fees and staff time in relation to the project management 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 the cash budget for priorities 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.

During 2017/18 £19.7m was incurred on Assets under construction relating to costs for the New Falkirk campus.

Resource Outturn for the year ended 31 March 2018

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, therefore, the totals do not match the figures contained in this report for the year ended 31st July 2018.

A summary of the Resource Outturn reported to SFC and Scottish Government for the financial year to 31st March 2018 is noted below.

Resource Outturn 2017/18	RDEL Year Ended 31 Mar 2018	CDEL Year Ended 31 Mar 2018
	£000	£000
Total Income	(25,214)	(7,645)
Revenue Expenditure	25,058	9,742
(Underspend)/Overspend on Resource Budget	(156)	2,097
Ringfenced RDEL		
Depreciation	360	
AME Expenditure	15,609	

The RDEL underspend is equivalent to the annual loan repayment the College has to make in relation to 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.

During the year land at Branshill, Alloa was sold for £2.1m. This money was subsequently utilised towards the cost of the New Falkirk campus building works, and this resulted in an overspend on the CDEL budget.

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 to be spent on Cash Budget for Priorities which was previously earmarked for depreciation. The Cash Budget for Priorities set for the College was £613k. SFC authorisation was received to utilise the cash for the loan repayment, part of the estates related revenue costs and the costs of the 2015/16 public sector pay award. 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:

Table of cash budget for priorities spend

	31 July 2018	31 July 2017
	£000	£000
Revenue		
The 2015/16 Pay Award	**65**	0
Donation to ALF	**0**	457
Estates Related Revenue Costs	**388**	0
Total impact on operating position	**453**	457
Capital		
Loan payments	**160**	151
Total Capital	**160**	151
Total cash budget for priorities spend	**613**	608

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 (2016/17 - 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 currently led by the Vice Principal - 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 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 2017) illustrated a 21.24% 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. Co-ordinated with this, is the revision of our College Strategic Travel Plan 2017-2022 to progress an increase in active travel and health and wellbeing initiatives.

The College supports the mandatory reporting of targets made in the Climate Change (Scotland) Act 2009, required 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, including the submission of the mandatory annual SSN reporting.

Dr Ken Thomson
Principal and Chief Executive
6 December 2018

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

Board of Management

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 Ross Martin	Regional Chair	
Mrs A Mearns	Vice Chair and non-executive member	
Dr K Thomson	Principal	
Mr C Alexander	Non-Executive member	
Mrs F Campbell	Non-Executive member/Senior Independent Member	
Mr A Carver	Non-Executive member	
Ms T Craggs	Non-Executive member	
Ms L Dougall	Non-Executive member	
Mr D Flynn	Non-Executive member	
Ms B Hamilton	Non- Executive member	
Mrs C Jack	Non-Executive member	
Mr L McCabe	Non-Executive member	
Mr K Richardson	Non-Executive member	
Mr S Tolson	Non-Executive member	
Mr A Buchan	Student	Term ended 29 June 2018
Ms Amy Scobbie	Student	Resigned 9 April 2018
Mr Liam Williams	Student	Appointed 1 July 2018
Mr Lindsay Graham	Student	Appointed 1 July 2018
Ms Pamela Duncan	Staff	
Mr S Harrison	Staff	

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 A Lawson	Depute Principal and Chief Operating Officer
Mr D Allison	Vice Principal Information Systems and Communications
Mrs F Brown	Vice Principal Learning and Quality
Mr T Gorman (to September 2018)	Vice Principal Estates Development
Mrs A Stewart	Vice Principal Finance and Corporate Affairs

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 2017/18, the College had no reported personal data incidents. (2016/17: no incidents).

Dr Ken Thomson
Principal and Chief Executive
6 December 2018

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 2018.

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 6 December 2018 and signed on its behalf by:

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 2016 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 2018 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 four occasions during the period. Its role is to contribute to good governance by providing independent advice to the Board of Management on the financial management of the College, providing a strategic overview of the College's financial direction while ensuring a position of financial security and that all relevant audit and legislative requirements are met.

HR Committee (Inc. Nomination Committee)
The committee met on 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 twice 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 three 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

During 2017/18 the College maintained, for the non-executive positions available, a 50-50 gender balance.

Membership now consists of 18 members as follows:

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

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

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

Board Effectiveness

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

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

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 2017/18, to support the governance around the new Falkirk Campus development, an additional meeting was held in August 2017 to formally approve the final submission of the estates plan to the Scottish Funding Council and Scottish Government.

During 2017/18 one meeting of the Audit Committee and one meeting of the Strategic Development Committee were cancelled in March as a result of College closures arising from severe weather.

	Status	Date of Appointment/Re-Appointment	Date of Retiral/Resignation (If Applicable)	Board of Management	Audit Committee	Finance Committee	HR (Inc. Nomination) Committee	Remuneration Committee	Strategic Development Committee
Number of Meetings				5	3	4	3	2	3
Mr R Martin	Regional Chair	01/08/17		3				1	
Mrs A Mearns, Vice Chair	Non-Exec	26/03/17		4			3	1	3
Dr K Thomson	Principal	01/08/13		5					
Mr C Alexander	Non-Exec	26/03/17		2	1				
Mrs F Campbell	Non-Exec/ Senior Independent Member	26/03/17		4			3		2
Mr A Carver	Non-Exec	26/03/17		2		3			1
Mrs T Craggs	Non-Exec	06/12/16		1	3	4			
Ms L Dougall	Non-Exec	26/03/15		5	3			2	1
Mr D Flynn	Non-Exec	06/12/16		3			3		3
Ms B Hamilton	Non-Exec	26/03/17		4	2		3	2	
Mrs C Jack	Non-Exec	02/03/15		4		4			0
Mr L McCabe	Non-Exec	02/03/15		4		3		2	2
Mr K Richardson	Non-Exec	02/03/15		3		3			
Mr S Tolson	Non-Exec	26/03/15		3			1		
Mr A Buchan	Student	26/03/15	29/06/18	5					3
Ms A Scobbie	Student	08/12/16	09/04/18	3					2
Mr L Williams	Student	01/07/18							
Mr L Graham	Student	01/07/18							
Mrs P Duncan	Staff	05/09/16		2		2			
Mr S Harrison	Staff	05/09/16		4					3

Assessment of corporate governance

The College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges with the exception of the role of 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 we 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 Vice Principal Finance & Corporate Affairs 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 Vice Principal Finance & Corporate Affairs having a dual role within the Senior Management Team. This arrangement is not unusual in either the public or the private sector. The Board of Management reviewed the existing arrangement in September 2018 and agreed that this should continue unchanged.

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 November 2019.

Significant progress has been made toward the realisation of the new Falkirk campus, with the submission of the final Decision Point 4 report to the Scottish Funding Council and Scottish Government and 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 New Falkirk Campus 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 on 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 2018, the Internal Auditors reported completion of all reviews in the Audit Plan. 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 financial statements for the period to 31 July 2018 and on the regularity of transactions reflected in the financial statements. 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 2018 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.

Conclusion

The Board of Management's opinion is that the College has an appropriate framework of internal controls, and these provide reasonable assurance regarding the effective and efficient deployment of resources to achieve the College aims.

Approved by order of the members of the Board on 6 December 2018 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 2018.

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.

FVC 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 2017/18 there was no bonus scheme in operation in Forth Valley College.

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

Remuneration Committee

The Remuneration Committee determines the 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 9.4% to 11.9%. Forth Valley College contributed 17.2% of the employees' pensionable salary to the STSS and for the LGPS 17.9% up to 31 March 2018 along with an additional flat fee for past pension costs and thereafter 21.4%.. 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 2018, including salary, pension benefits and other allowances was:

	Year Ended 31 July 2018			Year Ended 31 July 2017		
	Salary	**Pension Benefit**	**Total**	Salary	Pension Benefit	Total
	£000	**£000**	**£000**	£000	£000	£000
Ken Thomson	135 - 140	35- 40	175 - 180	120 - 125	80 - 85	205 - 210
Andy Lawson	105 - 110	35- 40	140 - 145	100 - 105	55 - 60	160 - 165
Tom Gorman	105 - 110	70 - 75	175 - 180	95 - 100	50 - 55	145 - 150
Alison Stewart	90 - 95	30 - 35	120 - 125	85 - 90	50 - 55	135 - 140
David Allison	85 - 90	50 - 55	140 - 145	80 - 85	75 - 80	155 - 160
Fiona Brown	80 - 85	35- 40	115 - 120	70 - 75	50 - 55	125 - 130

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 financial statements.

As a result of reaching the HMRC Lifetime Allowance limit, Dr Ken Thomson left the STSS pension scheme on 31 March 2018. From this date the pension payments that Forth Valley College would have made to Dr Thomson's pension scheme, are paid as salary. This policy of paying pension contributions as salary for individuals who reach the HMRC Lifetime Allowance limit is in line with business practice, and was approved by the Remuneration Committee.

For the period 1 October 2017 to 31 July 2018, Mr Tom Gorman was seconded to Fife College for 50% of his time. The charge made to Fife College is included within Other income. The salary and pension benefits above are Mr Gorman's full salary and benefits.

Chair Remuneration

For the year to July 2018 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. For the year to 31st July 2018 the chairman was paid remuneration of £7,600 (2016/17: £20,800).

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 2018	Year Ended 31 July 2017
	£	£
Annualised remuneration of the highest paid member of the Senior Management Team	**150,446**	123,792
Median Remuneration of Forth Valley College Employees	**33,987**	33,894
Remuneration Ratio	**1 : 4.43**	1 : 3.65

The median remuneration of Forth Valley College's employees is based upon the annualised full-time equivalent salary of the employees at 31 July. The change in ratio is due to an increase in the annualised remuneration of the highest paid member of the Senior Management Team. This relates to Dr Ken Thomson's pension contributions being paid as salary, as noted earlier.

Including severance payments, no employee (2017: no employee) received remuneration in excess of the highest paid member of the Senior Management Team.

Pension Benefits

Forth Valley College operates two pension schemes, the Scottish Teachers' Superannuation Scheme (STSS) and the Local Government Pension Scheme (LGPS).

Pension benefits are provided to the Senior Management Team on the same basis as all other staff and an explanation of how benefits accrue is detailed below. The accrued retirement benefits of the Senior Management Team for the year to 31 July 2018 are:

	Accrued Pension at pension age as at 31 July 2018 and related lump sum	Real increase in Pension and related lump sum at pension age	Cash Equivalent Transfer Value At 31 July 2018	Cash Equivalent Transfer Value At 31 July 2017	Cash Equivalent Transfer Value Real increase in CETV
	£000	£000	£000	£000	£000
Ken Thomson	50 - 55 plus lump sum of 155 - 160	0 - 2.5 plus lump sum of 5.0 - 7.5	1,157	1,050	66
Andy Lawson	35 - 40 plus lump sum of 110 - 115	0 - 2.5 plus lump sum of 5.0 - 7.5	884	826	20
Tom Gorman	25 - 30 plus lump sum of 25 - 30	2.5 - 5.0 plus lump sum of 0 - 2.5	480	389	80
Alison Stewart	15 - 20 plus lump sum of 0 - 5	0 - 2.5 plus lump sum of 0 - 2.5	202	167	26
David Allison	30 - 35 plus lump sum of 55 - 60	2.5 - 5.0 plus lump sum of 2.5 - 5.0	492	439	45
Fiona Brown	20 - 25 plus lump sum of 70 - 75	0 - 2.5 plus lump sum of 5.0 - 7.5	553	477	52

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 2018 there were 642 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	6	9	15
Academic Staff	151	161	312
Support Staff	110	199	309
	271	371	642

The following table shows the salary and related costs for all staff for the year ended 31st July 2018, identifying temporary, inward seconded and agency staff separately:

	2018	2018	2018	2017
Salaries and related costs	Directly employed staff on permanent UK contracts	Other staff including temporary, seconded and agency staff	Total	Total
	£000	£000	£000	£000
Wages and salaries	17,127	1,640	18,767	18,588
Social security costs	1,778	87	1,865	1,744
Other pension costs	3,837	145	3,982	3,712
Total	22,742	1,872	24,614	24,044
Average number of FTE	489	84	573	622

During the year 3 employees left under voluntary exit terms and 1 redundancy arrangement. The table below summarises the exit packages by cost band:

Compensation for loss of office	Year Ended 31 July 2018 Number of voluntary redundancies	Year Ended 31 July 2018 Number of other departures	Year Ended 31 July 2018 Total	Period Ended 31 July 2017 Total
< £5k	0	1	1	0
£55k - £65k	3	0	3	0
Total number of exit packages	3	1	4	0
Total cost			£179,587	£0

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 2017/18, an average of 7 days (including leavers) was lost per staff member compared to 8 days from 2016/17. The 2017/18 average equates to 3% overall absence rate for the year.

Trade Union Facility Time – 1st April 2017 to 31st March 2018

Forth Valley College recognises 2 trade unions for the purpose of collective bargaining, Educational Institute of Scotland (EIS) and Unison. We recognise the benefits of a positive and open relationship with our recognised trade unions. As part of our commitment to working in partnership, and in accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, we offer paid facility time to our work place representatives to enable them to carry out union activities and duties.

There were 10 staff members who were trade union officials during 2017/18. The full time equivalent employee number was 9.3.

Percentage of time spent on facility time

Percentage of time	Number of representatives
1%-50%	10

The total cost of facility time amounted £38,282, 0.17% of the total pay bill of £22,364,030, including the gross amount spent on wages, pension contributions, and national insurance contributions. 2.4% of the total paid facility time hours was spent on trade union activities.

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 is continuing to implement our Access and Inclusion Strategy and our Gender Action Plan both of which are part our current Regional Outcome Agreement with the Scottish Funding Council. These plans outline our broad range of support available for students; identifies areas for enhancement and our aims in relation to gender representation in College programmes.

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

Compensation for loss of office

Following the year end, 3 employees left under voluntary exit terms. The compensation payments made amounted to £177,301 and have been accrued in to the 2017/18 Statement of Comprehensive Income. All 3 employees received payments in the cost band of £55,000 - £65,000.

Dr Ken Thomson
Principal and Chief Executive
6 December 2018

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 2018 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 Statement of Cash Flow, 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 2018 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.

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, the audited part of the remuneration and staff report, 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.

Report on other requirements

Opinions on other matters prescribed by the Auditor General for Scotland

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

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 8EX
13 December 2018

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 2018[1]

INCOME	Note	Year Ended 31 July 2018	Year Ended 31 July 2017
		£000	£000
Scottish Funding Council grants	2	**24,176**	23,809
Tuition fees and education contracts	3	**7,136**	7,746
Other grant income	4	**166**	2,082
Other operating income	5	**1,330**	1,251
Investment income	6	**0**	6
Grant from FVC Foundation	4	**146**	131
Total Income		**32,954**	35,025
EXPENDITURE			
Staff costs	8	**24,471**	23,864
Pension provision charge	10	**(92)**	384
Other operating expenses	11	**6,258**	6,236
Estates Development Costs		**737**	1,805
Depreciation	15	**1,788**	2,566
Interest and other finance costs	12	**551**	333
Donation to FVC Foundation	13	**0**	579
Total Expenditure		**33,713**	35,767
Deficit before other gains/losses		**(759)**	(742)
Gain/(Loss) on disposal of Fixed Assets		**700**	0
Deficit before other comprehensive income		**(59)**	(742)
Other comprehensive income			
Actuarial gain/(loss) in respect of pension scheme		**12,762**	(1,322)
Unrealised deficit on revaluation of land and buildings	15	**0**	(12,768)
Total comprehensive income for the year		**12,703**	(14,832)
Represented by:			
Unrestricted comprehensive income for the year		**12,739**	(1,562)
Revaluation reserve comprehensive income for the year		**(36)**	(13,270)
		12,703	(14,832)

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 32 provides details of the adjusted operating position on a Central Government accounting basis.

Statement of Changes in Reserves for the year ended 31 July 2018

	Income and expenditure account Unrestricted	Revaluation reserve	Total
	£'000	£'000	£'000
Balance at 1 August 2017	**(22,720)**	**5,293**	**(17,427)**
Deficit from the income and expenditure statement	**(59)**	**0**	**(59)**
Other comprehensive income	**12,762**	**0**	**12,762**
Transfers between revaluation and income and expenditure reserve	**36**	**(36)**	**0**
Total comprehensive income for the year	**12,739**	**(36)**	**12,703**
Balance at 31 July 2018	**(9,981)**	**5,257**	**(4,724)**

Balance Sheet as at 31 July 2018

The financial statements on pages 35 to 55 were approved by the Board of Management on 6 December 2018 and were signed on its behalf on that date by:

	Note	As at 31 July 2018	As at 31 July 2017
		£000	£000
Non Current Assets			
Tangible fixed assets	15	**60,720**	43,722
Current assets			
Stocks		**25**	25
Trade debtors and other receivables	16	**1,388**	1,703
Cash at bank and in hand	21	**5,249**	2,610
Total current assets		**6,662**	4,338
Less: Creditors - amounts falling due within one year	17	**6,133**	5,735
Net current assets/(liabilities)		**529**	(1,397)
Total assets less current liabilities		**61,249**	42,325
Creditors - amounts falling due after more than one year	18	**51,288**	33,220
Provisions			
Early retirement provision	19	**6,816**	7,305
LGPS pension provision	19, 23	**7,869**	19,227
		14,685	26,532
Total Net Liabilities		**(4,724)**	(17,427)
Unrestricted Reserves			
Income and expenditure reserve - unrestricted		**(9,981)**	(22,720)
Revaluation reserve		**5,257**	5,293
Total Reserves		**(4,724)**	(17,427)

Ross Martin

Ross Martin
Chairman

Dr Ken Thomson
Principal and Chief Executive

Cash Flow Statement for the year ended 31 July 2018

		£000	£000
Cash flow from operating activities			
Deficit for the year		**(59)**	(742)
Adjustment for non-cash items			
Depreciation	15	**1,788**	2,566
Gain on disposal of fixed assets		**(700)**	0
Decrease in stock		**0**	5
Decrease/(Increase) in debtors	16	**315**	(83)
Increase in creditors	17, 18	**386**	1,748
Decrease in pension provision	19	**(489)**	(12)
Pension Costs	23	**874**	689
Adjustment for investing or financing activities			
Investment income	6	**0**	(6)
Interest payable	12	**551**	333
Capital grant income	2	**(1,571)**	(1,530)
Net cash inflow from operating activities		**1,095**	2,968
Cash flows from investing activities			
Proceeds from sale of fixed assets		**2,100**	0
Capital grants receipts		**19,962**	690
Investment income	6	**0**	6
Payments made to acquire fixed assets	15	**(20,186)**	(1,651)
		1,876	**(955)**
Cash flows from financing activities			
Interest paid	12	**(172)**	(178)
Repayments of amounts borrowed		**(160)**	(151)
		(332)	**(329)**
Increase in cash and cash equivalents in the year		**2,639**	1,684
Cash and cash equivalents at beginning of the year		**2,610**	926
Cash and cash equivalents at end of the year		**5,249**	2,610

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 2018	Year Ended 31 July 2017
	£000	£000
2 Scottish Funding grants		
FE recurrent grant (including fee waiver)	**20,804**	20,143
Childcare funds	**530**	552
SFC deferred income	**1,571**	1,530
Scottish Funding Council maintenance grant	**432**	961
Other Scottish Funding Council grants	**839**	623
Total	**24,176**	23,809

3 Tuition fees and education contracts		
Further education fees - UK & EU Students	**127**	114
Further education fees - non EU Students	**0**	0
Higher education fees	**1,588**	1,554
Skills Development Scotland Income	**1,172**	1,075
Education contracts	**1,643**	1,751
Other contracts	**2,606**	3,252
	7,136	7,746

4 Other grant income		
Forth Valley College Foundation	**146**	131
Other grants	**166**	2,082
Total	**312**	2,213

5 Other operating income		
Residences, catering and conferences	**730**	794
Other income	**600**	457
Total	**1,330**	1,251

6 Investment income		
Other interest receivable	**0**	6

7 Donations

There were no donations during 2017/18 (2016/17: nil)

8 Staff costs

	Year Ended 31 July 2018 £000	Year Ended 31 July 2017 £000
Salaries	**18,624**	18,408
Social security costs	**1,865**	1,744
Other pension costs (including FRS 102 adjustment of £874k); (2016/17: £689k)	**3,982**	3,712
Total	**24,471**	23,864

Academic/ Teaching Departments	**15,035**	14,420
Academic/ Teaching Services	**3,477**	3,252
Administration and Central Services	**3,859**	3,870
Premises	**730**	668
Other expenditure	**456**	443
Catering and Residences	**317**	356
Modern Apprentice Trainees	**420**	855
Sub-total	**24,294**	23,864
Restructuring costs	**177**	0
Total	**24,471**	**23,864**

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	**6**	7
Academic/ Teaching Departments	**259**	267
Academic/ Teaching services, Admin and central services	**241**	246
Premises	**12**	12
Catering	**15**	18
Modern Apprentice Trainees	**25**	56
Total	**558**	606
Analysed as:		
Staff on permanent contracts	**489**	571
Staff on temporary contracts	**69**	35
	558	606

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:

	2018 Senior post-holder No.	2018 Other members of staff No.	2017 Senior post-holder No.	2017 Other members of staff No.
£50,001 to £60,000 per annum	0	7	0	8
£60,001 to £70,000 per annum	0	2	1	2
£70,001 to £80,000 per annum	0	0	1	0
£80,001 to £90,000 per annum	2	0	2	0
£90,001 to £100,000 per annum	1	0	1	0
£100,001 to £110,000 per annum	2	0	1	0
£120,001 to £130,000 per annum	0	0	1	0
£130,001 to £140,000 per annum	1	0	0	0

	Year Ended 31 July 2018	Year Ended 31 July 2017
9 Senior post-holders' emoluments	No.	No.
The number of senior post-holders that form the senior management team, including the Principal	**6**	7

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
Senior post-holders' emoluments are made up as follows:		
Salaries and benefits	**615**	634
Employer's Pension contributions	**103**	111
Total emoluments	**718**	745
The above emoluments include amounts payable to the Principal, the highest paid senior post-holder, of:		
Salary	**138**	124
Benefits in kind	**0**	0
	138	124
Pension contributions	**15**	21

The Principal and two other senior post-holders were members of the Scottish Teachers' Superannuation Scheme and the other three 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.

As a result of reaching the HMRC Lifetime Allowance limit, the Principal left the STSS pension scheme on 31 March 2018. From this date the pension payments that Forth Valley College would have made to the Principal's pension scheme, are paid as salary.

The Chair of the Board of Management claimed remuneration of £7,600 in the financial period (2016/17: £20,800). 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 2018	Year Ended 31 July 2017
	£000	£000
10 Pension Provision Charge		
(Decrease)/increase due to revaluation of pension liability	**(284)**	214
Interest	**192**	170
	(92)	384

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
11 Other operating expenses		
Teaching departments	**1,623**	1,518
Administration and central services	**1,315**	1,368
Premises costs	**1,513**	1,356
Planned maintenance	**321**	325
Other employee related costs	**397**	388
Agency staff costs	**63**	89
Other expenses	**218**	229
Residences, catering and conferences	**278**	412
Childcare	**530**	551
Total	**6,258**	6,236
Other operating costs include:		
Auditors' remuneration		
- external audit of the financial statements	**23**	32
- internal audit services	**20**	14
- external auditors other services	**0**	0
Hire machinery - operating leases	**86**	81
Hire of premises - operating leases	**23**	56
	152	183
12 Interest and other finance costs		
Loan interest	**172**	178
Increase in fair value of derivatives	**(151)**	(257)
Pension finance costs (note 23)	**530**	412
Total	**551**	333
13 Forth Valley College Foundation		
Donation to Forth Valley College Foundation	**0**	579

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 Middlefield site at Falkirk, which is 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. In advance of this 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	Assets Under Construction	Total
	£000	£000	£000	£000
Cost or valuation				
At 1 August 2017	46,845	5,322	0	52,167
Additions	0	516	19,670	20,186
Disposals	(1,400)	0	0	(1,400)
At 31 July 2018	45,445	5,838	19,670	70,953
Depreciation				
At 1 August 2017	3,946	4,499	0	8,445
Charge for the year	1,386	402	0	1,788
Disposals	0	0	0	0
At 31 July 2018	5,332	4,901	0	10,233
Net Book Value at 31 July 2017	42,899	823	0	43,722
Net Book Value at 31 July 2018	40,113	937	19,670	60,720

Land and buildings with a net book value of £40m 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.

Assets under construction relates to costs incurred for the New Falkirk campus and are accounted for at cost based on the value of architects' certificates and other direct costs. They are not depreciated until they are brought into use.

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
16 Trade debtors and other receivables		
Amounts falling due within one year:		
Trade debtors - net of provision for doubtful debts	363	572
Prepayments and accrued income	981	1,131
Other debtors	44	0
	1,388	1,703
17 Creditors: Amounts falling due within one year		
Trade creditors	419	633
Other taxation and social security	458	521
Accruals and deferred income	3,356	2,440
Loan Repayment	167	160
Other creditors	267	520
Deferred capital grant	1,466	1,461
	6,133	5,735

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	319	115
Other income	259	214
Donation Income	20	0
	598	329

18 Creditors: Amounts falling due after one year

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
Deferred Income		
Secured/Unsecured Loan	3,737	3,904
Deferred capital grant	47,116	28,730
Interest rate swap	435	586
	51,288	33,220

Analysis of secured and unsecured loans		
Repayable within one year	**167**	160
Repayable between one and two years	**175**	167
Repayable between two and five years	**579**	553
Repayable over five years	**2,983**	3,184
	3,904	4,064

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 2018 of £3.9m (July 17: £4.1m) at a fixed rate of 4.3% which terminates on 30 July 2029. In the 12 month period to 31 July 2018, the College repaid £160k (2017: £151k) of the loan principal.

19 Provisions for liabilities and charges

	Early Retirement	LGPS Pension	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000	£000	£000
At 1 August 2017	7,305	19,227	26,532	24,121
Utilised in year	(397)	(1,529)	(1,926)	(1,875)
Additions in year	0	2,403	2,403	2,168
Revaluation adjustment	(284)	(12,762)	(13,046)	1,536
Interest charged	192	530	722	582
At 31 July 2018	6,816	7,869	14,685	26,532

The 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 2018 performed by Hymans Robertson, an independent firm of actuariesThe 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 2018 (2016/17: nil)

21 Cash and cash equivalents

	As at 31 July 2017	Cash Movement	As at 31 July 2018
	£000	£000	£000
Cash and cash equivalents	2,610	2,639	**5,249**

22 Lease commitments

	Equipment	Property	Year Ended 31 July 2018 Total	Year Ended 31 July 2017 Total
	£000	£000	£000	£000
Payable during the year	86	23	**109**	137
Future minimum lease payments due:				
Not later than 1 year	82	23	**105**	108
Later than 1 year and not later than 5 years	164	0	**164**	247
Later than 5 years	0	0	**0**	0
Total lease payments due	246	23	**269**	355

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 2018 Total	Year Ended 31 July 2017 Total
	£000	£000
The total pension costs for the institution was :		
Contribution to STSS	**1,607**	1,572
Contribution to LGPS	**1,501**	1,451
Pension costs (as a result of FRS 102)	**874**	689
Total pension cost (Note 8)	**3,982**	3,712
Employer contribution rates		
STSS	17.2%	17.2%
LGPS	21.4%	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 2017 were £409.8m as per the Scottish Public Pensions Agency website. Forth Valley College's level of participation in the scheme is 0.4% based on the proportion of the employer contributions paid in 2017/18.

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 2018 was £1,942k of which employer's contributions totalled £1,501k and employee's contributions totalled £441k. The agreed contribution rates are 17.9% for employers for the period to 31 March 2018, and 21.4% from 1 April 2018, 21.9% from 1 April 2019 and 22.4% from 1 April 2020. Employees pay between 5.5% and 12%.

The following information is based upon a full actuarial valuation of the fund at 31 March 2017 by a qualified independent actuary, rolled forward to 31 July 2018 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	21.2 years	23.7 years
Future pensioners	22.7 years	25.5 years

	As at 31 July 2018	As at 31 July 2017
Pension increase rate	2.4%	2.5%
Salary increase rate	2.9%	4.0%
Discount rate	2.8%	2.7%

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

	Split of investments 31 July 2018	Split of investments 31 July 2017
Equities	66%	65%
Bonds	23%	23%
Property	6%	6%
Cash	5%	6%

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

	Year Ended 31 July 2018	Year Ended 31 July 2017
	£000	£000
Comprehensive Income and Expenditure Statement		
Current service cost	**2,403**	2,168
Interest cost	**1,551**	1,216
Interest income on plan assets	**(1,021)**	(804)
Total	**2,933**	2,580
Reconciliation of present value of defined benefit obligations		
Opening defined benefit obligations	56,522	49,874
Current service cost	2,403	2,168
Interest cost	1,551	1,216
Contributions by members	441	435
Remeasurements		
- change in demographic assumptions	322	0
- change in financial assumptions	(4,352)	3,782
- other experience	(6,803)	9
Benefits paid	(873)	(934)
Unfunded benefits paid	(28)	(28)
Closing defined benefits obligation	**49,183**	56,522
Reconciliation of the movements in the fair value of the plan assets		
Opening fair value of the plan assets	**37,295**	33,070
Interest income on plan assets	**1,021**	804
Remeasurements		
- return on plan assets excluding the amount included in the net interest	**1,929**	2,469
Contributions by members	**441**	435
Contributions by employer	**1,501**	1,451
Contributions in respect of unfunded benefits	**28**	28
Benefits paid	**(873)**	(934)
Unfunded benefits paid	**(28)**	(28)
Closing fair value of the plan assets	**41,314**	37,295
The underlying net liability for retirement benefits attributable to the College at 31 July	**7,869**	**19,227**

Analysis of projected amount to be charged to operating result for the year to 31 July 2019	Year Ended 31 July 2019
	£000
Projected current service cost	2,588
Interest on obligation	1,592
Interest income on plan assets	(1,172)
Total	3,008

As a result of a High Court decision on 26 October 2018, pension schemes which have members with Guaranteed Minimum Pensions (GMPs) must take action to address inequalities in those GMPs if they were contracted-out of the State scheme between 1978 and 1997. The College considers it is likely that this ruling will impact the defined benefit scheme in which it is a participating employer and may result in the recognition of additional liabilities. As a consequence of this ruling, trustees of pension schemes will need to consider the integrity of their pension scheme data, the adjustments to benefits that may be necessary and any implications for scheme liabilities and funding. The High Court ruling on 26 October 2018 creates an obligation on that date for the Trustees to amend the scheme rules to reflect the consequences of the ruling. Therefore this is considered to be a non-adjusting event after the reporting period. The calculation of any additional liabilities will be a complex and lengthy process and as such the financial effect of any adjustment that may arise cannot be estimated at this stage. Any adjustment will be reflected in the financial statements for the year ended 31 July 2019.

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 Income	College Purchases
			£000	£000
Mr K Thomson	SQA	Educational	24	322
Mr K Thomson	Historic Environment Scotland	Educational	39	9
Mr K Thomson	Ceteris	Educational	0	10
Mr C Alexander	BP Oil Exploration Ltd	Educational	60	0
Ms T Craggs	Historic Environment Scotland	Educational	39	9
Miss L Dougall	University of Strathclyde	Educational	64	0
Mr L McCabe	University of Stirling	Educational	1,128	4
Mr L McCabe	APUC	Educational	0	80

At 31 July 2018 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
SQA	2	18
University of Stirling	94	0
	96	18

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
Mr K Thomson	SQA	Board Member
Mr K Thomson	Historic Environment Scotland	Board Member
Mr K Thomson	Ceteris	Board Member
Mr C Alexander	BP Oil Exploration Ltd	Reliability and Maintenance Manager
Ms T Craggs	Historic Environment Scotland	Board Member
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	APUC	Director of APUC Ltd

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 2018 was £435K (2017: £586k). 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 2018 the college repaid £160k 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 2018 £000	Year Ended 31 July 2017 £000
Balance brought forward	242	0	13	255	0
Allocation received in year	2,533	186	264	2,983	3,662
	2,775	186	277	3,238	3,662
Expenditure	(2,683)	(186)	(271)	(3,140)	(3,407)
Repayable to Funding Council as Clawback	0	0	0	0	0
Balance carried forward	92	0	6	98	255
Represented by:					
Repayable to Funding Council as Clawback	92	0	6	98	255
	92	0	6	98	255

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 2018 £000	Year Ended 31 July 2017 £000
Balance brought forward	74	0
Allocation received in year	472	625
	546	625
Expenditure	(530)	(551)
Balance carried forward	16	74
Represented by:		
Repayable to Funding Council as Clawback	16	74
	16	74

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 2018 £000	Year Ended 31 July 2017 £000
Balance brought forward	5	1
Allocation received in year	149	157
	154	158
Expenditure	(148)	(153)
Repayable to SAAS as Clawback	(5)	0
Balance carried forward	1	5
Represented by:		
Repayable to SAAS as Clawback	1	5
	1	5

29 Capital Commitments

As a result of the approval of the New Falkirk Campus, there is a contracted capital commitment of £45.3m for the construction works for the New Campus for which no provision has been made.

30 Contingent Liabilities

The College has no contingent liabilities at 31 July 2018.

31 Post Balance Sheet Events

The College has received offers for the sale of the existing land at the Falkirk campus. These will be considered at the Board meeting on 6 December 2018.

32 Non-cash allocation

	31 July 2018	31 July 2017
	£000	£000
Deficit before other gains and losses	(759)	(742)
Depreciation budget for government funded assets (net of deferred capital grant) for academic year	613	608
Operating deficit on Central Government accounting basis	**(146)**	(134)

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 £759k for the year ended 31 July 2018. After taking account of the Government non-cash budget, the college shows an "adjusted" deficit of £146k on a Central Government accounting basis. The deficit is attributable to other factors reflected in the adjusted operating table and the college is therefore operating sustainably within its funding allocation.

33 Accounting estimates and judgements

During financial year 2018/19 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 2018 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
- 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 2017/18 (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 2018.

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
13 July 2018