Accounts direction for Scotland's colleges 2017-18

Issue date: 13 July 2018
Reference: SFC/GD/13/2018
Summary: To provide SFC’s 2017-18 accounts direction for Scotland’s colleges
FAO: Principals / Finance Directors / Board Secretaries of Scotland's colleges

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2017-18 Accounts direction for Scotland’s colleges

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
Introduction and structure of accounts direction

Mandatory and corporate governance disclosures

1. We draw your attention to the specific mandatory disclosures for non-incorporated colleges in Appendix 1 and for incorporated colleges in Appendix 2. The corporate governance disclosures required are listed in Appendix 3.

Deadlines

2. Incorporated and non-incorporated colleges\(^1\) are required to provide their annual report and accounts, together with the associated audit reports, to us by 31 December 2018. The annual report and accounts should be prepared with a 31 July year-end.

\(^1\) The term non-incorporated college covers Newbattle Abbey College, Sabhal Mòr Ostaig and West Highland College UHI. Orkney College and Shetland College are part of their local authorities and will be included in the annual report and accounts of those authorities.
Mandatory disclosures – Non-incorporated colleges

1. Listed below are disclosures which non-incorporated colleges must include in the financial statements.

Strategic Report

2. A list of members of the governing body and key committees. This should cover all those who served during the period and include any changes up to the date of signing the annual report and accounts. The report should also disclose attendance of members at board meetings.

3. A statement describing the payment practice code or policy adopted on payment of suppliers and performance achieved, together with disclosure of any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998, or a statement that there were no matters to disclose.

4. A statement on the employment of disabled persons where the average number of all persons employed in the year exceeds 250.

5. The report should provide a commentary on the college financial performance in the year. This should include a table setting out the adjusted operating position for the year in accordance with the template included in Appendix 7.

6. In addition, in accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the following information must be published:
   - Relevant union officials.
   - Percentage of time spent on facility time.
   - Percentage of pay bill spent on facility time.
   - Paid trade union activities.

An example of the disclosure required is given on page 25 of this Direction.

Notes to the accounts

7. The audit fees and non-audit fees paid to external and internal auditors.

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2 Further guidance on Strategic reports is given in the 2015 SORP (paragraph 3.19 to 3.22)
Corporate governance

8. We require non-incorporated colleges to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the college has complied with good practice in this area.

9. It is a condition of the Financial Memorandum (FM) with SFC or the Regional Strategic Body (for assigned colleges) that governing bodies comply with the principles of good governance set out in the 2016 Code of Good Governance for Scotland’s Colleges (the Scottish Code). Colleges are required to include a statement in their accounts confirming compliance with the Scottish Code. In line with the principle of comply or explain, an explanation should be provided in the event that the college's practices are not consistent with particular principles. A form of wording for the compliance statement is included at Appendix 3(a).

10. We recognise that each college will have its own system of corporate governance, reflecting its particular objectives and management processes. However, in preparing their governance statement, colleges should give due regard to the guidance contained in Appendix 3.

11. Colleges should be aware that their external auditors will be reviewing the corporate governance statement as part of their audit and will be including a reference to this in their audit report.

Remuneration

12. The actual total remuneration of the head of the college, disclosing separately salary, bonus, employer pension contribution and benefits in kind. Where there is a change of head of the college during the year, details should be given separately for each person, noting the dates each was in post. Where the head of the college has been paid salary in lieu of pension contributions, this should be explained in the note.

13. The total number of higher paid staff, including senior post-holders, in bands of £10,000, above a threshold of total emoluments (excluding pension contributions and compensation for loss of office) of £60,000. The number of senior post-holders within each band should be separately identified.

14. The aggregate amount of any compensation for loss of office payable to the head of the college and any staff member earning in excess of £60,000 per annum, together with the number of people to whom this was payable, or where the costs of all elements of a proposed arrangement amount to more than £75,000.
Appendix 2

Mandatory disclosures – incorporated colleges

1. Colleges are required to comply with the Government Financial Reporting Manual (FReM) for 2017-18 as well as complying with the SORP. The additional disclosures required in colleges’ annual report and accounts in order to comply with the FReM (i.e. those areas not addressed in the SORP) are set out in the various disclosures below. In cases where there is a conflict between the FReM and the SORP, the latter will take precedence.

2. The disclosures which incorporated colleges must include in the annual report and accounts are outlined below.

The Performance Report

3. Section 5.2 of the FReM requires colleges to include a Performance Report in their annual report and accounts. The report will provide information on the college, its main objectives and strategies and the principal risks that it faces. The report must provide a fair, balanced and understandable analysis of the college's performance. The report, which should be signed and dated by the college principal, should contain an overview and also a performance analysis.

4. As a minimum, the overview should include:
   - A short summary explaining the purpose of the overview section.
   - A statement from the principal providing their perspective on the performance of the college over the period.
   - A statement of the purposes and activities of the organisation including a brief description of the business model and environment, organisational structure, objectives and strategies.
   - The key issues and risks that could affect the entity in delivering its objectives.
   - An explanation of the adoption of the going concern basis where this might be called into doubt, for example where there are significant net liabilities which may require to be funded from public sources.
   - A performance summary.

5. The purpose of the Performance Analysis is for colleges to provide a detailed performance summary of how their entity measures its performance, more detailed integrated performance analysis and also long-term trend analysis where appropriate. As a minimum the performance analysis must include:
   - Information on how the college measures performance, i.e. what the college sees as its key performance measures (e.g. outcome agreement targets,
financial KPIs), how it checks performance against those measures and narrative to explain the link between KPIs, risk and uncertainty.

- A detailed analysis and explanation of the development and performance of the entity during the year and an explanation of the relationships and linkages between different pieces of information.
- Non-financial information including social matters, respect for human rights, anti-corruption and anti-bribery matters.
- Information on environmental matters including the impact of the college’s business on the environment.
- Confirmation of compliance with Scottish Government sustainability reporting in line with the requirements of the Climate Change (Scotland) Act 2009. The Schedule to the 2015 Order sets out the required content for the report to Scottish Government.

**Cash budget for priorities (CBP)**

6. Colleges are required to provide in the Performance Report a breakdown of spend of the cash budget allocation previously earmarked for depreciation ("cash budget for priorities") for Academic Year 2017-18. Colleges have a fixed annual CBP and they should disclose how this has been spent in the academic year. This should take the form of a table showing the expenditure under each heading. An illustrative form of wording for the Performance Report disclosure is given in Appendix 5. The details of each college’s fixed CBP are given in Appendix 8.

**Depreciation Budget for Government-funded Assets**

7. Colleges are required to include a statement at the foot of the Statement of Comprehensive Income (SOCI) and also a note to the accounts explaining the impact of the depreciation budget for government-funded assets. This is required because the depreciation budget allocation cannot be reflected as income in the SOCI under the FE/HE SORP accounting rules.

8. The adjustment is to add the actual depreciation budget to the SOCI surplus/(deficit) in order to reflect the results on a Government accounting basis for the academic year.

9. The form of wording for the statement at the foot of the SOCI and the note to the accounts is set out in Appendix 6.

**Adjusted operating position**

10. The Performance Report must also provide details of the adjusted operating position for Academic Year 2017-18. The SOCI presents the financial performance during the accounting period in accordance with the SORP. The adjusted operating position is intended to reflect this financial performance
after allowing for non-cash adjustments and other material one-off or distorting items required by the SORP. The adjusted operating position is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the college. This should give a better indication of the College’s operational cash generative capacity. Colleges should explain what these non-cash and material one-off or distorting adjustments are, and why they have been made. All adjusting items included in this calculation must be visible (i.e. separately disclosed) in the SOCI or notes as appropriate.

11. The template for the computation of the adjusted operating position is shown in Appendix 7. There is also an example disclosure in Annex G of the Detailed notes for guidance on completion of 2017-18 financial statements.

12. It is important that the calculation of the adjusted operating position is consistent with other disclosures within the Performance Report and accounts. Colleges should contact SFC if they have any questions concerning adjustments to the operating position.

Resource outturn

13. Colleges are required to include in their Performance Report details of their financial year resource outturn for 2017-18 (i.e. to 31 March 2018). This should include a statement of the financial year-end outturn against both Resource and Capital budgets, together with an explanation of any variances.

Payment practice

14. A statement describing the payment practice code or policy adopted on payment of suppliers and performance achieved, together with disclosure of any interest paid under the Late Payment of Commercial Debts (Interest) Act 1998, or a statement that there were no matters to disclose.

The Accountability report

15. The Accountability Report is required to have three sections: Corporate Governance Report; Remuneration and Staff Report; and Parliamentary Accountability report.

Corporate Governance Report

16. The purpose of the Corporate Governance report is to explain the composition and organisation of the college’s governance structures and how they support the achievement of college objectives.
17. As a minimum, the Corporate Governance report must include a directors’ report, a statement of the Board of Management responsibilities and a governance statement. These elements should be clearly identified.

Directors’ report

18. The directors’ report should set out the membership of the Board of Management and also those members of the senior management team who influence the decisions of the college as a whole. Details should be given of any directorships or other interests which the members have or a link provided to the relevant Register of Interests. Any information on personal data-related incidents reported to the Information Commissioner’s Office should also be disclosed.

Statement of Board of Management’s responsibilities

19. The FReM requires government bodies to provide a Statement of Accounting Officer’s responsibilities. However, the SFC Chief Executive is the Accountable Officer for the college sector and is required to provide a governance certificate of assurance covering all colleges to the Principal Accountable Officer of the Scottish Government, based upon certificates of assurance provided by colleges. In light of this unique arrangement, colleges are required to continue to provide a Statement of Board’s responsibilities within their Corporate Governance report.

Governance Statement

20. We require colleges to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the college has complied with good practice in this area.

21. It is a condition of the FM with SFC or the Regional Strategic Body (for assigned colleges) that governing bodies comply with the principles of good governance set out in the 2016 Code of Good Governance for Scotland’s Colleges (the Scottish Code). All colleges are required to include a statement confirming compliance with the Scottish Code. In line with the principles of comply or explain, an explanation should be provided in the event that the college’s practices are not consistent with particular principles. A form of wording for the compliance statement is included at Appendix 3(a). The FM also requires compliance with the Scottish Public Finance Manual (SPFM) and, in preparing the corporate governance statement, colleges must comply with the guidance set out in the Governance Statement section of the SPFM.

22. We recognise that each college will have its own system of corporate governance, reflecting its particular objectives and management processes.
However, in preparing their governance statement, colleges should give due regard to the guidance contained in Appendix 3.

23. Colleges should be aware that their external auditors are required to read the information in the Performance Report and the corporate governance statement and express an opinion in the independent auditor’s report on whether:

- The information given in the Performance Report and corporate governance statement is consistent with the financial statements.
- The Performance Report and corporate governance statement has been prepared in accordance with the accounts direction.

24. As required by the SPFM, details of the college’s estates strategy should also be provided in the Corporate Governance report.

**Remuneration and staff report**

25. Incorporated colleges are required to include within their annual report and accounts a Remuneration and staff report in accordance with Section 5 (Paras 5.3.15 to 5.3.28) of the FReM. Further information is available from the Government Financial Reporting Manual 2017-18.

26. Colleges should also refer to further guidance contained in Employers pension notice EPN 536 which is available on the Civil Service Pensions website.

27. Although EPN 536 deals specifically with the Civil Service Pension Scheme, it does contain a standard format for disclosure and explanations of what should be included in the report in order to comply with the FReM. The Remuneration report should set out the remuneration and accrued pension benefits of senior officials of the College and this will include those set out in the Directors report (see paragraph 18 above).

28. An example remuneration report is attached at Appendix 4. It is important to note that individuals should be informed in advance of the intention to disclose their salary information in this report. There is a presumption that information about named individuals will be given unless there is specific justification for not disclosing this (see FReM paragraph 5.3.17 for circumstances where non-disclosure is acceptable). In other cases it would be for the staff member to make a case for non-disclosure which should be considered by the college on a case by case basis. Where non-disclosure is agreed, the fact that certain disclosure has been omitted should be disclosed.

29. The Staff report must include the following information:

- The number of senior staff by band.
• Staff numbers and costs distinguishing between permanent contract staff and agency/contract staff.

• Staff composition – the number of persons of each sex who were directors or employees of the college.

• Sickness absence data.

• Staff policies applied during the year:
  
  (a) For giving full and fair consideration to applications for employment by the college made by disabled persons, having regard to their particular aptitudes and abilities.

  (b) For continuing the employment of, and arranging appropriate training for, employees of the college who have become disabled persons during the period they were employed by the college.

  (c) Otherwise for the training, career development and promotion of disabled persons employed by the college.

• The number and overall value of exit packages (as approved by SFC under Severance Guidance).

• Other employee matters – such as other diversity issues and equal treatment in employment and occupation; employment issues including employee consultation and/or participation; health and safety at work; trade union relationships and human capital management such as career management and employability, pay policy etc.3

30. In addition, in accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the following information must be published:

• Relevant union officials.
• Percentage of time spent on facility time.
• Percentage of pay bill spent on facility time.
• Paid trade union activities.

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3 This FReM requirement strengthens non-financial reporting for the benefit of users of the accounts and aligns with the introduction of EU Regulations and Directives. Further guidance is available at the following link: http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705(01)
Parliamentary Accountability report

31. The FReM requires the inclusion of a Parliamentary Accountability report and, for Scottish government bodies, the requirements are reflected in the SPFM. The disclosures required are:

- Fees and charges for each service where the full annual cost is £1 million or more, or (if lower) where the amount of the income and full cost of the service are material to the financial statements:
  - Financial objective performance against that objective. The standard approach to setting charges for public services is full cost recovery but the SPFM lists some exceptions e.g. subsidised services.
  - Full cost of the service.
  - Income from charging for the service.
  - Surplus or deficit.

- Disclosure of contingent liabilities, specifically enforceable undertakings given in the form of a guarantee or indemnity which would bind the body into providing the resources in the event of the guarantee or indemnity maturing; or a letter or general statement of comfort which could be considered to impose a moral obligation.

- Disclosure of total losses exceeding £250,000 and total special payments exceeding £250,000.

32. It is not envisaged that the Parliamentary Accountability disclosures will require to be completed by most colleges unless they are material.

33. The Accountability report should be signed and dated by the Principal and Chair of the Board.

Notes to the accounts

34. The audit fees and non-audit fees paid to external and internal auditors.

35. The actual total remuneration of the head of the college, disclosing separately salary, bonus, employer pension contribution and benefits in kind. Where there is a change of head of the college during the year, details should be given separately for each person, noting the dates each was in post. Where the head of college has been paid salary in lieu of pension contributions, this should be explained in the note.

36. The total number of higher paid staff, including senior post-holders, in bands of £10,000 above a threshold of total emoluments (excluding pension contributions and compensation for loss of office) of £60,000. The number of senior post-holders within each band should be separately identified.
Appendix 3

Corporate Governance Statement Guidance for Colleges

1. Colleges are required to include in their annual report and accounts a statement covering the responsibilities of their governing body in relation to corporate governance. This statement is required to indicate how the college has complied with good practice in this area.

2. It is a condition of the Financial Memorandum with the SFC or the Regional Strategic Body (for assigned colleges) that governing bodies meet the principles of good governance, set out in the 2016 Code of Good Governance for Scotland’s Colleges. All colleges are required to include a statement in their corporate governance statements confirming compliance with the Scottish Code. In line with the principle of comply or explain, an explanation should be provided in the event that the college’s practices are not consistent with particular principles. The template to be used for the compliance statement is at Appendix 3(a).

3. Colleges are required to demonstrate robust governance, maintain a sound system of internal control and to ensure that the following key principles of effective risk management have been applied. Effective risk management:
   - Covers all risks – including those of governance, management, quality, reputation and finance – but focuses on the most important risks.
   - Produces a balanced portfolio of risk exposure.
   - Is based on a clearly articulated risk appetite, policy and approach.
   - Requires regular monitoring and review, giving rise to action where appropriate.
   - Needs to be managed by an identified individual and involve the demonstrable commitment of the governing body and the executive leadership.
   - Is embedded into normal business processes and aligned to the strategic objectives of the organisation.

4. Colleges are required to review at least annually the effectiveness of their system of internal control.
Format of governance statement

5. We recognise that each college will have its own system of corporate governance, reflecting its particular objectives and management processes, and the corporate governance disclosures in the annual report will differ accordingly. It is expected that each college will tailor its corporate governance statement to reflect its own individual circumstances. However, good practice suggests that a corporate governance statement should include the following sections:

- **Introduction**, which shows the context and purpose of the corporate governance statement.

- **Governing body**, outlining the governance structure and the role of college committees, and their effectiveness based on in-year reviews.

- **Statement of compliance** with the Scottish Code or explanation for any non-compliance with code principles.

- **Corporate strategy**, outlining the arrangements for strategic development.

- **Risk management and internal control**, setting out the arrangements for identifying, evaluating and managing risks and the arrangements for monitoring internal controls. Include details of any significant risk-related matters arising during the period.

- **Details of any significant lapses of data security**.

- **Going concern**, confirming that the college is a going concern, with supporting assumptions and qualifications as necessary. This disclosure provides support for the use of the going concern accounting policy and should not be inconsistent with the disclosures regarding going concern either in the annual report and accounts or the auditors’ report thereon.

- **Conclusion**, providing any concluding observations or messages.
Appendix 3 (a)

Template for statement of compliance with the 2016 Code of Good Governance for Scottish Colleges

The College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges, and it has complied throughout the year ended 31 July 2018.

or

The College complies with all the principles of the 2016 Code of Good Governance for Scottish Colleges with the exception of xxxx. The college is taking action to address this by xxxx and xxxx and expects to be fully compliant by xxxx.
Template for Remuneration Report (for incorporated colleges only)

Remuneration Policy

1. Colleges should outline here the details of their remuneration policy for the Principal and senior managers and also outline the operation of the Remuneration Committee.

Remuneration (including salary) and pension entitlements

Remuneration (salary, benefits in kind and pensions)\(^4\)

2. The following table provides detail of the remuneration and pension interests of senior management.

<table>
<thead>
<tr>
<th>Name</th>
<th>Year ended 31 July 2018</th>
<th>Year ended 31 July 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Salary £'000</td>
<td>Pension Benefit £'000</td>
</tr>
<tr>
<td>Name A</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Name B</td>
<td></td>
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</tbody>
</table>

3. Where applicable, performance pay or bonuses payable, salary paid in lieu of pension and non-cash benefits should also be disclosed separately in the above table.

Pay multiples

4. Colleges are required by the FReM to disclose the relationships between the remuneration of the highest paid official and the median remuneration of their workforce.

5. The banded remuneration of the highest paid official in the organisation in the financial year 2017-18 was £xxx (2016-17 £xxx). This was x times (2016-17 x times) the median remuneration of the workforce which was £xx (2016-17 £xx).

\(^4\) The details in this table are subject to audit.

\(^5\) The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20 less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.
6. [Explanation for changes in the ratio]

**Accrued Pension Benefits**

7. Colleges should outline here the pension schemes in operation and give a brief explanation of how benefits accrue for the employees.

**Senior Officials Pension**

8. Pension benefits are provided to senior officials on the same basis as all other staff. The accrued pension benefits for senior officials are set out in the table below, together with the pension contributions made by the College.

<table>
<thead>
<tr>
<th>Name</th>
<th>Accrued pension at pension age at 31 July 2018</th>
<th>Accrued lump sum at pension age at 31 July 2018</th>
<th>Real increase in pension 1 August 2017 to 31 July 2018</th>
<th>Real increase in lump sum 1 August 2017 to 31 July 2018</th>
<th>CETV at 31 July 2018</th>
<th>CETV at 31 July 2017</th>
<th>Real increase in CETV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name A</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
<td>£000</td>
</tr>
<tr>
<td>Name B</td>
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</tbody>
</table>

**Cash equivalent Transfer Value (CETV)**

9. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

10. 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 a pension on retirement without reduction on account of its payment at that age; without exercising any option to commute pension entitlement 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 LGPS service and not just their current appointment.

11. In considering the accrued pension benefits figures the following contextual information should be taken into account:

   (i) The figures for pension and 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.
(ii) 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 increase in CETV**

12. 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.

**Compensation for loss of office**

13. xx employees left under voluntary exit terms on xx/xx/xx. They received a compensation payment of £'xxx.

14. xx employees left under voluntary redundancy terms on xx/xx/xx. They elected to take early retirement. The cost to the College of buying out the actuarial reduction on their pension was £xx. They did not receive any additional compensation.

15. The table below summarises the exit packages by cost band.

<table>
<thead>
<tr>
<th>Exit package cost band</th>
<th>Number of compulsory redundancies</th>
<th>Number of other departures agreed</th>
<th>Total number of exit packages by cost band</th>
</tr>
</thead>
<tbody>
<tr>
<td>£10,000</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>£10,000 - £25,000</td>
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<tr>
<td>£25,000 - £50,000</td>
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<tr>
<td>£50,000 - £100,000</td>
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<tr>
<td>£100,000 - £150,000</td>
<td></td>
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<tr>
<td>£150,000 - £200,000</td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Total number of exit packages</td>
<td></td>
<td></td>
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<tr>
<td>Total cost (£)</td>
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## Salaries and Related costs

<table>
<thead>
<tr>
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<th>2018</th>
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<th>2018</th>
<th>2017</th>
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<tbody>
<tr>
<td>Directly employed staff on permanent UK contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other staff including short term contract, seconded and agency staff</td>
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<tr>
<td>Wages and salaries</td>
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<tr>
<td>Social security costs</td>
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<tr>
<td>Other pension costs</td>
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<tr>
<td>Total</td>
<td></td>
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<tr>
<td>Average number of FTE</td>
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</table>

Note: Where the number of staff under any one category of “other staff” is significant, that category should be separately disclosed.

16. The college employed xx females and xx males as at 31 July 2018.

### Facility time

17. In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the College provided the following support through paid facility time for union officials working at the College during the year ended 31 March 2018.

### Relevant union officials

<table>
<thead>
<tr>
<th>Number of employees who were relevant union officials during the relevant period:</th>
<th>Full-time equivalent employee number:</th>
</tr>
</thead>
<tbody>
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</table>
### Percentage of time spent on facility time

<table>
<thead>
<tr>
<th>Percentage</th>
<th>Number of employees</th>
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<tbody>
<tr>
<td>0%</td>
<td></td>
</tr>
<tr>
<td>1%-50%</td>
<td></td>
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<tr>
<td>51%-99%</td>
<td></td>
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<tr>
<td>100%</td>
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</tbody>
</table>

### Percentage of pay bill spent on facility time

- **Total cost of facility time:**
- **Total pay bill:**
- **Percentage of the total pay bill spent on facility time:**

### Paid trade union activities

- **Time spent on trade union activities as a percentage of total paid facility time hours:**
Appendix 5

Spend of Cash Budget for Priorities (incorporated colleges only)

Illustrative form of words for inclusion in Performance Report

1. Following their reclassification as central government bodies from 1 April 2014, colleges are now also required to comply with Central Government budgeting rules. In addressing the impact of these budgeting rules, Scottish Government and SFC committed to providing the cash budget previously earmarked for depreciation for use on specified priorities.

2. Colleges have now each been given a fixed cash budget for priorities (see Appendix 8) which must be spent on agreed government priorities as outlined in the table below. Spend of the College's cash budget for priorities, and impact on the operating position for the academic year, is detailed below.

<table>
<thead>
<tr>
<th>Table of cash budget for priorities spend</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue Priorities</td>
</tr>
<tr>
<td>Student support</td>
</tr>
<tr>
<td>2015-16 pay award</td>
</tr>
<tr>
<td>Voluntary severance</td>
</tr>
<tr>
<td>Estates costs</td>
</tr>
<tr>
<td>Other agreed priorities (give detail)</td>
</tr>
<tr>
<td>Total impact on operating position</td>
</tr>
<tr>
<td>Capital Priorities</td>
</tr>
<tr>
<td>Loan repayments (including PFI, NPD repayments)</td>
</tr>
<tr>
<td>Estates costs</td>
</tr>
<tr>
<td>Provisions pre 1 April 2014 (give detail)</td>
</tr>
<tr>
<td>Total Capital</td>
</tr>
<tr>
<td>-----------------------</td>
</tr>
<tr>
<td>Total cash budget for priorities spend</td>
</tr>
</tbody>
</table>
Appendix 6

Impact of Depreciation Budget on Statement of Comprehensive Income (incorporated colleges only)

Illustrative form of words for inclusion in the statement at the foot of the Statement of Comprehensive Income

1. The Statement of Comprehensive Income is prepared under the FE/HE SORP. The SORP does not permit colleges to reflect the non-cash budget for depreciation in the Statement of Comprehensive Income. Note X provides details of the adjusted operating position on a Central Government accounting basis.

Illustrative form of words for inclusion in the note to the accounts

2. Following reclassification, colleges received a non-cash budget to cover depreciation but this additional budget is not recognised under the FE/HE SORP accounting rules. Colleges may show a deficit equivalent to net depreciation as a result of having to meet Government accounting rules and the requirement to spend the entire cash allocation.

3. Under the FE/HE SORP, the college recorded an operating deficit of £X for the year ended 31 July 2018. After adjusting for the non-cash allocation provided under government rules, the college shows an “adjusted” surplus/deficit of £X on a Central Government accounting basis.

4. This demonstrates that the college is operating sustainably within its funding allocation.

or

5. The deficit is attributable to other factors reflected in the adjusted operating table and the college is therefore operating sustainably within its funding allocation.
<table>
<thead>
<tr>
<th>Surplus/(deficit) before other gains and losses (FE/HE SORP basis) for academic year</th>
<th>2017-18 £'000</th>
<th>2016-17 £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add: Depreciation budget for government funded assets (net of deferred capital grant) for academic year</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating surplus/(deficit) on Central Government accounting basis for academic year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
# Adjusted operating position

(see also model note in Annex G of detailed guidance notes)

The SOCI presents the financial performance during the accounting period in accordance with the FE/HE SORP. The adjusted operating position is intended to reflect the financial performance of the college after allowing for non-cash adjustments and other material one-off or distorting items required by the SORP. The adjusted operating position is therefore designed to smooth any volatility in reported results arising from FRS 102 and also to recognise that some of the reported costs do not have an immediate cash impact on the college. This should give a better indication of the College’s operational cash generative capacity.

<table>
<thead>
<tr>
<th>Surplus/(deficit) before other gains and losses</th>
<th>2017-18 £’000</th>
<th>2016-17 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Add back:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Depreciation (net of deferred capital grant release) on both government funded and privately funded assets including NPD assets*</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Exceptional non-restructuring costs (e.g. impairment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Non-cash pension adjustment - Net service cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Non-cash pension adjustment - Net interest cost</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Non-cash pension adjustment – Early retirement provision</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Donation to Arms-Length Foundation (ALF)*</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Deduct:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Non-Government capital grants (e.g. ALF capital grant)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Exceptional income (if disclosed as exceptional in</td>
<td></td>
<td></td>
</tr>
<tr>
<td>accounts)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>------------------------------------------</td>
<td>-------</td>
<td></td>
</tr>
<tr>
<td>- CBP allocated to loan repayments and other capital items*6</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- NPD income applied to reduce NPD balance sheet debt</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Adjusted operating surplus/(deficit)**

* Incorporated colleges only

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6 This is the element of Cash Budget for Priorities (included in income) which has been used for capital items. The adjustment is made to avoid overstating the surplus (as income is not matched by expenditure).
Appendix 8

Fixed Cash Budget for Priorities per college (incorporated colleges only)

<table>
<thead>
<tr>
<th>Region</th>
<th>College</th>
<th>2017-18 cash budget for priorities £'000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ayrshire</td>
<td>Ayrshire College</td>
<td>1,324</td>
</tr>
<tr>
<td>Borders</td>
<td>Borders College</td>
<td>252</td>
</tr>
<tr>
<td>Dumfries &amp; Galloway</td>
<td>Dumfries &amp; Galloway College</td>
<td>390</td>
</tr>
<tr>
<td>Edinburgh</td>
<td>Edinburgh College</td>
<td>2,547</td>
</tr>
<tr>
<td>Fife</td>
<td>Fife College</td>
<td>2,152</td>
</tr>
<tr>
<td>Forth Valley</td>
<td>Forth Valley College</td>
<td>613</td>
</tr>
<tr>
<td>Glasgow</td>
<td>City of Glasgow College</td>
<td>1,156</td>
</tr>
<tr>
<td>Glasgow</td>
<td>Glasgow Clyde College</td>
<td>612</td>
</tr>
<tr>
<td>Glasgow</td>
<td>Glasgow Kelvin College</td>
<td>442</td>
</tr>
<tr>
<td>Highlands &amp; Islands</td>
<td>Inverness College</td>
<td>496</td>
</tr>
<tr>
<td>Highlands &amp; Islands</td>
<td>Lews Castle College</td>
<td>143</td>
</tr>
<tr>
<td>Highlands &amp; Islands</td>
<td>Moray College</td>
<td>424</td>
</tr>
<tr>
<td>Highlands &amp; Islands</td>
<td>North Highland College</td>
<td>0</td>
</tr>
<tr>
<td>Highlands &amp; Islands</td>
<td>Perth College</td>
<td>529</td>
</tr>
<tr>
<td>Lanarkshire</td>
<td>New College Lanarkshire</td>
<td>863</td>
</tr>
<tr>
<td>Lanarkshire</td>
<td>South Lanarkshire College</td>
<td>197</td>
</tr>
<tr>
<td>North East Scotland</td>
<td>North East Scotland College</td>
<td>1,161</td>
</tr>
<tr>
<td>Tayside</td>
<td>Dundee &amp; Angus College</td>
<td>1,055</td>
</tr>
<tr>
<td>West</td>
<td>West College Scotland</td>
<td>1,639</td>
</tr>
<tr>
<td>West Lothian</td>
<td>West Lothian College</td>
<td>190</td>
</tr>
</tbody>
</table>